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THE POLITICS OF VARIATONS IN U. S. FOREIGN DIRECT INVESTMENT POLICY TOWARDS LESS DEVELOPED NATIONS, 1948-1977: FOCUS ON 1973 POLICY REORIENTATION

by

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ABSTRACT

Title of Dissertation: THE POLITICS OF VARIATIONS IN U.S. FOREIGN DIRECT INVESTMENT POLICY TOWARDS LESS DEVELOPED NATIONS, 1948-1977: FOCUS ON 1973 POLICY REORIENTATION

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Previous studies of U. S. policy towards foreign direct investment in less developed nations by U. S. business corporations fail to fully identify policy content and the interplay of variables over time. Utilizing a public policy approach, this research is limited in scope to investment guaranty and expropriation policy.The policies are conceptualized both as dependent variables which need to be explained and as independent variables with influence on political and economic outcomes in inter-state relations. Drawing on Congressional hearings, historical accounts, roll call votes, nationalization cases, comparative country data, and detailed investment, insurance and aid statistics, the research found that international environmental conditions precipitated the formulation of policy content through a particular policy network concerned with investment issues.

Investment guaranty policy was found to be primarily determined by foreign policy goals, liberal-conservative ideology, the House Foreign Affairs Committee, and Congressional specialists. Politicization of investment issues, accompanied by domestic pressures, caused the breakdown of consensus and policy reorientation in 1973. Investment policy effects, measured by goal aspirations, were marginal but implementation by the Overseas Private Investment Corporation provided unexpected utilities. Adverse effects were created by concentrations of investment, a by-product of unrestricted capital flows.

Expropriation policy was determined by business corporate interests and Congress. As nationalizations of U. S. property increased from 1962-1974, counterproductive policy sanctions were mandated.

To avoid policy decisions as crisis response, the full range of investment policy issues needs a comprehensive coordinated re-formulation through a restructuring of priorities in the Executive branch of the U. S. government and within the international community.

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CHAPTER 1: INTRODUCTION AND METHODOLOGY

JUSTIFICATION

Foreign economic policy has been defined as the sum total of actions by a nation state intended to affect the economic environment beyond the state. Composed of foreign trade, foreign aid, foreign investment, and monetary policy, its objectives are to organize trade and investment so as to maintain or maximize national income and national power.[1] Two dimensions of the politics of foreign economic policy have engaged the attention of scholars: the political sources of U. S. policy determinants and the impact of policy on the international political economy.

Investigation of political determinants has sought to specify the conditions under which international environmental variables or domestic variables dominate the decision process. Within the context of domestic variables, researchers have attempted to discern whether given U. S. foreign economic policies are based on the needs of the collective national economy, the interplay of competing domestic economic interests, or the dominance of major corporate interests. Within the decision process, attention has also been directed to the role of ideological perceptions in the definition of policy options.[2]

Since the 1930's, U. S. foreign economic policy, with its domestic capitalist economic base, has followed the liberal economic ideology that the free flow of goods and investment in world markets maximizes not only U. S. national income but that of the world at large. Critics of U. S. foreign economic policy maintain that liberal ideology is the means by which the U. S. ruling class maximizes its own income, exploits the less developed countries, and manipulates the nation into position as a giant imperialist power. Even with altruistic intent, the critics claim, the consequence of U. S. liberal ideology in an international system of unequal states is continued inequality, dependency, and exploitation rather than generalized economic gains.[3] U. S. foreign economic policy can thus be viewed both as a dependent variable which needs to be explained and as an independent variable with influence on political and economic outcomes in inter-state relations.

Since Blake and Walters (1976) reviewed the literature in vain in 1976 seeking frameworks and empirical research linking domestic and international political variables to economic variables, interest in the field of political economy has rapidly developed, resulting in both specialized and general studies of foreign economic policies and international economic relations. The formulation and impact of U. S. aid policy and U. S. trade policy have been extensively investigated from a variety of approaches. Although the literature on U. S. monetary policy is still quite limited[4], research on U. S. investment policy, originally focused on the impact of multinational corporations[5], has begun to encompass the formulation and implementation of policy.

Since U. S. foreign direct investment policy is believed by critics of U. S. foreign economic policy to be formulated exclusively on the basis of domestic interests dominated by business corporations, there is a need to examine the actual content of U. S. foreign investment policy, the process of its determination, and the method of its implementation over a period of time. Such an examination might best be approached through the framework of a public policy study in which investment policy initiatives can be traced through the decision process to final implementation in the postwar years 1948-1977. The research is organized by time period into the Truman-Eisenhower administrations, 1948-1960; the Kennedy-Johnson administrations, 1960-1968; the Nixon administration, 1969-1974; and the Ford-early Carter administrations, 1974-1977. The scope of the research excludes portfolio investment, U. S. investment in industrialized nations, and U. S. tax policy towards overseas investors. It is thus limited to an investigation of investment guaranty and expropriation policy towards U. S. direct foreign investment, i.e., subsidiaries of American firms located overseas, located in less developed countries.

Investment guaranty policy provides insurance by the U. S. government to U. S. investors in less developed countries against loss of property from the political risks of inconvertibility, expropriation, war, and civil strife. Research to date on the development of U. S. investment guaranty policy is conflicting. The evolution of the policy has been characterized as uneven,[6] a gradual liberalization,[7] and substantially modified under particular administrations.[8] The most significant variables to explain both the development and content of investment guaranty policy were found to be foreign policy goals,[9] corporate preferences,[10] the domestic ideology of free enterprise, and international events precipitated by Latin American nationalism.[11] Although scholars to date have assumed the executive branch to be the initiator of policy, one scholar stipulated that the initiatives of the state were shaped and circumscribed by corporate preferences.

Expropriation policy is the response of the U. S. government to nationalizations of U. S. property in less developed countries. Rosen observed a pattern of rewards and punishment in five cases,[12] Einhorn's investigation of one case revealed both contending ideological differences and bureaucratic politics within the Executive branch,[13] while Lipson and Horst, Bergsten, and Moran[14] found the determinants of variations in policy to be changing corporate perceptions of policy efficacy. Analyses undertaken by international legal scholars[15] demonstrate that while stated U. S. policy towards acceptable compensation standards in expropriation disputes has remained constant since the 1940's, practical policy has moved towards other standards.

The divergence in identification of policy initiatives and determinants can be explained by the lack of an explicit policy focus and by certain limitations within the research perspectives-a relatively brief time period, focus on a particular region, a small sample of cases, or the omission of Congress as a key participant. The wider range of a comprehensive policy study may contribute to the reconciliation of divergent findings and increase understanding of policy processes.

RESEARCH DESIGN

The design of this investment policy study research is longitudinal, schematic, pluralist in approach, and incorporated within a systems framework. While a longitudinal method illuminates the conditions under which policy changes occur, some specificity is sacrificed. The overriding advantage lies in the greater predictive capacity generated by a number of policy decision contexts. The schematic design posits a diagram of the interaction of participants and variables within a systems framework of international and domestic environment inputs, political process decision-making, implementation process outputs, outcomes, and feedback. The pluralist approach is dictated by the competing perceptions, groups, and actors that participate in the investment policy arena. The debates and struggles over investment guaranty and expropriation policy have occurred between the Executive Branch and Congress, between the House of Representatives and the Senate; between ideological coalitions of liberal Democrats/liberal Republicans and southern Democrats/conservative Republicans, between business and labor, and between investment policy attitudes held by the United States and those held by recipient less developed countries. The participants contend over the substantive issues of policy: the pre-eminence of domestic versus foreign policy goals, the desirability of foreign aid vs. private investment to foster economic development, and the consequences of a hard line versus a soft line towards expropriation sanctions.

This policy study will systematically investigate a longer historical span than undertaken by previous studies and will focus on (1) the political context of the universe of nationalization cases as an international variable producing changed perceptions and countervailing power (2) the role of foreign policy goals in investment policy initiatives and decisions with emphasis on the critical relationship between foreign aid and private foreign investment (3) the key position of Congressional committees, leadership and ideological coalitions in the formulation and ratification of policy (4) the 1973 re-authorization decision: a full scale debate of the issues in which divergent ideologies, interests, data, and interpretations of implementation came into play (5) an extensive analysis of policy implementation (6) an accurate data base of the amount of U. S. investment and political risk insurance coverage in all less developed countries from 1955-1977.

The content or substance of investment policy can be classified into four categories: promotion, selective reallocation, risk reduction, and protection. The categories are distinct but not mutually exclusive since selective reallocation and risk reduction may function to increase promotion and protection. Each category may take different forms in accord with preferred values or assumed efficacy.

The hypothesized relationships to be explored can thus be stated as follows: the formulation of investment policy content varies over time in relation to the way in which the international and domestic environment is perceived by policy participants, the strength of competing interests, the politicization of the issues, Executive-Congressional politics, and ideological coalitions within Congress. Implementation of investment guaranty policy varies with the policy content, the structure of the implementing agency, and environmental constraints. Implementation of expropriation policy varies with the perceptions of business interests, participants in bureaucratic politics, Congressional coalitions, and environmental constraints.

Three sets of permanent interests maintain a continuing stake over time in the content of U. S. investment policy: corporations who invest overseas for profit, national income interests who are concerned with collective economic performance, and foreign policy interests who maintain inter-state relationships and guard national security. Their policy preferences are shaped by international and domestic variables; their perceptions (or definition of the situation) of the impact of international and domestic conditions on their interests, interpreted through their ideological predispositions, determine their preferences. The policy preferences of permanent interests as well as those of other interests activated by salient environmental conditions (e.g., labor unions) become demands upon political process decision-makers for specific policy content. The decision-makers, however, form their own policy preferences based on an independent analysis of environmental conditions as well as the competing demands of interests. The permanent interests, occasional interests, policy makers, and implementing agencies form a policy network or investment policy subsystem.

The relationship can be schematically illustrated:

POLICY FORMULATION

Independent Variables	Intervening Variable	Dependent Variable
Environmental Conditions	Policy Network (Interests and Political Process)	Policy Content

POLICY IMPLEMENTATION

Independent Variables	Intervening Variable	Dependent Variable
Policy Content Constraints of Environmental Conditions	Implementation Process	Policy Outputs

POLICY IMPACT

Independent Variables	Dependent Variable
Policy Outputs Constraints of Environmental Conditions	Outcomes

Specification of the variables follows:

POLICY FORMULATION

Independent Variables

Environmental Conditions

1. International Environmental Variables:
   a. Changes in balance of political power:
      Newly independent nations
      Modified spheres of influence
      Counter-vailing power of L. D. C. economic nationalism, manifested by nationalizations, UNCTAD, investment codes.
   b. Changes in international economic system:
      Decline U. S. economic hegemony
      Heightened industrial nation competition
      Relative changes in L. D. C. economic wealth and resources
      Raw material supply - scarcity, commodity cartels.
      Growth of multinational corporation direct investment.
   c. Regime changes.

2. Domestic Environmental Variables:
   Balance of Payments
   Unemployment
   Economic Performance (Recession, Inflation, Growth Rates)
   Growth of U. S. based multinational firms

Intervening Variable

Policy Network

1. Policy preferences of interests.
   (Preferences based on perceived interests and ideology)
   Foreign policy interests - State Department, A.I.D.
   National Income Interests - Treasury Department
   Business Corporations
   Activated interests

2. Policy preferences of Political Process Participants
   President
   Congressional Subsystems
   Congressional coalitions
   Bureaucratic politics.

Dependent Variable

Policy Content
   Promotion or Restraint
   Form of selective reallocation
   Form of risk management
   Protection rules and mechanisms

POLICY IMPLEMENTATION

Independent Variables

Policy Content
Constraints of Environmental Conditions

Intervening Variable

Implementation Process
Guaranty agency
Executive Branch - State Department, Treasury Department, President

Dependent Variable

Policy Outputs
Quantity and location of insurance
Quantity and location of investment
Dispute settlements
Sanctions

POLICY IMPACT

Independent Variables

Policy Outputs
Constraints of Environmental Conditions

Dependent Variables

Perceived impact.
More or less economic development
More or less inequality, dependency
More or less development of L. D. C. radicalism or right wing conservatism
More or less U. S. involvement internal L. D. C. affairs
More or less cooperative, non-conflictual U. S. relations with L. D. C.'s
Better or worse corporate behavior
More or less positive effects U. S. economy
More or less U. S. investment opportunities - closed and open doors, resources, competition

These perceived outcomes become environmental conditions which influence further policy changes in a continuous feedback process.

Certain variables function in dual roles. Foreign policy interests, represented by the State Department, both formulate and implement policy. Environmental conditions stimulate policy changes but also serve to constrain the effects of policy actions. Dependent variables of each phase become independent variables in the next phase. The justification for identifying two collective interests, the national Departments of State and Treasury, along with the private sector as interests competing to influence policy (as in interest group theory) is that although the private and governmental sectors are differentially situated in the political environment, they display similar behavior. Governmental agencies may initiate proposals and seek to defeat proposals initiated by the private sector and vice-versa,[16] depending on the operational balance of political forces.

POLICY VARIABLES: RELEVANT RESEARCH

A number of posited relationships between policy variables suggested by interests, policy-makers, the press, and popular mythology have either not been investigated by scholars or have received scant attention. Others are the subject of a voluminous literature. A review of the literature relevant to the variables at work in the investment policy process cannot be exhaustive. The literature cited may represent a sample of a larger research body, the research most relevant to the variable under investigation, or the only research available.

The extensive body of literature on policy study approaches defines policy as a projected program of goals, values, and practices.[17] Types of policies have been classified as distributive, regulative, and re-distributive;[18] foreign policy types have been categorized as competitive, collaborative, dominant, conflictual,[19] crisis, axiomatic, programmatic[20] and have been organized by issue areas.[21] The actual content of policies in each issue area can also be classified. Swansbrough classified investment policy content as promotion and protection;[22] it has been expanded in this study to include selective reallocation and risk reduction.

International Environmental Variables

Changes in the Balance of Political Power.

Assessments of shifting power alignments between industrial and less developed countries can be found in generalized international relations texts and in research directed to UNCTAD and Investment Codes.[23] Latin American nationalism as a bid for power is well analyzed by Swansbrough.[24] In an evaluation of relative power in terms of U. S. foreign direct investment, Bergsten, Horst, and Moran[25] found that the L. D. C.'s had wrested power from U. S. investors but scholars of the dependencia tradition find that multinational investors, through an international system that controls currency and trade, continue to hold power.[26] Barnet found that all nations have lost power; power has moved directly into the hands of the multinational corporations.[27]

Nationalizations of U. S. investment are events in the international environment of direct concern to business, foreign policy, and national income interests since they may result in loss of property or disputes. Nationalizations are defined as the forced takeover of property by host government decree, legislation, coerced sales, and cancellation of concessions or contracts owned by U. S. investors.[28] Although research has not progressed to a general theory of nationalizations, the literature focusing on the causes of nationalizations clearly demonstrates that multiple variables are at work. The theoretical literature identifies a high degree of foreign ownership and penetration of an L. D. C. economy as the causal factor inducing nationalizations (dependencia); some empirical work has sought to verify this proposition.[29] Socialist or Marxist ideology, by virtue of its tenets, requires nationalization of key economic sectors;[30] socialist regimes in less developed countries will nationalize U. S. property if it is invested in a sector slated for general nationalization. Empirical studies attibute nationalizations to the international system variables of economic nationalism and range of L. D. C. options[31], the obsolescing bargain terms between host governments and investors[32], and host government domestic variables. Host government domestic variables that influence L. D. C. governments to nationalize foreign investment include rising expectations[33], failing economic performance, and rising internal collective protest[34]. Nationalizations are not likely to be undertaken, however, by L. D. C.'s at a low stage of economic development and state administrative capacity[35]. A further stimulant to nationalizations is the spillover effect[36]. Firm-specific empirical research such as that conducted by Bradley[37] concludes that a greater number of nationalizations occur in the natural resource sector and among firms with middle range technology, assets over $100 million, low vertical integration, and engaged in joint ventures with L. D. C. host governments. Low rates of nationalization occur in the manufacturing sector and in cases of joint ventures between foreign firms and private investors in the host nation. Bradley found no relationship between corporate behavior and the likelihood of expropriation.

It has been suggested in the literature that the increased incidence of nationalizations in the 60's and early 70's represented one-time take-overs by newly independent, newly socialist, or institutionalized regimes newly-aware of the obsolescent bargain-once primary export and other key sectors came under L. D. C. control, the rate of nationalizations could be expected to decline.[38] There is little research on the effects of nationalization of U. S. property on economic relationships between the U. S. and the L. D. C.'s. Although Rosen found decreased U. S. trade, aid, and investment following nationalizations by regimes that closed doors to be followed by increased flows when new regimes "re-opened doors" in five cases,[39] generalized conclusions could not be drawn. Research into the actual as opposed to the anticipated beneficial effects of nationalizing foreign investment on host country economies has been undertaken by economists and in the case studies.[40] The effect varies from positive in the oil sector to neutral or disadvantageous in other sectors; the research is not exhaustive or comparative, however.

International Economic System Changes

Changes within the international economic system creating international economic interdependence, the decline of U. S. economic dominance, and the rise of heightened industrial nation economic competition are documented in both general and specific research.[41] Relative changes in L. D. C. economic wealth and resources are documented in governmental statistical research and analyses undertaken by the World Bank.[42] Raw material supply changes in relation to dependence of U. S. investors on supplies from the L. D. C.'s have been studied by governmental agencies[43] and scholars of differing perspectives. Neo-Marxist and dependencia scholars who are committed theoretically to the proposition that U. S. business interests are dependent on a supply of raw materials are joined by more pragmatic scholars[44] who cite contemporary evidence of such dependence. These researchers are disputed by others[45] who anticipate that future alternative supplies will be adequate. The limitation of raw material supply by commodity cartels other than the OPEC oil cartel is assessed by Blake and Walters[46] to be of potential negligble significance. The political and economic implications of the growth of multinational corporate direct investment has been analyzed extensively. Alternative models which predict either global welfare or loss of national sovereignty are posited or analyzed by Gilpin, Barnet, Vernon, Horst, Bergsten, and Moran.[47]

Regime Changes

Although the comparative politics literature has investigated military regimes in L. D. C.'s and the relationship of modernization to economic and political development,[48] there is virtually no systematic research analyzing the relation of regime change to U. S. direct foreign investment in the L. D. C.'s other than the specific case studies of nationalizations and the five cases studied by Rosen.

Domestic Environmental Variables

Continual U. S. balance of payments deficits from the 1950's forward, inflation and unemployment from the 1960's forward, recurring recessions, and the growth of U. S. multinational firms are domestic conditions summarized in the economics and multinational corporations literature.[49]

Policy Networks

Interests

Interests and ideology are determinants of policy preferences. Drawing on a definition by Converse, a policy network participant's ideology refers to the attachment of political meaning to an event consistent with previously held values and beliefs to economize absorption of new political information.[50] The values and beliefs most relevant to investment policy are private enterprise ideology, anti-Communist shared images, the dogma of American liberalism, and the persistent progressive, liberal, and conservative coalitions in Congress.[51] Consistent, continuing links between Congressional policy and liberal-conservative ideologies are based, according to Schneider, on different core dispositions towards privilege and deprivation at home and abroad, mediated by theories of the economy.[52]

Interests refer to a perceived stake in the outcomes of a policy. A discussion of corporate business and domestic economic interests can be found in the interest group literature, elitist theory literature, and the multinational corporation literature.[53] The empirical work of Russett suggests that ideology is more important than perceived interest to business preferences on foreign policy issues.[54] Bauer, Pool, and Dexter's work[55] still provides the best understanding of divisions within the corporate business community and the relatively weak effect of business attempts to influence foreign economic policy legislation. Foreign policy bureaucratic politcs are described by Halperin; Einhorn and Cohen are sources of information on national income interests represented by the Treasury Department within the bureaucratic politics framework.[56]

The politicization of issues as a means of activating a widened circle of interests and redefining policy questions[57] is an important conceptual link between interests, ideology, and variations in investment policy content over time.

Political Process

The policy preferences of the President in the successive administrations under study are outlined by Lipson, Whitman, and Swansbrough, augmented by the memoirs of Rogers and Levinson.[58] The executive-legislative relationship in foreign economic policy, which he terms interbranch politics, is analyzed by Pastor.[59] The Congressional subsystem can be understood by studies undertaken by Robinson, Franklin, Fenno, Holt, Manley, and others.[60] The basis for policy decisions can be reviewed in light of general decision theory, Congressional decision theory, and interest group theory.[61]

Implementation

The Implementation Process

Variables appropriate to analysis of the implementation process are discussed in the policy literature.[62] Goal priority, mandate ambiguity, agency resources, latitude for discretion, limitations on authority, and scope of possible action are applicable concepts for implementation of guaranty policy. The corporate structure of OPIC was itself a factor producing effective dispute settlements, according to the only analysis of implementation undertaken.[63] Bureaucratic politics is the only approach and a hard-soft line the only concept applied thus far to the implementation of expropriation policy.[64]

Policy Outputs

Foreign direct investment firm-specific decision theory is incomplete. Factors found to be influential[65] in foreign investment decisions made by firms include market opportunities (expansionist or defensive), raw material access, decreased cost of production, and escape from domestic restrictions. Deterrents to U. S. foreign direct investment include lack of knowledge of L. D. C. investment opportunities, estimates of non-profitability, and political risks. Some, but not all, of these factors can be influenced by public policy and political variables.

A major purpose of U. S. investment guaranty policy is to remove the barriers of political risk through insurance. Although there is no literature on political risk insurance, there is an emerging literature on political risk per se.[66] This literature, potentially useful to both public and private insurance underwriters, seeks to identify risk variables and develop a methodology by which relative risk can be predicted.

The policy outputs of investment guaranty policy include complete data on the volume and location of insurance contracts by country and year, variations in volume and location over time, and the relationship of insurance to investment over time. It also includes complete data on U. S. direct foreign investment in the L. D. C.'s by country and year,[67] indicating trends in insured investment and that which is uninsured and not directly affected by guaranty policy.

Certain other variables have been introduced in conjunction with the investment and insurance data base. These variables have been hypothesized in earlier research to be related to investment and insurance patterns. The variables are: (1) GNP. GNP has been hypothesized as the primary determinant of investment patterns.[68] Investment as a percentage of GNP could be used as a measure of political risk. (2) U. S. foreign aid - economic and military. U. S. aid has been hypothesized as an instrument devised to provide the infrastructure needed for U. S. investors, who then protect themselves with

U. S. government insurance.[69] It has also been hypothesized as a means of protecting U. S. investment already in place, further stimulating new investment in the country, buttressed by insurance.[70] A third hypothesis suggests that U. S. aid is extended for political purposes and may or may not co-vary with investment patterns. (3) Trade. Economists have demonstrated a reciprocal relationship in which U. S. trade patterns determine investment patterns and investment patterns influence trade patterns.[72] Trade partner relationships are noted.

The purpose of these additional variables is to analytically separate those policy variables which may have an independent (trade) or conditional (aid) effect on investment patterns. These variables are among those that need to be assessed in a measurement of outcomes. Since investment decisions are made by business firms, they represent a direct response to environmental conditions mediated by public policy.

Policy Impact

The perceived impact of investment policy is the attribution of an objective condition or trend to the nature, location, or volume of U. S. foreign direct investment. Perceived impacts by scholars are discussed in the literature previously cited. Economic growth rates are a variable utilized to measure economic development impact.

POLICY IMPACT PERCEIVED BY POLICY PARTICIPANTS

As U. S. investment policy evolved from 1945-1977, four perceptions of the relationship of investment guaranty and expropriation policy to political and economic outcomes developed into positions advanced by policy makers. Two positions were consistently held until the 1960's. After 1960, two additional positions widened the spectrum. These four positions are:

1. Increased provision for and use of political risk insurance will lead to the following outcomes: interference with the market which should be the mechanism to determine the quantity, nature, and location of foreign investment in the L. D. C.'s, unnecessary regulation of business, increased nationalizations of U. S. business encouraged by insurance coverage of compensation, increased L. D. C. restrictions on private enterprise which serve to dampen their investment climates, increased acceptance by the U. S. of state enterprises and socialism in the L. D. C.'s. Foreign aid is a give-away; economic development should be stimulated by U. S. enterprises in the L. D. C.'s. A hard line and sanctions should be the U. S. response to investment disputes. This position was advanced by large business corporations until the mid-50's but varied thereafter. It was advanced by conservative Republicans and southern Democrats until the 1970's.

2. Increased provision for and use of political risk insurance will lead to the following outcomes: increased business investment, increased U. S. exports, increased access to critical raw materials, economic development of the L. D. C.'s, and depoliticized, non-confrontational settlement of investment disputes. Effects on the U. S. economy will be beneficial or neutral. Private investment and foreign aid are both needed for economic development. U. S. policy in investment disputes should be decided on a case by case basis. This is the position taken by most business corporations after the mid-1950's, by moderate and liberal Republicans, by moderate Democrats, and by liberal Democrats until the 1970's.

3. Increased provision for and use of political risk insurance will lead to the following outcomes: increased business investment in the L. D. C.'s, decreased business investment in the U. S., increased subsidy of the multinational corporations, a loss of jobs for U. S. workers. The effect of investment on economic development in the L. D. C.'s is

not known and disputes should be settled on a case by case basis. This is the position taken by U. S. labor unions after 1970. It gained the support of many liberals in both parties after 1970.

4. Increased provision for and use of political risk insurance will lead to the following outcomes: increased business investment in the L. D. C.'s in direct equity form, increased U. S. involvement in the domestic affairs of the L. D. C.'s, increased U. S. government confrontation in investment disputes, increased U. S. exploitation of L. D. C. economies with accompanying lack of economic development and greater disparity of income, increased political turmoil within the L. D. C.'s, increased U. S. support of right wing L. D. C. governments, increased nationalizations of U. S. property. A soft line should be U. S. governmental response to investment disputes. This was the position of many liberals in both parties after 1970.[73]

METHODOLOGY

Policy Formulation

For each presidential administration time period, the variables which represent international and domestic conditions are introduced into an introductory context in which data on current international and domestic conditions, drawn from historical accounts, are incorporated in a section on Presidential priorities. Specific data on investment trends, nationalizations, the investment climate overseas, L. D. C. coalitions, and significant regime changes derived from U. S. Commerce and State Department sources are also included. For each presidential administration, the domestic political alignment, based on Congressional Quarterly data, is outlined to indicate the political party relationship of the President to majorities in both houses of Congress and the political and ideological composition of Congress.

An analysis of policy formulation in each Presidential period includes Executive and Congressional branch formulation; the relationship of foreign aid and foreign policy interests; the preferences of national income, corporate business, and other domestic interests; the information on implementation available to policy makers; and the politicization of investment disputes. Congressional hearings provide the best source of information, other sources utilized include reports of presidential advisory commissions, presidential messages, memoirs, the Congressional Quarterly, AFL-CIO platform proposals and position statements, League of Women Voters legislative files, records of the Americans for Democratic Action, and accounts in periodicals, newspapers.

Identification of the determinants of policy is based on the written statements of the participants on the record, the judgment of experts, staff, and journalists, a comparison of benefits and costs to the interests of participants from proposed policy content, and roll call vote analysis. Roll call votes are analyzed on a liberal-conservative scale derived from the records of the Americans for Democratic Action and the Congressional Quarterly.

The fullest attention is given to 1973 as a pivotal decision point; politicization of both foreign policy (U. S. involvement in Vietnam and Chile) and domestic policy (labor union drive to curtail overseas direct investment by U. S. multinational corporations) substantially modified investment guaranty policy trends.

Each decision point - 1969, 1973, and 1977 - could be the focal point of a more intensive and exhaustive policy study of that decision context. Roll call vote analysis of investment policy issues could be incorporated into a quantitative analysis of roll call votes on a number of dimensions; the liberal-conservative dimension is the focus of interest here.

Policy Implementation, Outputs, and Outcomes

Implementation practices of the Investment Guaranty Program under AID and OPIC were derived from the published annual reports of both agencies, the testimony ofthe implementing agencies and business firms in Congressional hearings, commentary in scholarly journals, and reports of the General Accounting Office and Library of Congress.

Quantitative data was obtained from OPIC, AID, the World Bank, and the Commerce Department. Commerce Department investment statistics have only been compiled for the universe of less developed countries since 1966. There are major problems in working with Commerce Department data. Their statistics understate both book value and going concern value substantially, obscure some new investment, do not capture third-party investment sources, and distort the data for 1966 by showing decreases in investment created by 1966 benchmarking rather than the increases which actually occurred.

An appropriate methodology for examining the data would be a time-series analysis to determine variations in both short and long term direction and rate of change over time in investment flows and insurance coverage. The results could then be correlated through quantitative techniques with other economic and political variables. Although multiple regression utilizing operationalized independent variables from the hypothesized relationships in the schemata would ultimately be useful, immediate insight could be obtained by finding the strength of the relationship between GNP and percentage or dollar increases in investment in each country at four year intervals through partial correlation with controls for (1) left, center, and right regimes (2) the magnitude of nationalizations within each country (3) region: Latin America, Africa, Middle East, Asia (4) the percentage increase in insurance. The correlation co-efficients obtained would indicate the degree to which the correlation between GNP and investment was affected by regime ideology, by the political risk posed by nationalization incidence, and by region. The control for insurance should strengthen the hypothesized relationship. The relationships are shown here by percentages in tables found in the body of the text and the appendix. Before proceeding to quantitative analysis, more precise indexes of left-right orientation and nationalization magnitude need to be constructed. Nationalization magnitude requires additional data on the value of assets beyond that reported in the State Department nationalization data. Further consideration also needs to be given to the uneven distribution of data and to whether book value alone is sufficient for use as investment data.

The implementation of expropriation policy has been obtained from the State Department nationalization history, the case studies, country data in The Europa Yearbook, and State Department notes, and newspaper reports. No attempt was made to inspect State Department files. To the extent they become unclassified, a fuller understanding of U. S. response to nationalizations could be obtained from both State Department and Embassy materials. Greater understanding could also result from interviews with business executives, host country officials, and other knowledgable persons in the field in the host countries. The case histories vary in the degree to which information is reported from the field. The case histories themselves are limited to Latin America and Middle-Eastern oil; there is no known research on nationalizations and the context in which they have occurred in Africa and Asia. The nationalizations, their political context, and U. S. response have been analyzed in table and evaluative form.

CONCLUSIONS

Conclusions as to the politics of investment policy as both dependent and independent variable will be drawn in accord with the original hypothesized relationships. Attention will also be given to unanswered questions, incomplete data, a future research agenda, and alternative policy strategies.

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CHAPTER 2: INVESTMENT POLICY IN THE 50's: THE TRUMAN AND EISENHOWER ADMINISTRATIONS, 1948-1960

I. The Truman Administration

Context: Presidential Priorities and Domestic Political Alignment

To trace the growth of U. S. direct investment in the L.D.C.'s and the politics of investment policy, it is necessary to begin with the Truman administration, 1948-1952. Containment of Soviet Union expansion and rebuilding Europe were the dominant foreign policy priorities of the Truman administration. In reaction to the fall of China and to Soviet threats in Europe, Greece, Turkey, and Korea, Truman countered with the Marshall Plan, NATO, aid to Greece and Turkey, Point 4, and intervention in Korea.

The reconstruction of Europe under the European Recovery Act (Marshall Plan) and many instruments of containment policy involved substantial U. S. foreign aid appropriations which had to be approved by Congress. In the area of U. S. foreign economic policy, President Truman utilized the device of appointed special commissions to develop proposals that could be translated into aid, trade, and investment legislation backed by prestigous commission members from business and the professions. Although the House of Representatives in its first term, 1949-1950, contained a sizable Democratic majority, the Senate Democratic majority consisted of eight votes and a combination of Southern Democrats and conservative Republicans could easily prevail. The by-elections in 1950 reduced the Democratic Senate lead to two votes and reduced the House majority by 56 votes. All major leadership and committee posts were held by Southern Democrats.[1] Since the large financial commitments sought by the Truman administration had to be guided through a moderate-conservative Congress, it is not surprising that foreign economic policy was cast in terms of national security needs and required consultation with the business community for their support.[2]

Investment and Investment Climate Patterns

During the post-war years of the Truman administration, U. S. direct investment overseas can be characterized as relatively small, increasing at a gradual rate, and slightly higher in the less developed than in the developed regions of the world. From 1943, the middle of World War II, until 1950, U. S. direct investment worldwide only increased $4 billion, from $8 billion to $12 billion. In 1950 the $12 billion in direct investment was allocated on the basis of 47% in Europe, Canada, and Oceania (Austrailia, New Zealand) and 53% in Asia, Africa, Latin America, and the Middle East. An increase of $1 billion in direct investment in 1951 resulted in essentially the same geographic allocation (48% and 52% respectively).[3]

In 1948 the only stimuli to direct investment abroad were opportunities located by the firms themselves, inducements provided by foreign countries, and provisions in the U. S. tax code construed to be favorable. There were no specific U. S. public policy incentives or disincentives. There was also little formal protection of U. S. investment beyond that provided by customary international law. By 1948, the U. S. had negotiated bilateral treaties of Friendship, Commerce, and Navigation, known as FCN treaties, with eight countries which provided for just compensation and due process of law in the event of property take-overs. Two of these treaties were with less developed countries - Honduras and Liberia.[4]

There had been no threats to American business interests abroad during the war years; the most recent precedent of a nationalization dispute went back to the Mexican oil nationalizations of 1938. There was, however, considerable discussion of the investment climate abroad. In the immediate post-war period, the meaning of a poor investment climate referred to both instability and internal Communist movements in developed European nations. Although Peron in Argentina exhibited anti-Americanism and "radicalism", most L.D.C.'s of this period were not considered poor investment risks due to left wing governments but because of the instability produced by frequent coup d'etats (Latin-America) and conflicts (Kashmir, Israel). Many less developed nations had yet to achieve independence. From this background a new U. S. investment policy instrument emerged in the Truman administration with the introduction of U. S. government backed foreign direct investment guaranties. The guaranties were designed to promote U. S. investment in Europe.

INSURED INVESTMENT POLICY FORMULATION

The first U. S. foreign investment guaranty, limited to inconvertibility of foreign currencies, was included in the Mutual Security Act of 1948 as part of the Marshall Plan. The guaranty as a policy instrument originated with bankers who were among the appointed business leaders serving on the President's Committee for Financing Foreign Trade, known as the Aldrich committee, in 1947. Their rationale was that guaranties would bridge the lack of confidence in European political stability that prevented the movement of U. S. capital needed for financing reconstruction.[5] U. S. government officials stressed the need to encourage foreign investment, viewing the public investment as requisite pump-priming for the recovery of the private sector. U. S. private foreign investment would supplement and complement direct U. S. grants. Assistant Secretary of State Dean Acheson in 1944 felt private investment must be complementary to public foreign aid; the official National Advisory Council to the President on International Monetary and Financial Problems, created in 1945, maintained that the greater the extent of private capital investment, the greater would be the ability of government to withdraw from large scale public lending without sacrificing foreign policy objectives.[6]

The provisions pertaining to insurance in the original Economic Cooperation Act of 1948 provided that the money used to back investment guaranties out of the $300 million authorized for that purpose be subtracted from the total funds appropriated for Marshall Plan loans. The guaranties, limited strictly to the risk of inconvertibility, were made conditional upon the negotiation of treaties with each foreign country specifying guidelines for the drawing up of detailed investment guaranty agreements. Guaranties applied only to new investment and to direct rather than portfolio investment in order to create incentives for capital to flow into employment-producing growth-generating sectors.

The House of Representatives strongly supported the guaranty feature of the Economic Cooperation Act but the Senate opposed it, a pattern which persisted in the House and Senate for over 25 years. A key leader in the drafting of the guaranties was Representative Jacob Javits of New York. The business community was divided, ambiguous, and apprehensive about the guaranties. Foreign investment had a particular business constituency - those firms large enough to establish subsidiaries abroad, firms related to import-export trade, firms needing foreign natural resource supplies, firms in the natural resource extraction business, and the banking institutions supplying capital for overseas ventures. At the outset, the investment guaranty program was supported by financiers and bankers, the Committee for Economic Development, the National Planning Association, the Detroit Board of Trade, the American Bar Association, and the U. S. Chamber of Commerce. Although Lipson[7] found that neither industrial groupings nor any definable classifications of individual firms could predict policy stands on the guaranty program, disagreement was expressed by the National Foreign Trade Council, composed of most large foreign investors, the National Association of Manufacturers, and respondents in a poll conducted by Business Week. While the opposition agreed that foreign investment should be encouraged, they viewed the obstacle to investment to be the poor investment climate created by foreign countries; it was, therefore, the responsibility of those countries to improve that climate in order to encourage investment. The guaranties, they felt, would only absolve foreign governments of their responsibilities and might, in fact, encourage them to block convertibility since investors would be compensated by insurance. In addition to fears that insurance would provoke the very acts it sought to prevent, opponents of guaranties agreed with three other objections raised by the U. S. Council of the International Chamber of Commerce when it endorsed the program for a trial period - the screening of desirable from undesirable investments would be an unwarranted intervention by government into private business decisions; encouraging new investments would discriminate against existing investments; payment of claims could result in substantial losses to U. S. revenues.[8]

Since the Marshall Plan was directed to European countries, the investment guaranty provisions did not apply to investors in less developed countries. When Latin American nations requested a foreign aid program of the magnitude of the Marshall Plan for their continent, Secretary of State George Marshall responded by pointing out that conditions did not warrant massive U. S. public aid to Latin America - the region was not devastated by war and Latin American circumstances were not comparable to Europe. U. S. Government officials suggested that development in the less developed countries could be achieved through loans from the World Bank and the Export-Import Bank and by instituting an investment climate attractive to private capital.[9] In 1949 President Truman inaugrated the Point 4 program, a plan to provide U. S. technical assistance to underdeveloped nations. At the same time, the President, Secretary of State Acheson, and Secretary of Treasury Snyder all issued an appeal for increased private foreign investment. President Truman, in addition, asked for expansion of the investment guaranty program to less developed nations, increased efforts to negotiate investment treaties, and an intensified program to provide information about investment opportunities in the L.D.C.'s to U. S. business firms. Secretary of Commerce Averell Harriman was instructed to seek additional treaties of Friendship, Commerce, and

Navigation with other countries in order to secure equal treatment of U. S. private investors with host country nationals and other foreign investors.[10] Five such treaties were negotiated during the Truman Administration but only one, Ethiopia, was concluded with a less developed country.[11]

In the consideration of liberalization of the guaranty program in the 1949 Economic Cooperation Act, however, the State Department arguments supporting expansion of coverage to the L.D.C.'s were contradicted by Treasury Secretary Snyder's testimony before the House Foreign Affairs Committee questioning the effectiveness of such expansion. By 1949 only 12 applications had been received and only one guaranty had been written by ECA. ECA Administrator Paul Hoffman explained the low volume by the newness of the program and uncertain conditions; President Truman claimed low volume could be attributed to lack of interest by U. S. investors in European opportunities; House Foreign Affairs spokesmen blamed the lack of response on the program's limitations written into the legislation itself and on the Senate. The House Foreign Affairs Committee had found the major obstacle to expansion of the program in the Senate to be Senator Walter George (D., GA), Senate Finance Committee Chairman throughout the Truman Administration.[12] U. S. business did not support expansion of the guaranties to the L.D.C.'s, maintaining that the L.D.C.'s themselves should safeguard foreign investors. The 1949 amendments, in the end, liberalized slightly the guaranty's maximum face value and certain eligibility requirements but the desire of the House for geographical expansion did not prevail over Senate opposition. The amended act also contained an important provision designed to clarify the U. S. legal position and to protect both American investment and a potential drain on the U. S. Treasury. This provision established U. S. subrogation rights - after the payment of a claim under an investment guaranty, any currency or credits forthcoming from the investment would become the property of the United States Government; the "U. S. Government shall be subrogated to any right, title, or claim in connection with it."[13]

In 1950 the Gray Commission, appointed by the President to review foreign economic policy, issued a report addressing the question of development. The report termed the investment guaranty program a "worthwhile experiment". The commission pointed out, however, that private investment alone could not finance economic development and recommended tax incentives and treaties covering inconvertibility and expropriation to assist investment flow to the L.D.C.'s. The record of the debate over the 1950 economic recovery act reveals the House of Representatives urging expansion of investment guaranties to the L.D.C.'s but the Senate and ECA administration successfully opposing expansion. However, the House Committee on Foreign Affairs was able to extend the coverage of the guaranties to war risk and expropriation and extract from ECA a statement of intent to administer the program vigorously so as to obtain greater participation on the part of investors.[14]

A new Presidential Commission, The International Development Advisory Board, was chaired by Nelson Rockefeller in 1951. Rockefeller's group presented a report entitled "Partners in Progress" which concluded that the less developed countries could not achieve economic development without combined efforts of national government, international agencies, and private groups. The study specifically suggested commercial treaties, certain risk guaranties, tax credits, a private investment arm of the World Bank, and appointment of a businessman to help administer the foreign aid program.[15] The 1950 Korean War outbreak helped to create the climate needed to inspire the one change in guaranty program coverage included in the 1951 Mutual Security Act, i.e., extension of the guaranty program to all areas and countries in which the Mutual Security Act was authorized. An amendment to the Act, sponsored by Senator Benton, was also adopted which stated that the Mutual Security Act should be administered so as "to eliminate the barriers to, and provide the incentives for, a steadily increasing participation of free private enterprise in developing the resources of foreign countries consistent with the policies of the Act."[16]

The Paley Commission on raw material policy in 1952 reported that the investment guaranty program's effectiveness could not yet be judged but business community opinion continued to question whether the program encouraged business to invest and encouraged better investment conditions abroad.[17] The 1952 Mutual Security Act left the guaranty program unchanged; Congress urged better administration of the program; the program, along with foreign aid, was lodged in the Mutual Security Agency for administration.[18]

POLICY TOWARDS UNINSURED INVESTMENT

The U. S. State Department had long been committed to the protection of the lives and property of U. S. citizens abroad. Precedents for U. S. Government action in nationalization disputes in which U. S. interests were involved dated back to the 1920's when cases in Nicaragua, Guatemala, and Bolivia were settled by ad hoc Foreign Claims Settlement Commissions. Nationalizations in Mexico, culminating in the oil company takeovers in 1938, set a precedent of competing U. S. policy interests over appropriate action, the announcement of the American standard of "prompt, adequate, and effective compensation" but settlement below book value, and U. S. loans to the nationalizing government to help pay the compensation.[19]

A significant precedent for U. S. investment policy developed during the Truman administration. The precedent, U. S. intervention in a nationalization dispute, occurred when Premier Mossadegh of Iran seized the Anglo-Iranian Oil Company in 1951. The Iranian action stemmed from the oil company's refusal to allow a review of its books when the government sought to obtain a greater share of the profits. No U. S. company held an interest in Anglo-Iranian oil but all U. S. companies participated in an attempted boycott of Iranian oil after the government seizure.

Although accounts differ, the U. S. was concerned to ensure a flow of oil to European markets and to protect the political security of Iran, a border state to the Soviet Union. Since Premier Mossadegh was perceived as a left-wing Soviet sympathizer, he was overthrown by a C.I.A. coup and succeeded by the Shah, Reva Pahlevi. An oil consortium was formed.[20] U. S. sponsorship of the coup was not known for almost twenty years.

Not only was the intervention itself a U. S. policy precedent but the controversy over whether the intervention was designed to serve business interests or anti-Communist security interests re-appeared in all subsequent U. S. interventions. In view of the difficulty in ousting Soviet troops in Iran after World War II, there was ample reason to fear Soviet expansion. Decisive action to contain Soviet communism was standard procedure in the Truman administration. It is possible, however, that business interests overstated the threat posed by Mossadegh in order to instigate the intervention.

During the last year of the Truman administration, a new reform-oriented government in Bolivia nationalized the tin industry, the nation's basic resource, in which U. S. firms held one-fourth interest. The companies negotiated for compensation and no disputes arose requiring a U. S. policy response.[21]

INVESTMENT POLICY DETERMINANTS

The investment guaranty program inaugurated in the Truman administration expanded gradually. Policy content consisted of promotion of investment in Europe, but not the less developed countries, and protection of U. S. security interests arising from nationalization disputes. President Truman, the State Department, and the House Foreign Affairs Committee supported the investment guaranty program and urged its expansion but were opposed by the Treasury Department and the Senate while business opinion was divided. Support for both foreign aid and the investment guaranty program was provided by Democrats and liberal Republicans; opposition came from conservative Republicans and Southern Democrats.

The ideological coalitions of liberals and conservatives, the difference in outlook between the House and Senate, and the clash of views between the State and Treasury Departments over investment guaranty policy were patterns established in the Truman administration; these patterns were continuous from 1948 through 1973.

Most of the issues raised in the initial stages of the program under the Truman administration continued to be issues through 1977, although new issues would later arise. The perennial initial issues were the responsibility of the L.D.C.'s to maintain a favorable investment climate, the degree of probability that insurance would encourage L.D.C. governments to take over an insured firm with impunity, and the potential loss to the U. S. Treasury of claims payments. Conservative Republicans and some elements of the business community were concerned with all of these issues. The Treasury Department, with ties to the business community, shared some of their apprehensions but was primarily concerned with revenue loss. The State Department focused on facilitating economic relationships abroad and fostering economic development. The issue that would subside was the fear by corporate interests of government intervention in private business decisions.

II. The Eisenhower Administration

Context: Presidential Priorities and Domestic Political Alignment

The foreign policy priority of the Eisenhower administration was to contain Communism within the context of the Cold War. In the first Eisenhower administration, 1953-1957, attention focused on the Far East and Europe. Policies centered on the Far East were the negotiations for a Korean war truce, a conference on Vietnam following the withdrawal of the French, the creation of a collective security alliance (SEATO), and

U. S. military and economic assistance to non-Communist Asian nations. Eisenhower's Secretary of State, John Foster Dulles, was critical of Third World neutrality in the Cold War; L.D.C.'s who lined up as pro-U. S. and anti-Communist were rewarded with aid. The Secretary of State was also concerned in both administrations with the Cold War in Europe, adopting a policy of "brinkmanship" with regard to East European Soviet satellites, but disregarding other continents until events forced action to be taken. In Latin-America, concern over the administraion of Arbenz led to U. S. intervention in Guatemala in 1954.

In the second Eisenhower administration, foreign policy attention shifted to the Middle East in response to the defiance of Egyptian leader Nasser, Egypt's nationalization of the Suez Canal, and British-French-Israeli invasion of Egypt. The changing power balance led to an Eisenhower Mideast Doctrine, implemented by the U. S. landing of Marines in strife-torn Lebanon and to support for King Hussein of Jordan. Revolutions in Algeria, Morocco, and Tunisia as well as insurrections in Iraq and Yemen represented de-colonization in North Africa, breakdown of the Baghdad Pact, and changing political forces in the region. Latin-America, beset by adverse trade balances and poverty, was ignored until Vice-President Nixon was stoned in 1958 in Venezuela and Castro assumed power in Cuba in 1959.

During Eisenhower's first term of office, the Republicans held a slight majority in both houses of the first session and the conservative coalition of southern Democrats and conservative Republicans was secure. During the second session and the first session of the second term, the Democrats controlled both houses by slight majorities; the conservative coalition could win some issues but not others. In the final session of Eisenhower's second term, 1959-1960, the Democrats wielded a healthy majority in both houses; liberal and moderate Democrats exercised leadership posts and Eisenhower was dependent on Democratic votes for policy measures.[22]

The liberal definition of the situation led the liberal coalition to support U. S. involvement in world affairs, foreign aid, investment guaranties, and foreign trade. The conservative definition of the situation led conservatives to restrict foreign policy commitments, oppose foreign aid and investment guaranties, and support private enterprise throughout the world.[23] The liberal coalition definition prevailed on foreign policy issues initiated by Eisenhower within the liberal framework. The Liberal coalition was composed of Northern and California Democrats and Northeastern Liberal Republicans, seven of whom took a consistently "internationalist" position on foreign policy. The conservative coalition consisted of Southern Democrats, excluding those from Alabama, and conservative Republicans from the West and Midwest. Some Republicans from the Midwest and the West Coast joined the liberal coalition, depending on the issue, while Democrats from the Midwest and Far West on occasion were allied with the conservatives.[24] In 1959-1960, large Democratic majorities were responsible for U. S. participation in the International Development Authority and continued subscription to the Development Loan Fund. Development Loan Fund financing in the Senate was opposed only by Democrats from the South and was supported only by the seven Liberal internationalist Republicans. [25]

Investment and Investment Climate Patterns

U. S. foreign direct investment increased by $2 billion a year from 1951 to 1958 and by $3 billion a year from 1958 to 1960, rising from $13 billion to $33 billion at the end of Eisenhower's second term of office. Investment in developed regions and underdeveloped regions was exactly the same, $6.3 billion in 1951, but by 1954, investment in developed regions, $9.1 billion, had grown larger in comparison to the $7.8 billion located in undeveloped regions. The ratio increased in 1959 to $16.5 billion and $12 billion for developed and undeveloped regions respectively. The Marshall Plan had succeeded in stimulating European investment but the greatest increase during the period occurred in Canada. Among the undeveloped regions, investment grew slowly from 1951-1954 but doubled in size in both Asia and Africa from 1954-1959. Investment grew substantially in Latin-America from 1954-1959 ($5.9 to $9 billion) despite an actual decline in 1958. Investment in the Middle East increased slowly throughout the period ($700 million to $1.2 billion). Latin-America was the location of the largest volume of U. S. investment next to Canada; the magnitude of U. S. interest there ($9 billion in 1959) far exceeded that of any other less developed region. Asia, the Middle East, and Africa each had investment of about $1 billion;[26] excluding South Africa, less-developed Africa was host to $500 million U. S. direct investment.

The investment climate in the L.D.C.'s during the Eisenhower administration was a reflection of regional political and economic factors. Investment figures are only available in Africa for Rhodesia and South Africa. They reveal a consistent growth pattern. Elsewhere in Africa the economic opportunities for raw material investments were constrained by a European presence and the uncertainty associated with emerging post-colonial governments. The investment climate in the Middle East was dampened by the spillover effect of Col. Nasser's Egyptian nationalism and the Arab-Israeli conflict; since country investment figures are not reported, it is assumed that U. S. investment was in oil. There were no threats of nationalization in Asia and the region was not considered a political risk except for the possibility of war. After the Korean armistice, investment grew in Asia. The climate in India and Pakistan was limited, however, by economic conditions in those countries and by U. S. criticism of neutralism and statism in India.

The U. S. was critical of statism, or state-owned enterprises, in Latin America as well. Policy makers and businessmen felt that U. S. investment would flow more freely if all segments of Latin American economies were open to the competitive market place. Latin America was the only region in which nationalizations occurred:

Guatemala, Argentina, Brazil, Mexico, and Cuba. An uncertain climate was also created by political instability in which Latin American governments tended to move during the period from democracies to dictatorships to overthrow of the dictatorships. Finally, anti-Amercianism developed in Latin-America, culminating in the stoning of Vice-President Nixon early in 1958. A decline in investment followed. With the announcement of Castro's Marxism and nationalization of all U. S. property in Cuba at the end of the Eisenhower administration, the Latin American investment climate further eroded.[27]

INSURED INVESTMENT POLICY FORMULATION

The close relationship of investment policy to foreign aid policy established in the Truman administration was continued and made more explicit during the Eisenhower administration. Truman intended aid to Europe to be temporary pump-priming and did not contemplate development aid programs elsewhere. Since European recovery was well established during the Eisenhower years, foreign aid was extended elsewhere. But private investment and private enterprise were the preferred capital transfer vehicle for development purposes in the L.D.C.'s. In line with this preference, the Eisenhower administration supported the creation of the International Finance Corporation in 1956 as the private investment arm of the World Bank.[28]

President Eisenhower's first State of the Union message in January of 1953 included a section stressing encouragement for increased foreign investment through private enterprise. He quickly esablished a U. S. Commission on Foreign Economic Policy, the Randall Commission, which issued a report in 1954[29] recommending that foreign aid grants be terminated except those necessary for national security since U. S. resources were too limited to replace private investment, the primary vehicle needed to engender economic development. The Randall report suggested greater use of investment treaties and extension of the coverage of the Investment Guaranty Program to cover civil war, revolution, and insurrection risks. "Underdeveloped areas are claiming a right to economic aid from the U. S. . . . We recognize no such right,"[30] the report stated, pointing out that such demands were not connected to war recovery needs or U. S. military security.

Guaranty provisions were essentially unchanged in the Investment Guaranty program sections of the 1953 and 1954 Mutual Security Acts except for extending the maximum length of guaranties to 20 years in 1953 and reduction of U. S. stock ownership requirements in investment from 85% to 51% in 1954. For the two year period the program was administered by the Foreign Operations Administration which reduced fees and encouraged increased use of the guaranties; the implementation effort served to double the number of contracts issued. The House of Representatives nonetheless expressed dissatisfaction with the program's administration.[31]

The Grace Report on Latin America to the U. S. International Development Advisory Board in 1954 suggested a better organized administration of the program; in 1955 the Mutual Security Act transferred it to the new International Cooperation Administration. The 1956 act extended coverage of the guaranties to 90% of the physical property value of direct war loss and placed future guaranties on a fractional reserve basis.[32] During the second Eisenhower administration, statements by the administration indicate a shift from exclusive reliance on private investment for economic development to a consideration of the need to provide public foreign aid for the infrastructure required to facilitate private enterprise endeavors. A stream of reports to the President reviewed U. S. foreign economic policy. The Fairless Report of 1957 expressed continued faith in U. S. private capital and a proper investment climate as the key to economic development but also suggested that guaranties, joint ventures, and public loans be utilized. The Johnston report, also issued in 1957, pointed out that Asia and Africa would need foreign aid for infrastructure for a lengthy period; the ultimate aim, however, was to make private investment feasible. Congress, after much debate, created the Development Loan Fund in 1957 for U. S. public soft loan funding.

The Strauss State Department Report of 1959 indicated that the proper use of foreign aid was to stimulate local private enterprise in the L.D.C.'s; the Strauss report also suggested tax incentives for L.D.C. investment and expansion of the investment guaranty program's war coverage to include revolution and civil strife. The Boeschenstein Report of 1958 on World Economic Practices advocated civil strife coverage as well as expanded investment treaties, addressing the objections raised in the L.D.C.'s about investment guaranty treaty language, and restricting all investment guaranties and government loans for private enterprise to the L.D.C.'s

The Mutual Security Acts of 1957, 1958, 1959, and 1960 left the investment guaranty program unchanged except that in 1959, the act restricted geographic coverage of the program to underdeveloped areas on the ground that European recovery had been accomplished.[33] Nine FCN treaties were negotiated; five were with L.D.C.'s - Iran (1956), Korea (1956), Oman (1958), Nicaragua (1956), and Pakistan (1956).[34]

POLICY TOWARDS UNINSURED INVESTMENT

Nationalization of American property occurred in five countries during the Eisenhower administration. In Argentina, Brazil, and Mexico, public utility subsidiaries of American and Foreign Power were nationalized. In each case the company negotiated and compensation was received. The nationalization of lands owned by the United Fruit Co. in Guatemala, 1953-1954, eventually was settled when a C.I.A. coup overthrew the Guatemalan government; the new regime returned the land to the company. Details of the intervention indicate that the coup was inspired by the fear that the Guatemalan leader Arbenz was a Communist. Again, the threat of security may have been overstated to government officials by the United Fruit Company. During the last two years of the

Eisenhower administration, newly-installed Cuban leader Fidel Castro embarked on a series of nationalizations of substantial U. S. holdings in land and industry. When compensation discussions between the U. S. and Cuban governments proved unproductive, the U. S. Congress cut the Cuban sugar quota. Castro immediately nationalized additional U. S. holdings. The next U. S. sanction, an embargo on exports to Cuba, led to still further nationalizations. After Castro embraced Marxism and signed trade agreements with the Soviet Union, the Eisenhower administration drew up plans for an invasion of Cuba to overthrow the regime.[35] U. S. sanctions and intervention were imposed, as in the Truman Administration, against a radical left regime where large U. S. economic and security interests were at stake.

INVESTMENT POLICY DETERMINANTS

Investment policy content during the Eisenhower administration consisted of placing priority on private investment rather than aid for development, insistence on the "ideology of private enterprise", no further promotion of direct private investment through investment guaranty coverage, re-allocation of the program to serve only the L.D.C.'s, and the protection of U. S. interests for security purposes through intervention and sanctions.

The business community came to support the guaranty program by the middle 1950's. Under a conservative President, appointed business commissions recommended the expansion of investment guaranty coverage and an enlargement of public aid; these recommendations were ignored. There were few critics of U. S. protective policy. Congress demanded sanctions against Cuba and approved administration actions in both Cuba and Guatemala.

During Eisenhower's second term, however, international events in the form of Latin American nationalism triggered differing perceptions as to whether a redefinition of the situation was in order. Latin-American nations met in two forums during the period - the Economic Commission for Latin America, established by the U.N. in 1944, and the Organization of American States, a regional security organization. Paul Prebish, Executive Secretary of ECLA, conveyed his declining terms of trade theory as an explanation for Latin underdevelopment to leaders and thinkers of the hemisphere. Since the theory depicted the L.D.C.'s as trapped by the workings of the international economic system, Latin leaders pressed the U. S. at OAS conferences to extend aid for a form of economic development that would provide an escape from raw material dependence. U. S. refusal caused resentment.

During the Eisenhower years, other sources of Latin resentment developed: the alleged exploitation by U. S. business (e.g., sugar in Cuba), oil import quotas affecting Venezuela and Argentina, the C.I.A. coup in Guatemala, support for right-wing dictators (Perez Jimenez in Venezuela), and lack of respect for Latin economic system preferences by insistence on the "ideology of private enterprise." These grievances, exacerbated by historical memories of gunboats and dollar diplomacy, erupted in open anti-Americanism directed at Vice-President Nixon at every Latin American capital on his good will trip in 1958. The violence and hostility towards an American official politicized the issue of U. S. aid and investment policy and moved the L.D.C.'s from the role of passive recipients to a countervailing force of aggrieved actors. In the future, their interests and anticipated reactions would need to be weighed.[36] In response to Latin nationalism, some Eisenhower administration leaders raised questions about the prevailing perception that development should depend on private enterprise. The President's brother, Milton Eisenhower, returned from Latin America to suggest that the U. S. and Latin private sectors were not comparable. Assistant Secretary of State Cabot believed there were limits to attempts to force the U. S. economic system on Latin America. Under

Secretary of State Douglas Dillon worked to establish the Inter-American Development Bank in 1959. But the administration also contained officials who defined the situation after 1958 as before. Assistant Secretary of State Rubottom stated that the volume of public financing is directly related to the amount of private financing which countries are able to attract. Assistant Secretary Holland opposed all government-run business anywhere. Deputy Under-Secretary Murphy claimed in Congressional testimony that the demonstrations against Nixon were a Communist plot.[37] Secretary of State Dulles refused to extend aid to Brazil's state oil monopoly or review a regional plan for Latin American development. The Congress was also divided. Critics of Latin American policy arose in the Senate; Senators Monroney and Smathers were among those who urged new policy directions and were instrumental in support of the Development Loan Fund, the International Development Bank,[38] and the International Development Association.

The Eisenhower administration considered foreign aid to be a tool for national security purposes in the Cold War. Investment policy was already in place and did not require changes in the guaranty program. Development of the L.D.C.'s depended on private investment; private investment depended on the efforts of the L.D.C.'s themselves to create an investment climate which welcomed foreign capital on its own terms and kept the state from interference with or ownership of business. The recommendations of the Fairless, Johnson, Strauss, and Boeschenstein reports for expanded guaranties and public aid were ignored. New directions suggested within the bureaucratic politics of the State Department and within Congress were not followed. The conservative perception prevailed in the administration until events in Latin America forced a redefinition of the situation. Even then, the administration was slow to react.[39] But the new liberal majority in Congress was ready to support foreign aid for development purposes. The creation of IDB in 1959 and Eisenhower's trip through Latin America in 1960, speaking of both private investment and public aid, signaled a degree of policy change. The creation of IDA, the International Development Authority, a soft loan arm of the World Bank, by Congressional initiative of Senator Monroney (D., Wyo.) confirmed the new policy direction.[40] The conservative perception might have prevailed within internal administration debates had the Congress not forced policy changes.

INVESTMENT POLICY AS INDEPENDENT VARIABLE: POLICY EFFECTS

THE EMPIRICAL DATA, 1950-1959

Investment and Insurance

The content of investment policy during the Truman-Eisenhower period was to initiate the promotion of direct foreign investment through inauguration of an investment guaranty program and to protect U. S. investment by U. S. intervention and sanctions when security issues were perceived to be at stake. Since the L.D.C.'s were not eligible for political risk insurance until 1951 and treaties to establish the program had to be negotiated throughout the 1950's, direct foreign investment in the L.D.C.'s 1948-1960, followed the market and, almost entirely uninsured, was protected policies chosen by the U. S. Government to uphold international law.

The effect of a free market policy with little insurance protection can be ascertained to some degree from the investment data in the Appendix. The Commerce Department statistics are too sketchy for this period to yield precise generalizations. The statistics are provided for 1950 followed by complete statistics, 1955-1959, for a selected group of countries. Foreign aid statistics, aggregated from 1953-1961 except for Latin America and four Asian countries, are also included in the Appendix.

The data clearly reveals that the GNP of a less developed nation is the one variable most closely related to the volume of U. S. direct foreign investment located there. The GNP may reflect the location of valuable natural resources or the level of economic development. The data also indicates a relationship between political stability and investment but no clear pattern between aid flows and the location and volume of investment. The data is best summarized by region.

Latin America

In 1959, the eight Latin American nations with the highest GNP attracted the highest volume of U. S. direct foreign investment. The same eight countries were also the prime locations for U. S. investment in 1950 and 1943. Three interpretations are possible: (1) U. S. investment was a cause of the high GNP level. (2) The high GNP level attracted U. S. investment. (3) U. S. firms were attracted by resources and host government policies before World War II; once established, the firms expanded their productive capacity and contributed to a rising GNP level. A glance at the size and resources of the eight countries (Brazil, Mexico, Argentina, Venezuela, Colombia, Chile, Peru, Cuba) supports the proposition that GNP reflects development and resources; investment is attracted by GNP size and may then augment it.[40] Cuba is the only high GNP nation with small size and relatively few extractive natural resources. The rank order of American investment in the eight countries can be explained by particular economic concentrations in two cases (high investment in Venezuela and Cuba due to oil and sugar plantations) and political factors lowering rank in two cases (Peronista policies in Argentina, political unrest in Colombia.)

The yearly increases and decreases in investment show a sensitivity to changes in political stability. Political instability and nationalizations tended to slow down investment, acting either as a conditional or an intervening variable. Investment dropped in 1959 after Jimenez was overthrown in Venezuela. Investment decreased in Argentina in 1958, the year American and Foreign Power was nationalized. Unexplained is the decrease in U. S. investment in Brazil since the 1950's was an "open door" period for U. S.

investment in Brazil.[42] Investment declined throughout Latin America in 1958 following the violence directed against Vice-President Nixon; it recovered only marginally in 1959, the year of the Cuban nationalizations, except in Guatemala, Panama, and Argentina (the Frondizi government was favorable to oil companies). Although policy makers complained about state enterprises in Latin America, U. S. investment flowed into Mexico and Argentina where the state played a key role in the economy.

U. S. aid to Latin America appears to be development oriented in some countries but geared to internal security programs in others. It is related to high U. S. investment in some countries but not others. Brazil, Chile, Peru, Colombia, and Mexico (combining aid from 1949-1961) were all large aid recipients and hosts to substantial U.S. investment. Military aid comprised more than 33% of U. S. aid allocated to Brazil, almost 33% allocated to Peru and Colombia, and 25% of the amount to Chile, all nations with high rank. U. S. aid served to bolster the governments and economies of these relatively powerful countries in which U. S. investment had a continuing stake. A small volume of military aid was extended to Jimenez, dictator of Venezuela, where the U. S. investment stake was more than double that of any other L.D.C. Aid to Argentina (high GNP) was modest until after Frondizi came to power; Cuba (high U. S. investment) received little aid. In contrast, Bolivia, Guatemala, Ecuador, and Uruguay, recipients of substantial aid, had low G.N.P.'s and modest U. S. investment. In these four countries, aid could be viewed as developmental.

U.S. investment doubled over the period in Latin America; flows over $100 million moved into Venezuela, Cuba, Panama, Mexico, and Peru. But U.S. Aid flows were a small proportion of total U. S. aid, creating the tensions in U. S. - Latin American relations of the late 50's. The insurance program was too new to reveal trends.

Asia

In Asia, investment statistics are only reported for the Philippines, Indonesia, and India, representing 56% of U. S. investment in the region. Proportionately more of the Asian investment was insured, despite the newness of the insurance program. The insurance policies were for both war risk and expropriation. The investment figures given can be explained by economic variables: the resources of Indonesia, the high GNP of India, and the early colonial investments in the Philippines. The governments of these nations were stable but not necessarily pro-American. From 1948-1959, total investment was highest and continued to increase in the Philippines.

U. S. aid to the less developed countries in Asia was as large ($16 million) as U. S. aid to all developed countries in this period. The aid was clearly for security purposes to support South Korea from the North, South Vietnam from the North, and Taiwan, Cambodia, and Thailand from China. Aid to Pakistan, with a 25% military component, was for both developmental and security purposes. Only India could be interpreted as a recipient primarily for developmental purposes.

The Middle East

Although there are no Commerce Department investment figures by country for the Middle East, the insurance is evidence of investment in Iran and Jordan. U. S. company participation in the oil consortia indicates investment in other oil countries. After the Iranian attempted nationalization in 1951, Iran was supported by substantial U. S. aid. The aid data suggested that U. S. aid in the Middle East was extended for security reasons to prop up regimes friendly to the U. S. (Iran, Jordan, Lebanon, Saudi Arabia) or to influence a struggle for power (Iraq, Yemen.) One could conclude, despite the limited data that U. S. non-oil and oil investment flowed to countries made secure by U. S. aid and that U. S. oil investors elsewhere worked through the consortia to protect their own interests.

Africa

African investment data is available for only the Union of South Africa and Rhodesia where 47% of U. S. direct foreign investment was located in 1959. Investment was attracted to these countries by their resources, high GNP, and political stability. They were supported by little or no foreign aid. The foreign aid data suggest that aid was allocated to north African countries to secure the Middle East, to Liberia as a colonial tie, to Ethiopia to support the Selassie regime, and to countries with bauxite, copper, and oil for developmental purposes.[43]

Pending sophisticated economic analysis, there is an apparent relationship in this period between the degree of U. S. investment and L.D.C. economic growth. Unrestrained, the investment located where economic resources provided potential and helped to develop them. Foreign aid may also have assisted the growth of some low GNP nations in Latin America; the high commitment of military aid contributed to the growth of Asian nations; aid to support regimes for security purposes protected business interests at the same time.

Nationalizations

Nationalizations were too infrequent during the decade to establish a U. S. expropriation policy trend. Sanctions and a "hard line" were ineffective against Cuba; coups in Iran and Guatemala restored U. S. property but U. S. intervention in the latter fueled Latin nationalism.

NOTES CHAPTER 2

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11. Piper, "Protecting American Property," p. 21.

12. Interview with Sheldon Kaplan, former member of Staff, House Foreign Affairs Committee, 12 May, 1979. Also, Whitman, U. S. Guaranty Program, p. 38.

13. Whitman, U. S. Guaranty Program, p. 25.

14. Ibid., p. 27. Lipson, "Expropriation Insurance", p. 358.

15. Swansbrough, Embattled Colossus, pp. 100-101.

16. Whitman, U. S. Guaranty Program, p. 28.

17. Lipson, "Expropriation Insurance," p. 358; Whitman, U. S. Guaranty Program, p. 28.

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19. Paul E. Sigmund, Multinationals in Latin America (Madison: University of Wisconsin Press, 1980), p. 27, p. 36.

20. Sigmund, p. 87.

21. Sigmund, p. 36.

22. Congressional Quarterly, Almanac, Vol. IX., (1953), p.218-224, 233-238, 249-259.; Vol. XI., (1955), pp. 126-132, 156-159; Vol. XII., (1957), pp. 573-612, pp. 286-7, p. 318, p. 322.; Vol. XV., (1959), p. 217, 409, 426, 422-424, 370, 378, 380, 396.

23. Derived from Robert Packenham, Liberal America and the Third World (Princeton: Princeton University Press, 1973) and Swansbrough, The Embattled Colossus, pp. 102-109.

24. The Bricker Amendment to limit treaty powers was defeated by Midwest Republicans joining the liberal coalition. (Congressional Quarterly, Congress and the Nation, 1953-1954, p. 64a). Eisenhower's Midwest Doctrine received overwhelming support in 1957 but the opposition that did exist came from central Midwest Republicans, Southern Democrats, and some Western Democrats. In the same session of Congress, the Development Loan Fund passed the House by 46 votes in a classic liberal-conservative split which represented a close approximation to the maximum votes the liberals could muster. (Congress and the Nation, 1957-1958) p. 76a f.f.

25. Congressional Quarterly, Congress and the Nation, 1959-1960, p. 84a f.f. The alignment patterns based on roll call votes on selected foreign policy issues are confirmed by interpretations in the Congressional Quarterly Almanac and the files of the Americans For Democratic Action of the period.

26. U. S. Department of Commerce, "Direct Position Abroad," 1951-1960.

27. Richard W. Mansbach, Yale H. Ferguson, Donald E. Lampert, The Web of World Politics (Englewood Cliffs: Prentice-Hall, 1976), p. 158. William D. Rogers, The Twilight Struggle (New York: Random House, 1967), p. 16; Swansbrough, Embattled Colossus, p. 108.

28. Whitman, Government Risk-Sharing, p. 28.

29. Lipson, "Expropriation Insurance," p. 359.

30. Swansbrough, Embattled Colossus, p. 102. Whitman, Government Risk-Sharing, p. 28.

31. Whitman, Investment Guaranty Program, p. 32.

32. Ibid. pp. 35-45. Lipson, "Expropriation Insurance," p. 359.

33. Whitman, Government Risk-Sharing p. 31 ; Whitman, Investment Guaranty Program, p. 35-45; Lipson, "Expropriation Insurance," p. 359; Swansbrough, Embattled Colossus, p. 108.

34. Piper, "Protecting American Property," p. 21.

35. Sigmund, Multinationals, p. 92-111.

36. Mansbach, Web, p. 158; Rogers, Twilight Struggle, p. 16, Swansbrough, Embattled Colossus, p. 108.

37. Rogers, Twilight Struggle, pp. 14-19.

38. Mansbach, Web, p. 148 ; Joan Edelman Spero, The Politics of International Economic Relations (New York: St. Martin's Press, 1977), p. 140.

39. Rogers, Twilight Struggle, p. 18 f.f.

40. James A. Robinson, Congress and Foreign Policy-Making (Homewood, Ill.: Dorsey Press, 1962), see concluding section on creation of I.D.A.

41. See Appendix for G.N.P. and direct investment data. Grant Reuber, Private Foreign Investment in Development (Oxford: Clarendon Press, 1973) examines the relationship of G.N.P. to investment.

42. The "open door" in Brazil is discussed by Steven J. Rosen, "Open Door Imperative" in Steven J. Rosen and James R. Kurth, eds. Testing Theories of Economic Imperialism (Lexington, Mass: Lexington, 1974).

43. Foreign aid data from U. S. is located in the Appendix.

CHAPTER 3: INVESTMENT POLICY IN THE 60'S: THE KENNEDY AND JOHNSON ADMINISTRATIONS, 1960-1969.

I. The Kennedy Administration, 1961-1963

Context: Presidential Priorities and Domestic Political Alignment

The Kennedy administration continued cold war policies; U. S. military strength was to be tempered by greater flexibility in negotiations. Communist threats were opposed in Berlin, Vietnam, and Cuba; a nuclear test ban treaty was negotiated with the Soviet union. An invasion of Cuba failed. Foreign aid for security purposes continued to be expanded in Asia but a new thrust towards foreign aid for development purposes was directed to Latin America.

Foreign policy priorities of the Kennedy administration were constrained by domestic economic pressures. The economy, suffering from recession and deficits, was plagued by unemployment in a number of industrial sectors. Demands arose from business and labor in these sectors to curtail overseas expenditures.[1]

President Kennedy won election in 1960 by a slim margin of popular vote. The Democrats controlled both houses but the majorities (263-174 in the House; 65-35 in the Senate) were deceptive. The 22 Southern Democratic votes in the Senate combined with 35 Republicans gave the Republicans an edge of 57-43. Kennedy had to obtain 15 Republican or Southern Democratic votes while holding all Northern Democrats in line to win acceptance of administration proposals. The same condition prevailed in the House where a combination of 106 Southern Democrats and 174 Republicans could produce a majority of 280 against 157 Northern Democrats. The Republicans voted together on most issues, but moderate-liberal Republicans could be induced to support foreign aid and investment legislation. Southern Democrats voted with conservative Republicans on foreign aid and investment issues.[2]

Investment And Investment Climate Patterns

Foreign direct investment increased worldwide by 32% from 1960 to 1963 but the increase in the L.D.C's was only 20%, a dollar amount of $2.2 billion; less than $1 billion per year. At the end of 1963, 67% of all direct investment was located in developed countries compared to 33% in the L.D.C.s.

Over the three year period, direct investment in the Middle East increased by 12%, in the Asian nations by 15%, in Latin America by 19%, and in Africa by the largest increment-59%. The relative magnitude of U. S. investment by region remained constant in the Middle East (10%) and Asia (9-10%) between 1960 and 1963 but declined in Latin America to 74% and increased in Africa to 8%.[3]

Socialist governments committed to nationalization of key foreign and domestic sectors of the economy came to power in this period in Asia, the Middle East, and in Guinea in Africa. Socialist governments in Sri Lanka and Burma nationalized American and European investments. President Sukarno of Indonesia moved his political orientation to the left and began nationalizing European investment. Egypt continued to nationalize further sectors of the economy and the socialist regime in Iraq mounted pressure for renegotiation of oil contracts with Western oil companies. The systematic nationalization of foreign investment inaugurated by the newly independent socialist government of Guinea affected the U.S. bauxite industry by 1961. In Latin America, a province of Brazil nationalized a subsidiary of I.T.T. while an increasingly left wing national government threatened U.S. mining and other investment interests. Contracts with U.S. oil companies were a source of controversy in Peru and Argentina in 1963. In addition, the massive Cuban expropriations of investment in 1959-1960 hung as a pall over the Latin American investment climate.[4]

INSURED INVESTMENT POLICY FORMULATION

The Kennedy administration inaugurated a major expansion and reorientation of the investment guaranty program through a reordering of foreign economic policy which viewed private foreign investment in a new perspective and revised the entire emphasis of foreign aid. Mounting concern with the explicit attempt of Cuba's pro-Soviet regime to export revolution throughout Latin America led policy makers to substantially increase the amount of foreign aid to Latin America, re-designing it to emphasize social progress and economic reform goals in an enlarged development program. The revision, structured to improve the socio-economic conditions Latin American communist sympathizers criticized, also de-emphasized U. S. private foreign investment to avoid charges of U. S. neo-colonialism and stress development for its own sake.

President Kennedy appointed Adolph Berle in 1960 to head a task force on U. S. relations with Latin America. Issuing a report which broke with previous policy, the task force recommended that the President make it clear to Latin American governments that "private enterprise is not the determining principle or the sole objective of American policy."[5]; further, the U. S. should cease opposing loans for Latin American state enterprises and recognize that private capital alone cannot bring about needed structural changes within the L.D.C.'s. The sole objective of previous development policy for the L.D.C.'s had been economic growth; that growth was only considered possible under a free enterprise system patterned after the U. S.. Previous administrations had defended foreign aid on the ground that sufficient quantities of private funds could not be stimulated to create the seed capital for growth or that foreign aid was required for local infrastructure projects beyond the capability of private investment. But the Berle report referred to needed structural changes, suggesting intervention in the political economy of recipient nations beyond infrastructure and new industries. It explicitly abandoned assumptions of the necessity of free enterprise for economic growth in favor of permitting U. S. government support of Latin American state enterprises. The Berle report signified relatively radical policy change, a new ideology based on new premises.

President Kennedy's foreign aid message of 1961 outlined the goals of an ambitious program, the Alliance for Progress, to spur economic development in Latin-America through a partnership in which the U. S. would pledge substantial long term development loans and work with governments in the hemisphere to utilize the aid for social and economic progress. The U. S. would no longer be guided by the single-minded purpose of deterring Communism but would forge programs that would stimulate the simultaneous growth of economic development and political democracy. U. S. aid programs were to be placed under a single agency, AID, and be administered on the basis of individual unified country plans which would replace the earlier method of financing specific projects.[6]

The Investment Guaranty Program was transferred to AID which established in 1967 an Office of Finance and Private Enterprise. President Kennedy's Task Force on Foreign Economic Assistance, 1961, recommended broad changes in the guaranty program along with the expanded coverage suggested in the 1958-1959 Strauss and Boechenstein reports. The Alliance for Progress Charter adopted a target of $300 million in U. S. private investment per year in addition to U. S. long term lending; since the Foreign Assistance Act of 1961 had stated that private investment would only increase when economic development began to take hold, the $300 million target amount seemed unrealistic. Investment guaranties might step into the gap, however, by restoring investor confidence.[7]

With the endorsement of the House Foreign Affairs Committee and every U. S. business organization, the Investment Guaranty Program was modified to include coverage of the political risks of revolution, insurrection, and civil strife and of both political and business risks for high priority projects; the scope of the program was expanded by a redefinition of qualifications for participation. Along with extended coverage to stimulate U. S. business interest, two provisions of interest to L.D.C. governments were included. One provided for the settlement of claims under the program through arbitration procedures and the other liberalized the language of bilateral treaties with regard to subrogation rights. The new subrogation rights phrase stated that "the President shall make suitable arrangements for protecting the interests of the U. S. government"[8]

According to Whitman, the evidence favors the conclusion that whatever references were made to private capital in the 1961 and immediately subsequent Foreign Assistance acts were inserted to secure Congressional approval of substantial public loan funds. She finds little interest in the Kennedy administration in the encouragement of private capital "per se" but instead a focus on including private investment in AID's overall country development plans whenever it happened to make a contribution to those plans or, as the State Department phrased it, "private investment is not an end but a means to the end of economic development."[9] Swansbrough interprets the de-emphasis on private enterprise as a "diplomatic maneuver" rather than evidence of Kennedy administration anti-business bias. Both interpretations lead to the same conclusion: a recognition by the Kennedy Administration that the countervailing force of Latin American economic nationalism necessitated foreign development aid and a de-emphasis on U. S. private investment.

An indication that some Senate members recognized and opposed the new emphasis was evidenced by an amendment offered by Sen. Capehart (R., Ind.) to the Foreign Assistance Act of 1961 requiring that 30 percent of all Development Loan Fund loans be earmarked for private enterprises; an amendment defeated by a 2:1 vote. Supporting the amendment were 20 Conservative Republicans, 1 Northern Democrat, and 13 Southern Democrats. The majority liberal coalition was formed by 49 Northern Democrats and 14 Republicans; the nine northeastern Republicans (The Javits-Saltonstall group) were joined by five liberal Republicans.[10]

By 1962, business interests were complaining to the Joint Economic Committee of Congress that they could not fully contribute to the Alliance for Progress unless they were included in the planning. The Alliance Charter made little reference to private investment and businessmen did not participate in its formulation; coupled with the Alliance's emphasis on national economic planning, some observers in the private sector felt that the Alliance Charter contained an anti-business bias. The alleged bias was cited as an explanation for the declining flow of private investment to Latin America.[11] Others simply attributed declining investment to political instability and nationalizations in the L.D.C.'s. While investment itself declined, applications for investment guaranties increased. According to AID testimony before Congress, 570 applications for guaranties were pending in 1961.[12]

The 1962 Foreign Assistance Act authorized a $100 million increase in the investment guaranty program: Testimony by Richard Goodwin, Assistant Secretary for Inter-American Affairs at the 1962 hearings on the act stated that the "aim of our whole policy in Latin-America - military, economic, political. . . is to create conditions for increased investment. . .and we intend to create also the economic progress which among its other consequences, will increase consuming power, demand, the possibilities and potential for private investment, as it has in Europe and elsewhere where there has been economic growth."[13] This testimony signaled a need to secure the approval of the business community by restoring private enterprise to the alliance for progress.

Conservative Democrat Passman, Chairman of the House Appropriations Subcommittee on Foreign Operations, recommended unprecedented cuts in the 1963 AID request for appropriations. Alarmed by the depth of Passman's cuts, President Kennedy appointed a conservative committee under General Lucius Clay to review the AID request and report back immediately. This move, a bid for conservative backing for needed AID and Alliance appropriations, was followed by a public broadcast in which President Kennedy appealed for support in urging the Congress to restore foreign aid funds.[14]

General Clay's report lacked the wholehearted enthusiasm sought by the Administration. Clay Committee members concluded the following: U. S. foreign aid should not help establish government owned enterprises such as a recent steel plant in India that competed with private enterprise; the governments of Latin America should make a choice between a free system and a totalitarian, state controlled economy; the L.D.C.'s should be responsible for creating conditions to attract foreign capital. Addressing the above comments in the Clay report, Secretary of State Rusk and AID administrator Bell rather defensively testified before Congressional committees [15] that U. S. policy was not in favor of government enterprises in the L.D.C.'s but that cultural differences and unique cases in a few nations should to be taken into account.

The investment guaranty provisions in the 1963 Foreign Assistance Act eased ceilings and reserves and added three amendments that reflected the mood of Congress. An additional proposed amendment was defeated. The first amendment, requiring that AID take account of the effect of an investment on the balance of payments, was indicative of concern over the effect of foreign investment on domestic employment, balance of payments deficits, and a lagging domestic economy. An amendment to require 50% of foreign aid funds to be used through private enterprise participation was defeated in a close teller vote. The other amendments were aimed at foreign relations, the foreign aid program, and the protection of uninsured investment. An amendment to cut off foreign aid to any L.D.C. that failed to enter into an agreement with the President to institute the investment guaranty program by December 31, 1964, passed by a close teller vote.[16]

The administration opposed all of the amendments. David Bell, AID administrator, opposed the balance of payments and investment guaranty restrictions. He noted that foreign aid funds were tied to purchases in the U. S. and that profits and purchases from investment result in capital inflow. With regard to the requirement that nations sign investment guaranty agreements to qualify for U. S. aid, David Bell stated: "There are only a few countries which do not sign such guaranties. These are countries where pressure from us to sign such an agreement would probably lead to internal political pressures against such agreements on the ground that we were trying to coerce them into signing."[17] Administration officials were aware that both investment and FCN treaties reflect a prior consensus and only record, not create, the existence of a favorable investment climate. Such a consensus was not likely at the time to develop between the U. S. and Latin American adherents to the "Calvo Doctrine", a doctrine prohibiting foreign governments from interfering on behalf of investors in those matters which affect the investor's relationship with the host government.[18]

Amendments providing sanctions against nations failing to appreciate private enterprise by either failing to sign investment agreements or to pay proper compensation after nationalization of American firms were adopted against a backdrop of recent expropriations, threatened contract renegotiations, socialist and left-wing governments in power in the L.D.C.'s, and rising anti-foreign aid sentiment in Congress. The anti-foreign aid sentiment was exacerbated both by the increased number of socialist regimes and the increased number of military coups that toppled elected democratic governments. Resentment towards political developments in the L.D.C.'s strengthened the hand of those who opposed foreign aid as detrimental to the U. S. domestic economy.[19]

President Kennedy's foreign aid message in April, 1963, was a retreat from the policies of 1961. The 1963 message stated that a new initiative in the foreign aid program would be to increase the efforts to encourage the investment of private capital in the L.D.C.'s. He stated that U. S. ambassadors and missions would be vigorous in urging the full use of the private sector and improvement in the aid recipient's investment climate; he stressed the need for joint ventures and fuller use of the investment guaranty program.[20] As Congressional committees prepared the foreign aid bill, references to "the maximum utilization of private enterprise in AID operations. . .(were) scattered through almost every section of the law."[21] The need for aid recipients to take positive steps to improve the encouragement of private foreign investment was another recurrent theme. The Act also provided for an Advisory Committee on Private Enterprise in Foreign Aid to report by 1964 on the ways in which the private enterprise provisions of the foreign aid bill could be most effectively implemented.[22]

IMPLEMENTATION OF THE INVESTMENT GUARANTY PROGRAM

By 1963, demand for guaranty insurance exceeded the capacity of AID to process applications. A special department was organized and standardized contracts were developed. Officials attributed the demand to continued apprehension inspired by the Cuban expropriations. Columbia and Venezuela, reassured by rewording of the subjugation rights clause, entered into bilateral investment guaranty treaties. Small claims under the guaranty program were submitted by investors in two countries, the Congo and the Philippines.[23]

The new department within AID, the Office of Development Finance and Private Enterprise, set up tools with which to implement the Congressional mandate to promote U. S. investment and improve L.D.C. investment climates. Upon the request of a less developed country, AID assisted their officials in the drafting of laws and regulations to encourage private enterprise, to set up industrial development programs and development banks, and to identify investment opportunities. Four of the 80 countries who were aid recipients were chosen for a pilot program to experiment with effective mechanisms for the stimulation of U. S. investment. In those countries, Colombia, Thailand, Pakistan, and Nigeria, AID joined forces with the Commerce Department to seek out U. S. firms who might be interested in investment opportunities in high priority industries identified earlier by AID survey mission teams.[24]

POLICY TOWARDS UNINSURED INVESTMENT

In the early part of the Kennedy administration, the State Department was prepared to walk a soft line in expropriation policy. In a speech to the National Business Advisory Council describing a newly created Office of International Business in the State Department, Secretary of State Rusk stated that the U. S. government would intercede when expropriations were unjustified but that each business firm had the primary responsibility to avoid political risk through flexibility within the host country,[25]a quite different emphasis from prior demands on the host country to improve its investment climate.

The Congress, however, preferred a firm line. The President of I.T.T., angered at the nationalization of an I.T.T. subsidiary in a Brazilian province, urged Congressional action. In 1962 Senator Hickenlooper (R., Iowa) proposed an amendment, adopted by voice vote, to require the U. S. government to invoke retaliatory measures against nations who refused adequate compensation to U. S. companies affected by effective expropriations or breach of contract. If appropriate steps towards compensation were not taken within a given time, U. S. aid would automatically be cut off to the offending nation.[26]

In 1963 an amendment on the House floor broadened and strengthened the Hickenlooper Amendment on the ground that it had proved to be an effective deterrent to expropriation. Designed to encompass discriminatory taxes and regulations, the broadened amendment provided that foreign aid could be suspended for repudiation or nullification by a foreign government of existing contracts with U. S. entities or citizens and for any actions which "have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of U. S. property."[27] The State Department opposed the amendment.

IMPLEMENTATION OF UNINSURED INVESTMENT POLICY

During Kennedy's first year in office, nationalizations of U. S. property occurred in Egypt, Guinea, and Mexico. Mining firms were required to sell equity under a "Mexicanization" policy but no U. S. government actions were taken despite complaints among businessmen and Congress against the forced sale. The greatest impact of nationalizations in Egypt and Guinea fell upon European investors; the U. S. Embassy assisted U. S. firms in pressing claims, all of which were compensated. Protection of U. S. property through securing compensation was accomplished by company negotiations and normal diplomatic channels.

After passage of the Hickenlooper Amendment in 1962, the mandatory aid cut-off sanction was immediately applied to the next nationalization case, that of Sri Lanka, a small democratic socialist nation. But the application of the amendment did not deter Goulart, President of Brazil, from threatening nationalization of major U. S. interests.

Burma's socialist military dictatorship nationalized all foreign investment and virtually withdrew from the world economy. The U. S. Embassy pressed the one small claim of an American investor there. The abrogation of oil contracts in Argentina and negotiations to nationalize the International Petroleum Company in Peru, however, aroused strong U. S. protests. Sanctions could not be applied while negotiations were under way but the State Department and the U. S. Ambassador made strong representations to the Argentine and Peruvian governments.

Five of the eight nationalizing countries were elected democratic governments; four were socialist, one was left-wing, and three were centrist liberal regimes. The nationalizations were precipitated by new leaders in six countries.[28] The perception of U. S. political and business leaders that nationalizations were increasing as less developed countries moved from right to left was correct. The shift, however, in Latin America and Sri Lanka was not radical but to the democratic center-left. U. S. policy response to the nationalizations was forced on the Kennedy administration by the Hickenlooper Amendment; the sanctions against Sri Lanka where U. S. stakes were small was a showcase action. Accommodation to divestiture of U. S. interests in Mexico had been reached in the 1940's. U. S. policy response was strongest in Latin America, the U. S. sphere of influence with a high degree of economic interests. Without Congressional insistence, nonetheless, the State Department might well have taken a softer line in Latin America.

INVESTMENT POLICY DETERMINANTS

The Kennedy administration represented the liberal response to the countervailing force of nationalism in the L.D.C.'s. Liberals accepted the L.D.C.'s own definition of the situation: poverty causes political turmoil and breeds revolution and Marxism; poverty in the L.D.C.'s can be reduced by economic growth and industrialization; economic growth requires U. S. foreign aid rather than private investment. The liberal position added an additional proposition: political stability and economic growth require that aid monies be used to strengthen democratic political institutions and promote social reform. Liberals were frightened by communism and Marxism but took a relatively tolerant view of state ownership of business and socialism. The problem of nationalizations could be solved by insurance guaranties.

Within three years, the Kennedy administration was forced to back down from public support of the liberal position. Support for the liberal position in Congress, never a large majority, began to wane. Nationalizations and offensive regimes in the L.D.C.'s did not diminish as a consequence of the Alliance for Progress and domestic priorities deserved attention. To secure any foreign assistance funding at all, the Kennedy administration was required to incorporate the conservative position on the necessity of private enterprise and favorable investment climates into the foreign aid legislation.

The liberal position of the State Department (a mixture of doctrine and protection of its mission by preserving room for discretion) clashed with the views of Congress. Within Congress, the political struggles were between the liberals on the House Foreign Affairs Committee and the conservatives on the House Appropriations Committee and in the House as a whole. Although the Senate had never been enthusiastic about investment guaranties, the Senate committees and the Senate liberal coalition supported foreign aid. Conservatives in the Senate, however, could muster the votes for restrictive amendments. Direct domestic economic interests (business and labor) added weight to the ideological position of conservative Congressmen in the debate over domestic versus foreign policy priorities and the goals of the foreign aid program. A conservative committee of business interests (Clay Committee) demanded a return to free enterprise ideology. One scholar, Packenham, takes the view that Kennedy himself had become disillusioned in 1963 by the increased number of military dictators in the L.D.C.'s; Packenham sees a shift to "pragmatism" in dealing with the L.D.C.'s in the last year of the Kennedy administration. This view is corroborated to some extent by Rogers, but not Levinson.[29]

The content of investment guaranty policy in 1961 was to promote investment through increased guaranties as a second priority to foreign aid and to downplay the ideology of free enterprise. Responding to external events in the L.D.C.'s, the content was determined by a liberal President, liberal appointees in the State Department, and liberal coalitions in Congress. The content was tied to foreign aid policy. By 1963 the liberals were in retreat. Business interests, conservative Congressional coalitions, and domestic priorities forced a return to the promotion of private investment as the ultimate goal of foreign aid policy and lip service to free enterprise ideology.

Expropriation policy under the Kennedy administration began with the degree of mild protection provided by the State Department's traditional preference for discretion and negotiation. Business interests worked through Congress to increase protection bymeans of mandatory sanctions. As nationalizations increased in Latin America, diplomatic protection increased, spurred by Congressional demands.

The policy content change between 1961 and 1963 did not derive from the Kennedy administration's redefinition of the situation; it was forced to redefine its strategy.

II. The Johnson Administration, 1963-1968

Context: Presidential Priorities and Domestic Political Alignment

The foreign policy priority of the Johnson administration was to continue the containment policies of the Cold War. The threat of a Communist take-over persisted in Vietnam. Based on a "domino theory" of collapsing border nations, the Johnson administration supported South Vietnam against the North Vietnamese in order to preserve the whole of Southeast Asia. As a consequence, support of South Vietnam became the entire focus of administration foreign policy. Middle East concerns receded as Israel countered Arab nationalism with a decisive pre-emptive defeat of Egypt within 6 days in 1967.[30] In Africa, the Johnson administration airlifted Belgian troops to the Congo in an attempt to stabilize rebel factions. In 1965 President Johnson sent U. S. troops to the Dominican Republic to evacuate Americans when a military coup favoring formerly-elected Juan Bosch ousted an interim military junta. Additional American troops were sent to protect against an alleged Communist attempt to seize power. (The alleged Communist threat has been criticized as overstated. A resolution by the House of Representatives in 1965 supporting the U. S. intervention in the Dominican Republic was opposed by 49 Northern Democrats and 3 Republicans).[31] Allegations were made that the Johnson administration used covert methods to unseat hostile regimes in Indonesia and Brazil.

The Vietnam war unleashed protests in the U. S. which coincided with domestic reform movements. The domestic priorities of the Johnson administration's "Great Society" encompassed the poor, the blacks, and the disadvantaged. Rising expectations by domestic groups led to an insistence that domestic priorities supersede the Vietnam war.

Lyndon Johnson inherited the composition of Kennedy's Congress in 1963-1964 with its strong conservative coalition of Republicans and southern Democrats. His experience as former Senate Majority Leader, however, resulted in success in obtaining support for Presidential program. In the 1964 Presidential election, Johnson carried Democrats into Congress, producing the largest Democratic majority since 1937. The by-elections of 1966, however, substantially reduced the Democratic majorities to a level lower than that which prevailed in the Kennedy administration.[32]

The major development in political alignment was the emergence of a liberal neo-isolationist group which refused to support the President's foreign policy priorities. This group, composed of liberal Democrats and some liberal Republicans, combined with conservative Republicans and Democrats as early as 1965. As an example, an amendment by Senator Church to reduce foreign military assistance that was opposed by President Johnson was narrowly rejected, 38-43, in the Senate. Support for the amendment came from 21 Northern Democrats including such liberals as McGovern, Pell, Clark, Symington, Hart, Fulbright, Kennedy, Douglas, and Bayh. It was supported by 7 southern Democrats and 10 Republicans. The 10 Republicans included both liberals (Javits, Saltonstall) and conservatives (Hickenlooper, Hruska). In 1966 a similar amendment that excluded Vietnam from reduced military assistance was enacted despite

Presidential opposition. This vote included additional Northern and Southern Democrats but also a switch in the positions of several northern liberals and Republican liberals Javits and Saltonstall. The liberal neo-isolationist coalition did not support a cut in Alliance for Progress funds in 1967; it garnered the most support on issues related to Vietnam. The coalition was not as evident in the House where foreign aid cuts were supported by the traditional Republican-Southern Democratic coalition in 1964, 1965, and 1967. Northern Democrats in the House supported the President but were joined by only a few liberal Republicans.[33]

Investment and Investment Climate Patterns

From 1964-1968, all foreign direct investment increased at the rate of $5 billion per year with the exception of 1966 in which the increase was only $2.5 billion. During this four year period, the percentage of investment located in L.D.C.'s compared to that located in developed countries continued to decrease - from 36% in 1964 to 32% in 1968. Direct investment in the L.D.C.'s increased at the rate of $1 billion per year in 1964, 1965, and 1967; investment decreased by $1 billion in 1966 but increased by $1.6 billion in 1968. The percentage of investment flowing to Latin America within the underdeveloped world decreased from 73% to 69% while the per cent in Africa increased from 9% to 11%; the Middle East and Asian percentages remained about the same at 10%. Although all regions showed a decrease in investment in 1966, the loss in Latin America was substantial. After the 1966 decreases, Asia showed a relatively large increase of $2.1 billion in 1967 which dropped back, however, in 1968. Latin American and African investment began to pick up only by 1968. The Middle East showed an average increase in 1967 but only $40 million, a low figure, in 1968.[34] Part of the explanation for the decreases in 1966 can be accounted for by a change in the Commerce Department reporting of statistics that year-1966 was a benchmark year in which statistics were corrected. Part of the explanation for the decreases and the differential growth in 1967 and 1968 among regions can be accounted for by the nationalizations which not only removed existing investment but deterred new investment.

During the Johnson administration, socialist governments came to power in Asia, the Middle East, and Africa with stated goals to nationalize foreign firms and key sectors of their economies. In Indonesia, the Sukarno government developed ties to Asian communist regimes and nationalized all foreign properties. The governments of Sri Lanka, Burma, and Cambodia were Socialist, but the U. S. had little investment in these countries. Iraq, Syria, Yemen, Algeria, and Libya installed new Socialist governments that nationalized U. S. oil companies. A few U. S. firms were affected by the nationalizations conducted by socialist regimes in Tanzania and Tunisia. Nigeria and the Central African Empire also nationalized U. S. properties. Although most of the disputes were settled, the increasing number of socialist economies did not appear to offer a climate conducive to investment; U. S. firms not nationalized in those countries and elsewhere felt threatened.

Nationalizations and threatened nationalizations increased in Latin America during the Johnson administration. Although most expropriation action concerned oil companies, investment in copper, iron and sulphur was also threatened by national take-overs. These were not nationalizations by new socialist governments. The only left-wing regime was Goulart in Brazil. Attempts to reach new agreements with the International Petroleum Company in Peru and the copper companies in Chile were conducted by democratic centrist leaders in those countries.[35] Nationalism had grown through Latin America and had "spilled over" from country to country.[36] As the statistics reveal, investment lagged in this period throughout the underdeveloped world.

INSURED INVESTMENT POLICY FORMULATION

President Johnson's first foreign aid message to Congress in 1964 drew on a confidential report to the President prepared by Undersecretary of State George Ball, head of an Inter-Agency study on the administration of the foreign aid program. The President accepted Ball's recommendation that the existing administration of AID be retained, but made more efficient. Johnson's message outlined four directions for foreign aid: greater realism in the amount requested (Johnson asked for $1 billion less than Kennedy, a "pre-shrunk bill"), greater international participation, concentration of funds (two thirds economic development aid to six nations-Chile, Colombia, Pakistan, India, Nigeria, and Turkey; military and supporting assistance to those nations facing security emergencies-Jordan, Korea, South Vietnam, Laos, and the 11 nations bordering the Sino-Soviet bloc), and "increased private sources to be utilized for the development task."[36] Congress agreed to the President's foreign aid requests with the lowest per cent of reductions in 19 years. This success was attributed to the President's small request, the elevation of Mahon (D. Texas) to chairmanship of the House Appropriations Committee where he could negate the anti-foreign aid efforts of Subcommittee Chairman Passman, and the President's ability to lobby Southern Democrats to prevent destructive parliamentary maneuvers to defeat the aid bill.[37]

Investment policy provisions in President Johnson's foreign aid proposals designed to stimulate greater use of private resources included an increase in funds authorized for pre-investment surveys, an increased ceiling and extended period for the issuance of all-risk guarantees, an increased ceiling on Latin-American housing guaranties (a pilot program), creation of a Private International Executive Corps to advise L.D.C.'s, and extension of the Advisory Committee on Private Enterprise in Foreign Aid to 1965. A separate bill proposed a special 30% tax credit for private investors in certain developmental projects in the L.D.C.'s. Two of the proposals were not enacted. The

Senate deleted the provision for increased investment survey funds; the House Ways and Means Committee failed to act on the tax credit proposals.

In 1965 the President requested the smallest amount of foreign aid since the program was initiated. Once again, President Johnson presented legislation that provided for "selective and concentrated" funding and provided for "an increasing role for private enterprise". Indicating that IBM President Arthur Watson, Chairman of the Advisory Committee on Private Enterprise in Foreign Aid, would recommend changes in the middle of the year, the President asked Congress for additional authority for all investment guaranty programs to meet the rising demand for them.

Two developments occurred in the 1965 foreign aid debates. In the course of one year, support for foreign aid declined substantially; opposition arose from criticism of "wild public spending," from use of aid to pursue the Vietnam War and from increased expropriations of property in the L.D.C.'s. Senator Fulbright refused to introduce the foreign aid bill in his capacity as Senate Foreign Relations Chairman unless military and economic aid were separated. Rep. Morgan, Chairman of the House Foreign Affairs Committee, refused to consider the bill unless both forms of aid were combined. After amendments were added in the House to ban aid to countries shipping goods to North Vietnam and in the Senate to create a Foreign Planning Committee, composed of both Presidential appointees and Congressional members, to evaluate foreign aid, the large Democratic majority acceded to most of the President's requests, including extension of the investment guaranty program.

The second development was the decision of the executive branch to solicit support for the foreign aid program from the business commmunity: administration spokesmen suggested that program lending in the aid program be used to shift resources into the private sector, a form of "incentive programming" whereby negotiatiors could condition aid to improvements in the L.D.C. private sector such as removal of import controls.[39] Appeals were made by businessmen with international interests for business to recognize that foreign aid was not only sound foreign policy but good business, stimulating trade by acquainting L.D.C.'s with U. S. products and stimulating investment by opening markets and creating favorable conditions for it. In addition, the investment incentives provided through the AID administration were publicized.[40]

The Watson Committee on Private Enterprise in foreign aid completed its work in 1965. The committee report insisted that if private resources did not do more towards development, foreign aid would become "a costly palliative of indefinite duration." Further, private investment had advantages in that it was not tied to the "vagaries" of Congressional sentiment and had more speed and flexibility than the AID program.[41] The report clearly stated, however, that public aid would continue to be required for infrastructure in the L.D.C.'s and that mixed public-private enterprises were to be expected in the L.D.C.'s. The Watson Committee recommended both strengthening the investment guaranty program and a 30% tax credit.

President Johnson's foreign aid message in 1966 incorporated the specific proposals of the Watson Committe to strengthen investment guaranties and requested both multiyear foreign aid authorization and the separation of economic from military aid. President Johnson was set back by Senator Fulbright's abrupt reversal of previous support for multi-year authorization when the Senator stated that he could not authorize the use by the administration of aid as a justification for intervention in such developing countries as South Vietnam. Senator Dodd summarized action on the foreign aid bill as the result of the emergence of neo-isolationistis, whom he defined as internationalists turned isolationists as a reaction to Vietnam.[42]

Johnson, at the behest of the Watson Committee, recommended doubling the investment guaranty issuing authority to $10 billion. Such a large increase in authority was interpreted in Congressional hearings as establishing a new criterion for foreign aid - opposition to private enterprise and unwillingness to sign investment guaranty agreements would be evaluated as a part of self-help criteria used to determine an

L.D.C.'s eligibility for aid. The President also requested increases in the extended risk and housing guaranties. Better administration of private investment incentives was to be achieved by the creation of a new Office of Private Resources, headed by Herbert Salzman. The Presidential recommendations, included in the House bill, were whittled down by the Senate. The Senate also demanded that at least 50% of the loan funds for DLF and the Alliance for Progress be earmarked for private enterprise. Senate amendments to require the U. S. to vote against World Bank loans to expropriating countries and to deny aid to nations who refused to submit compensation claims to arbitration under the World Bank convention were defeated. The ban on aid to L.D.C.'s who had not signed guaranty agreements was amended to permit Presidential discretion. On the motion of Senator Javits, an amendment established an International Private Investment Advisory Council, composed of leading U. S. business experts, to work with AID in formulating the contributions private investment could make towards economic development.

President Johnson's 1967 foreign aid requests were cut back to the lowest levels in 20 years. The cuts, largely in the development loan program, were made on the House floor and in the Senate Foreign Relations Committee because of large U. S. budget deficits including the $25 billion scheduled to be spent in Vietnam. Additional money was authorized for investment guaranty ceilings; guaranties for housing and high risk investments were increased. The final foreign aid legislation submitted by the Johnson administration in 1968 was a pared-down "prudent' request for funds. Congressional views, influenced by Vietnam, fiscal priorities, the balance of payments, and reports of the misuse of aid funds, remained negative; the President received less than requested.Senator Javits was able to obtain an amendment to the 1968 foreign aid bill to establish a commission charged with the responsibility to organize a government corporation to stimulate private investment in the L.D.C.'s.[43]

Early in 1968 the Johnson administration announced a program to reduce balance of payments deficits by means of mandatory controls. The controls, primarily intended to reduce direct private foreign investment in Europe, replaced earlier attempts to utilize voluntary controls and an Interest Equalization tax. Although the L.D.C.'s were exempted from the immediate direct controls on investment in the industrialized nations, new direct investment in the L.D.C.'s was limited to 110% of the 1965-1966 average. This provision penalized firms with a low base period who wanted to expand. The controls forced the administration to abandon earlier efforts to secure tax credits for investment in the L.D.C.'s.[44]

IMPLEMENTATION OF THE INVESTMENT GUARANTY PROGRAM

President Johnson's appointment of Thomas Mann to be Assistant Secretary of State for Inter-American affairs in 1964 was a turning point in the relationship of foreign investment to foreign aid. Assistant Secretary Mann reversed the emphasis on public aid and social reform as the rationale for the Alliance of Progress back to the Eisenhower administration's insistence on the primary role of private investment.[45] Secretary Mann argued that economic progress in Latin American was stalled by extremist, nationalist attitudes and a "mystical" concept of sovereign rights. He also maintained that Latin-American economies, stifled by artificial governmental controls, needed more competition.[46]

When asked by the House Foreign Affairs committee to testify on private investment incentive efforts, AID officials reported in 1965 that the specific risk investment guaranty program had expanded from 186 contracts for $426 million in 1963 to 486 contracts for $708 million in 1964. Guaranty coverage had reached a total of $1.8 billion, quadrupling from 1961.

David Bell, administrator of AID, outlined the agency's tools for facilitating private investment to the House Foreign Affairs committee. AID had completed complilation of a catalogue of Investment Opportunites to help U. S. businessmen identify opportunities in the L.D.C.'s, including summaries of more than 1200 feasibility studies. By 1964 AID had issued 110 pre-investment survey grants in which AID shared the costs of investigating opportunities with U. S. business firms. From this initial exploration, 10 affirmative decisions to invest, worth $20 million, had emerged.

AID also indicated that 2400 loans to private business in the L.D.C.'s had been made possible by AID loans to the industrial banks of 30 countries and that the program loans had been utilized by the L.D.C.'s to finance imports of U. S. supplies. Investment guaranty agreements had been negotiated with 58 countries by 1964.

Information about investment opportunities was facilitated through cooperation with the Commerce Department. A potential overseas investor could go to any Commerce Department field office to look through file cards of investment opportunities. After reading the abstracts, an investor could then obtain a detailed report of the opportunity from the field office of the Commerce Department Office of Technical Services.[47]

The Office of Private Resources, established in 1967 after President Johnson had recommended it in 1966, was a response to criticism expressed in the House Foreign Affairs Committee that AID had ignored Congressional directives to spend at least 50% of their funds to encourage private enterprise but had spent the money instead on roads and public utilities.[48]

Once in operation, the Office of Private Resources consolidated the investment incentive programs of the geographic AID bureaus into one office, the Private Investment Center. The center publicized information about investment opportunities through conferences and clinics with the American Management Association and with business groups in Chicago, San Francisco, and Los Angeles. The fifty-fifty shared cost pre-investment surveys increased to a total of 310 by 1968 with a total of 36 decisions to invest, worth $68 million. Additional special pre-investment surveys in which AID assumed a greater proportion of the cost were inaugurated: U. S. food processing firms to investigate opportunities to develop high protein foods in the L.D.C.'s, U. S. agricultural firms to survey investment in African countries for large vertically integrated agricultural projects, and support to the Inter-American Investment Development Center.[49]

By 1968 investment guaranty agreements had been signed with 83 L.D.C.'s and five new standard policy contracts were devised for the insurance of political risk. During 1968, 617 new coverages totaling $2.5 billion were written, the highest for one year in the history of the program. The extended risk guaranties were used to provide additional financing for private investors. These guaranties were for both equity (50%) and loans (75%) for commercial as well as political risk at a fee of 1 and 3/4% on outstanding balances. $82.5 in extended risk guaranties were written between 1962-1968; 20 of the 25 coverages were written between 1966-1968. The extended risk guaranties began to replace dollar loan financing which had previously been authorized for private investment projects. For local currency, U. S. businessmen were authorized to borrow Cooley fund food sale proceeds in the L.D.C.'s.

While the Private Investment Center concentrated on pre-investment assistance, insurance, and financing, a parallel bureau, the Private Resources Development Service, provided technical assistance to private investment by subsidies and the brokering of services through the following private organizations: International Executive Service Corp., Council for International Progress in Management, Volunteers for International Technical Assistance, Farmers Union, International Assistance Corporation, National Rural Electric Cooperatives Association, the Cooperative League of the U. S. A., International Cooperative Development Association, CUNA International (credit unions), Foundation for Cooperative Housing, and the National League of Insured Savings Association.[50]

AID paid two inconvertibility, one war risk, and two expropriation claims during the Johnson administration. Inconvertibility claims included a small payment in the Philippines in 1966 and a large bank claim in Vietnam in 1969. Damage to a construction company in Jordan in 1968 occasioned the war risk claim. Haiti cancelled a concession in 1964 and the Nigerian government expropriated a U. S. textile firm in 1968.[51]

POLICY TOWARDS UNINSURED INVESTMENT

Congress expressed dissatisfaction with a decision by the Supreme Court on March 23, 1964, in the case of Banco Natinal de Cuba v. Sabbatino that the application of the "Act of State" Doctrine prevented the enforcement by the U. S. Courts of the international law rules regarding nationalization of private property. Senate foreign relations, concerned with claims arising from the Cuban expropriations as well as the increased expropriation of the 1960's, added a provision to the 1964 foreign aid bill stating that no U. S. court should invoke the "Act of State" Doctrine to decline to consider cases based on confiscation in violation of international law which took place after Jan. 1, 1959. The provision provided for Presidential discretion[52] and merely served to dramatize Congressional resentment at the lack of legal remedy for recovery of an estimated $1.5 billion in Cuban claims.

As a positive step, the Senate in 1966 unanimously agreed to consent to a convention for an International Center for the Settlement of Investment Disputes to be organized with panels of arbitrators under the auspices of the World Bank. The Senate Foreign Relations Committee was hopeful that the Center would stimulate the flow of private capital to the L.D.C.'s through the improved investment climate it would create.

No official changes or Congressional amendments modified the Hickenlooper Amendment expropriation policy during the Johnson administration. Congress used the aid program appropriation process and specific legislation to reward and punish expropriating nations.

IMPLEMENTATION OF UNINSURED INVESTMENT POLICY

When new socialist regimes in Syria, Iraq, and Algeria nationalized most economic sectors and revoked oil concessions, the U. S. could do little more than present claims through the interests section of the State Department. Diplomatic relations were severed by all three nations in 1967 after the Arab-Israeli war and the U. S. discontinued aid programs at that time. U. S. companies were able to negotiate compensation and new agreements with Algeria but not with Iraq and Syria. Nationalization of U. S. banks and insurance companies by the socialist government of Tanzania was also settled by direct company negotiations. U. S. diamond interests pursued their own claims against a right-wing regime in the Central African Empire. In line with previous custom, no U. S. protection was extended to U. S. business interests in Mexico. Members of Congress argued that the Hickenlooper amendment should be invoked against Mexico's refusal to permit sulphur exports but the issue was settled by negotiations to Mexicanize the sulphur industry.

U. S. protection was implemented through the aid program, but not directly under the Hickenlooper Amendment, in Indonesia, Brazil, Peru, and Chile. The Broomfield Amendment to the foreign aid bill required the President to determine aid to Indonesia to be in the national interest. Extensive nationalizations and anti-American rhetoric of the left wing Sukarno regime led to cessation of U. S. aid but the cessation only provoked Sukarno to further nationalizations of U. S. property. After Sukarno was ousted by a right wing coup in 1966, all U. S. property was returned. In Brazil, the Goulart regime was perceived to be increasingly captured by the radical left. Although Goulart took initial steps towards nationalizing U. S. mining and oil interests, these interests had not yet been expropriated when the U. S. began to reduce the flow of aid and the World Bank refused to extend loans in 1963. The expropriations were never carried out; Goulart was removed from office by a coup in 1964. Alleged U. S. complicity in the coup has not yet been confirmed or disconfirmed; the motivation, security or economic interests, for alleged U. S. support of the coup has not been established.

The State Department reduced aid to Peru in the early stages of the IPC nationalization dispute but eased the policy when steps towards settlement appeared productive. Congress felt further penalities should be exacted and enacted two amendments mandating foreign aid reductions in circumstances directly related to Peru. In the Chilean case, both increased aid and investment guaranties were used to prop up a moderate regime that promised to negotiate Chileanization of the U. S. copper industry rather than nationalize it.[53]

The greatest leverage and strongest degree of protection was implemented in Latin America. The Congress continued to exert independent pressure for sanctions but the State Department under Johnson vigorously used the aid program, diplomatic pressure, and other resources to protect U. S. interests. Vigorous action was in accord with the swift military intervention by Johnson in 1965 in the Dominican Republic. In Peru and Chile, the object of policy was to recognize the inevitable loss of equity in oil and copper, obtain compensation and new agreements, and support the moderate regimes in power. In Indonesia and Brazil, the object of policy was to undermine the regime.

INVESTMENT POLICY DETERMINANTS

The content of investment guaranty policy in the Johnson administration consisted of promotion until 1968; after investment controls, it was a policy of restraint. The administration of the program increased the risk of claims payments by blanket authorizations of insurance, concentration of insurance in particular countries, and the wholesale underwriting of risks in Chile.

It has been suggested[54] that since President Johnson, a Democrat, did not expand the investment guaranty program, there is not a history of liberal support for the program. There is no indication, however, that President Johnson was opposed to guaranties or that he could have extended them further. Coverage of the insurance program already embraced a full range of political risks when Johnson assumed office. Each of Johnson's foreign aid messages called for a strengthening of the guaranty program by increased authorizations and higher ceilings; steps were taken to implement the program more vigorously within AID. A new Johnson initiative, tax incentives for the L.D.C.'s, had to be shelved because of balance of payments deficits.

Foreign aid messages by Johnson stressed private investment; AID administrators sought to develop a business constituency; and Under-Secretary Mann promoted the private sector at the expense of public financing. Business interests, not dominant in the Democratic Congress, were solicited by the administration. The Watson committee, a relatively liberal business group, resembled those assembled in the Eisenhower administration in its recommendations to restore levels of public aid along with private investment in the L.D.C.'s. The emphasis on private investment in the Johnson administration can be seen as a device to win support for military and supporting economic aid from conservatives and business. Within the Congress, the ideological coalitions forming to oppose foreign aid did not attack the guaranty program. The House of Representatives supported the investment guaranty proposals at hand; the Senate deleted several proposals as they had done in previous administrations. Proposed Congressional amendments expressed anger with the rising number of expropriations but there were no motions to abolish or seriously modify the guaranty program. Liberals who were concerned about development came to support private investment as the only alternative in the face of dwindling aid funds; this was the case with the League of Women Voters.[55]

The content of expropriation policy was more protective of U. S. interests in the Johnson administration. This was evidenced by the philosophy of State Department executives who applied pressure without the prodding of Congress. Congress, nonetheless, continued, via amendments, to re-enforce its previous policy stance. There was a change in attitude towards the L.D.C.'s in the Johnson administration - a lack of interest in their development and a lack of concern for their sensibilities. Anti-communism in the case of suspicious regimes, military support on the borders of Vietnam, the use of aid and even investment guaranties as a weapon, and the threat of intervention - these were the salient features of Johnson's policy which were manifested in expropriation disputes and elsewhere. These were attitudes and actions which the conservative coalition in Congress could approve.

INVESTMENT POLICY AS INDEPENDENT VARIABLE: POLICY EFFECTS THE EMPIRICAL DATA, 1960-1969

Investment and Insurance

The content of investment guaranty policy throughout the 1960's emphasized increased promotion of investment with no attempt to reduce risks or to reallocate investment by any selective measure. As an independent variable, investment policy may have an indirect effect on the volume and location of business investment decisions. The empirical data on U. S. investment, insurance, and aid flows, detailed in the Appendix, support a number of generalizations.

The strongest predictor of the amount of investment in a less developed country in the 1960's was a prior colonial relationship. For the U. S., only the Philippines and Liberia qualify. The second strongest predictor was the level of a nation's GNP.

Nationalizations or threatened nationalizations generated demand for insurance in the region affected. The actual amount of the insurance written per country varied with the anticipated degree of risk and the amount of investment concentrated in one industry. In Asia and Africa, the insurance guaranties tended to function as a pre-condition for investment; the guaranties served to protect the expansion of existing investment in Latin America and the Middle East.

No clear generalizations emerge as to the relationship of foreign aid to investment; a variety of patterns were operative. The following observations are pertinent to each region.

Asia

U. S. investment in Asia represented 36% of all foreign investment in the region. Those countries in which the U. S. was the dominant investor, i. e., over 70% of all foreign investment, were Indonesia, South Korea, the Philippines, and Taiwan.[56]

The relationship between GNP[57] and total U. S. investment[58] in Asia from 1960-1969 was strong but mediated by intervening factors: (1) the Philippines as a colonial tie led in investment (2) political instability and war risk reduced investment: investment in Indonesia declined with Sukarno's nationalizations[59] and anti-Americanism, investment in Pakistan remained relatively constant due to political turmoil, martial law, and suspension of U. S. aid programs; investment declined in the war zone areas of South Vietnam and Laos.

The relationship between investment and both GNP and GNP per capita[60] revealed two patterns: (1) a relatively large presence of U. S. investment (represented by the U. S. owned proportion of goods and services, i.e., investment as % of GNP) existed in those countries that welcomed the investment (the city-state commercial centers of Hong Kong, Singapore), the Philippines with colonial-linked economic ties, and those nations with a continuing U. S. military presence that were not engaged in actual combat (South Korea, Thailand). The exception was Taiwan which would be expected to rank higher. (2) Investment as percentage of GNP per capita simply reveals a very high U. S. presence (the Philippines) or the large populations and relative poverty of many Asian nations with higher GNP's (India). It could be hypothesized that a large U. S. investment as a per cent of either GNP or GNP per capita could, under certain circumstances, create conditions conducive to expropriation. This could occur when political movements demanding redistribution of wealth focus on the foreign enclave or when a rising middle class seeks ownership of the foreign sector.

The relationship between investment and insurance in Asia is interesting. The proportion of new investment insured[61] in Asia was the highest of any region and close to the maximum in India, Pakistan, and South Korea. A high level of insurance was written wherever the program was operative in Asia. For Asia, the rate of growth in insurance and investment were closely parallel in each country, suggesting that the insurance served as a pre-condition for the investment. The normal curve of insurance coverage, operative in Latin America and Africa, the volume of insurance rising and falling in relation to relative risk between the two poles, of absolute risk and absolute safety, was different in Asia. Although there was no insurance under the conditions of absolute risk (Indonesia under Sukarno) and under no risk (Hong Kong), there was high insurance coverage rather than variable coverage for all other investment. Although it might be concluded that all other investment was politically risky, such was not the case. The incidence of expropriation in Asia during the 1960's was the lowest of any region; insurance claims for all political risks were minimal. The explanation may lie in the long-run potential threat of Chinese expansion to the region rather than risks associated with particular Asian national regimes.

The relationship between U. S. aid[62] and U. S. investment is high only for Korea, India, and Thailand. Taiwan may represent a time lag, attracting investment in the 70's. Pakistan is an example of a country in which aid has no effect on investment because of the degree of political risk. In contrast, Hong Kong received no U. S. aid but experienced a growth rate of 8.4% and steadily increasing U. S. investment.

Middle East

The U. S. share of foreign investment in the Middle East was 60% in 1967. The U. S. was the dominant investor in Bahrain, Saudi Arabia, and Jordan. Since investment data is withheld by the Commerce Department for most of the Middle East, the few available statistics reveal little information. Iran, with the highest GNP, was the recipient of the largest amount of U. S. aid, the greatest degree of reported U. S. investment, and carried the highest amount of U. S. insurance. U. S. aid and U. S. interests were evident in Lebanon and Jordan as well. A certain degree of military aid was extended to Saudi Arabia but U. S. invested capital there is unknown. The total investment figures for the Middle East show that U. S. investment increased by 36% from 1960-1969 despite nationalizations and pressure to renegotiate oil contracts.

Africa

U. S. investment in Africa represented 21% of foreign investment in the continent. The U. S. was the dominant investor only in Libya. The single best predictor of U. S. investment in Africa during the 1960's was GNP rank. Of the ten African nations with the highest level of U. S. investment, seven were among the ten nations with the highest GNP: South Africa, Egypt, Nigeria, Algeria, Morocco, Libya, Ghana. With the exception of Egypt, all had mineral resources or oil. High U. S. investment in the other three can be explained by copper in Zambia and an early history of investment in Rhodesia and Liberia. The three high GNP nations without significant U. S. investment had unsettled regimes or ties to other nations. Increases in investment took place in those nations where investment was already high.

U. S. presence as a per cent of GNP in Nigeria, Liberia, Zambia, Libya, and Togo was unusually high in a region so recently developed. A degree of relationship between

U. S. aid and investment appears in the case of Morocco, Nigeria, and Algeria. Otherwise the relationship is inverse or non-existent. U. S. aid in this period appears to be related to internal civil disturbance.

Four countries with large U. S. investment do not participate in the insurance program - South Africa, Rhodesia, Libya, and Algeria. Both Libya and Algeria expropriated U. S. property in the 60's. Guinea, which also nationalized U. S. property, had the highest total insurance. Increases in insurance were less related to the amount of investment than to the potential threat of nationalization in Africa.

Latin America

The U. S. share of foreign investment amounted to 70% in Central America and 61% in South America. U. S. investment was less than 70% of all investment only in Brazil, Argentina, and former British or Dutch colonies.

The relationship between GNP and total U. S. investment in Latin America was high. Excluding Cuba and particular Caribbean nations with sparse populations or special circumstances (Bermuda, Bahamas, Barbados, Netherland Antilles, Trinidad and Tobago), the twelve Latin American nations with the highest GNP's were the location of the largest amount of U. S. investment with only four exceptions. Congruence between high GNP and high U. S. investment occurred in ten nations: Brazil, Mexico, Argentina, Venezuela, Colombia, Chile, Peru, Guatemala, Dominican Republic, and Jamaica. U. S. investment was low in the high GNP nations of Uruguay and Ecuador. The discrepancy was greatest in two low GNP nations with high U. S. investment - Panama and Honduras. Jamaica also had somewhat higher investment than GNP would warrant. Panama had become the banking and financial center of Latin America; Honduras was a banana republic in which United Fruit had large holdings, and Jamaica was host to investment by all major U. S. aluminum companies because of bauxite deposits.

Investment increased in Latin America during the 1960's but the growth was uneven. More than one-half of U. S. investment in Mexico, Argentina, and Panama took place in the 1960's. Mexico offered solid investment opportunities, Panama began its development as a financial center, and Argentina became open to U. S. investment under the Frondizi and Ongania regimes. The pace of investment in Brazil increased after the fall of Goulart and began to slow down in Peru during negotiations over I.P.C. Investment in Chile was not high (less than 12% of U. S. total investment in Chile took place during the 1960's) and decreased in Venezuela. The large decreases in investment in 1966 in Brazil, Argentina, Venezuela, and Jamaica can be accounted for by the Commerce Department revisions of statistics in 1966.

The U. S. presence in Latin American economies, shown by the proportion of investment to GNP, was greatest in Panama, Jamaica, Venezuela, Honduras, Peru, Bolivia, Chile, Trinidad and Tobago, and Guyana. Trinidad and Tobago (oil refineries) and Panama welcomed U. S. investment as national economic strategy. Potential problems of U. S. dominance appeared most evident in Jamaica, Venezuela, and Honduras.

Insurance statistics confirm that the number of applications for insurance under the guaranty program increased in the 1960's. $251 million in insurance was written in one year, 1968, in Jamaica for expansion of the bauxite-alumina industry. Insurance increased 350% in Venezuela and 760% in Peru. The proportion of new investment insured in Chile was 910%. Chilean insurance was issued to protect companies against the Chileanization of the copper industry under the Frei administration while U. S. aid was used to support Frei against the the more radical Allende. The amount of insured new investment was high throughout Latin America: 1,270% in the Dominican Republic where the U. S. had intervened in a coup: 81% in Colombia, 108% in Costa Rica, 160% in Bolivia, 140% in Honduras, 73% in Nicaragua, 63% in Brazil, 69% in Paraguay, 59% in Ecuador, 56% in Argentina and 50% in El Salvador. The insurance policies in Latin America were written primarily to protect against expropriation. Investment flowed to two countries with little or no insurance -- Mexico and Panama. In Latin America, the insurance patterns are related to two types of political risk: (1) the nature and stability of regimes (2) the concentration of industry - bauxite, copper, oil. In 1960-1969, the insurance did not function as a pre-condition for investment in Latin America but as a protection against loss for existing industries undergoing normal expansion.

Brazil is the only country in Latin America to receive substantial amounts of U. S. aid. The aid was extended before and after the Goulart regime for political purposes and may have contributed in those periods to increases in investment. Aid to other Latin American countries was small compared to U. S. aid programs in Asia and the Middle East. Within Latin America, the other two large aid recipients were Chile and Colombia. Aid during the early years of the Alliance for Progress rewarded the democratic systems in Chile, Colombia, Peru, and Venezuela; later aid was used to support regimes in Chile, the Dominican Republic, and Argentina. The aid did not promote investment since investment was threatened in most aid recipient countries throughout the period; it served to protect investment in the late 60's by protecting regimes. The only nations in which aid could be conceived as infrastructure for future investment were Colombia, Bolivia, and Ecuador.

Economic Development Effect

Since there is no agreed measure for development, economic growth rates can be interpreted as providing the potential for development. Those countries with growth rates of over 3%[62] in which U. S. investment was high (over $50 million) include South Korea, Thailand, Singapore, Mexico, Jamaica, Zambia, and the Middle Eastern oil countries. The investment guaranty policy could have contributed to investment and growth in the three Asian countries and in Jamaica, and Zambia. Low growth rates characterized most Latin American countries with high levels of U. S. direct investment in the 1960's.

Nationalizations

The content of expropriation policy in the 1960's was characterized by strong U. S. government protection, sanctions, and deterrent measures. From 1960-1969, twenty-one countries nationalized U. S. property. In several countries (Sri Lanka, Mexico, Brazil, and Peru), more than one expropriation action was undertaken in different years. The character of the nationalizations can be summarized by distinguishing between existing regimes and new regimes; political orientation to the right, center, and left (the left is characterized by socialist regimes, including Marxist regimes), and the magnitude of the nationalizations. A high magnitude represented nationalization of a nation's basic industry or a dollar amount over $25 million; moderate magnitude included a large or basic industry, a public utility, a variety of smaller industries, or a dollar amount over $1 million; low magnitude referred to a few small or isolated industries and a dollar amount under $1 million.

Only those nationalizations motivated by a host nation's desire to acquire partial or total ownership of foreign investment are included.

TABLE 1

NATIONALIZATIONS BY REGIME TYPE

EXISTING REGIMES:	4	NEW REGIMES:	16
Left Regimes:	3	Left Regimes:	10
High Magnitude:	2	High Magnitude:	5
Medium Magnitude:	1	Medium Magnitude:	4
Low Magnitude	0	Low Magnitude	1
CENTER REGIMES:	1	CENTER REGIMES	5
High Magnitude:	0	High Magnitude:	4
Medium Magnitude	1	Medium Magnitude:	1
Low Magnitude:	0	Low Magnitude	0

RIGHT REGIMES:	0	RIGHT REGIMES:	1
High Magnitude	0	High Magnitude	0
Medium Magnitude	0	Medium Magnitude:	1
Low Magnitude:	0	Low Magnitude:	0

New regimes of the left, six of whom had just achieved independence, accounted for 50% of the nationalizations. The fact that existing regimes and new centrist governments also undertook nationalizations confirms the trend of economic nationalism and spill-over effects. The trend explains the increase in insurance applications, the fear of left-wing governments, and the demand for sanctions as a deterrent.

The U. S. government often utilized more than one policy response to address the nationalizations. From 1960-1969, the following responses occurred:

U. S. Sanctions: 3
U. S. Threatened Sanctions: 4
Multilateral Sanctions: 2
Special U. S. Emissary: 2
U. S. Diplomatic Representations: 12
Firms Apply Sanctions: 2
Companies Negotiate Directly: 5
Companies Submit to L. D. C. National Courts: 2
Insurance Claims: 2 (When several U. S. industries in an economic sector were nationalized, some of them carried insurance).

Settlement Patterns were as follows:

Compensation within one year: 2

Compensation within one - four years: 2

Compensation within five to eleven years: 4

Compensation unsettled by 1977: 4

Insurance claim paid: 2

Joint venture formed: 2

Returned to owners: 1

In the period of the 1960's, disputes over nationalization[64] of uninsured investment thrust the State Department into adversarial relationships and increased involvement in the affairs of the nations concerned. Strong U. S. diplomatic representation and sanctions, undertaken at Congressional insistence, were more frequent than direct negotiations by business firms on their own. A strong U. S. position was taken, however, only in Latin America and Asia (Sri Lanka, Indonesia). U. S. government actions did not facilitate compensation agreements - eight disputes remained unsettled for at least five years; several settlements were only achieved after the nationalizing government was overthrown. Neither did the actions deter nationalizations; the pace of nationalizations accelerated after 1962 despite the Hickenlooper Amendment.

NOTES CHAPTER 3

1. Legislative Action Files, 1961-1963, League of Women Voters of the United States.

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60. Computation using Department of Commerce investment statistics and Overseas Private Investment Corporation insurance data in the Appendix.

61. Computation using Department of Commerce investment statistics and Overseas Private Investment Corporation insurance data in the Appendix.

62. U. S. aid figures are in the Appendix.

63. Economic growth rates, calculated by the World Bank, are located in the Appendix.

64. See Nationalization and Country Data sources. Footnote 4 above.

CHAPTER 4: THE CREATION OF OPIC

ORIGIN

A major new investment guaranty policy initiative inaugurated in the Nixon administration in 1969 represented a decision point that needs to be examined on its own in this chapter.

An impetus to spin off the investment insurance program from AID and center it in a separate government corporation began to develop in the 1960's. Dissatisfaction was expressed in Congressional committees and throughout the business community with the slow pace of investment.[1] Lagging investment was attributed to the 1968 mandatory investment controls which inhibited expansion of investment in Latin America, rising economic nationalism, and the implementation of the guaranty program by A.I.D. Data confirms both the investment lag and increased nationalism. Although AID reorganization resulted in a separate Office of Private Resources, critics in Congress felt that AID saw its mission to stimulate development through loans and grants for infrastructure with private investment as a stepchild.[2] The business community complained that AID lacked adequate staff with prior business experience and that the insurance and loan guaranty process was bogged down in bureaucratic red tape.[3] Members of the House Foreign Affairs Committee and Senate Foreign Relations Committee expressed concern about foreign aid appropriation cutbacks and the growing anti-foreign aid sentiment in Congress. Increased private investment would be the only substitute for aid if the U. S. were to honor its commitment to development.[4]

An amendment to the Foreign Assistance Act of 1968, sponsored by Senator Javits, established a commission to reappraise foreign aid and formulate recommendations for a "government corporation to mobilize and facilitate use of U. S. private capital" in the L.D.C.'s.[4] Pursuant to the amendment, the executive branch designated the International Private Investment Advisory Council to look into reorganization of the private investment function of A.I.D.'S programs. The International Private Investment Advisory Council (referred to as IPIAC) was a group already in place. It had been instituted in 1966 at the behest of Senator Javits to advise AID on the private enterprise component of development efforts. It succeeded the Advisory Committee on Private Enterprise, established in 1963 and extended in 1965, a group also established by legislation proposed by Senator Javits.[5]

Panels of businessmen appointed by the International Private Investment Advisory Council (IPIAC) reviewed the investment guaranty program and issued a report advocating the creation of an overseas private investment corporation along with specific proposals for the agency's organization, powers, goals, and guidelines. IPIAC was composed of representatives from six organizations: the U. S. Chamber of Commerce, Committee for Economic Development, the National Association of Manufacturers, the National Foreign Trade Council, the National Industrial Conference Board, and the U. S. Council of the International Chamber of Commerce.[6]

Although the two scholars who have reviewed the creation of OPIC[7] credit Senator Javits with the initial presentation of the idea to establish a government corporation, Lipson maintains that OPIC was "literally the brainchild of several business associations".[8] The documented evidence, however, strongly suggests that OPIC was the "brainchild" of Senator Javits, with major business associations as supporters who refined his proposal through recommendations for implementation. Senator Javits was the "policy entrepreneur" who sponsored the original investment guaranty program while serving on the House Foreign Affairs Committee in 1948, proposed a "Peace by Investment Corporation" in 1967,[9] introduced legislation in 1963, 1965, 1966, and 1968 to form the committees that would justify an investment corporation and outline specific proposals for it, and fought for its enactment.

Unless Senator Javits' stewardship of investment guaranty policy is interpreted as the behavior of a direct spokesman for the interests of multinational corporations, one cannot conclude that corporate interests dominated policy. Two other interpretations are more plausible: Senator Javits may have manipulated business interests into working out the details to support his own policy preferences or a mutually interacting relationship may have been operative with business firms acting as "midwives" to investment policy formulation.[10] Senator Javits was addressed in congressional hearings as the "father" and the "architect" of OPIC; according to Foreign Affairs Committee members, OPIC was his "baby."[11]

Senator Javits was not only the sponsor of investment guaranties but one of the key consistent Congressional supporters of foreign aid. He urged private investment and aid in development strategy with equal enthusiasm and was a dominant participant of the Liberal Coalition on all foreign economic policy issues. Senator Javits allied with Senator Hubert Humphrey on the Senate Foreign Relations Committee in the late 1960's in opposition to Senate liberal neo-isolationist critics; they came to form a progressive middle ground of liberal Democrat/liberal Republican support for continued developmental assistance to the L.D.C.'s in the face of attacks from the right and the left.[12] Javits' dedication to development exceeded immediate business concerns.

The IPIAC report recommendations were incorporated in President Nixon's formal proposal for the creation of OPIC in his 1969 Foreign Aid message to Congress. In that message he justified the creation of the new government corporation on the basis of the need to "enlist the energies of private enterprise" and to provide for "businessslike management" of the private sector contribution.[13]

CONTENT OF PROPOSED LEGISLATION

The purpose of the Overseas Private Investment Corporation, as stated by President Nixon in 1969 in his annual message to Congress on foreign aid, (S.2347) would be to mobilize and facilitate the participation of U. S. private capital and skills in the economic and social progress of less developed friendly countries and areas, thereby complementing the development assistance objectives of the U. S. OPIC's policy goals, stated in the Legislation, were as follows:

- * OPIC is to undertake to operate the insurance program with due regard to principles of risk management, and the finance program on a self-sustaining basis. OPIC should include, when appropriate, efforts to share its insurance risks.

- * OPIC is to support investments in less developed friendly countries which contribute to their economic and social development, taking into account the receptivity of L.D.C. governments to private enterprise, encouraging private initiative, and competition and discouraging monopolies.

- * OPIC is to consider the balance of payments effects of its activities.

- * OPIC is to utilize and encourage participation of small business in OPIC programs.

- * OPIC is to utilize private sources of financing as the principal means of encouraging investment and to increase private participation by selling its direct investments to private investors.[14]

OPIC was to be governed by a board of 11 Directors; the Chairman of the Board and four of the Directors were to be appointed from the public and approved by the Senate with the remaining six to be government officials appointed by the President. The House Committee amended this proposal to state that the Chairman of the Board of Directors should be the AID Administrator, serving ex-officio, and that six (the majority) of the eleven directors should come from private life. The House Committee also required that three of the six directors from the private sector have specific experience: one in organized labor, one in small business, and one in cooperatives. The Agency was authorized to exempt 35 of its positions from all Civil Service laws and regulations; 15 of these positions could be supergrade.

The rationale of utilizing the corporate form was elucidated: corporate management is preferable where a federal government activity is predominantly of a business nature, is revenue producing and potentially self-sustaining, involves a large number of business-type transactions with the public, and requires greater flexibility than the customary annual appropriation budget ordinarily permits. OPIC management pointed to four significant features of the corporate approach: a public-private Board of

Directors, a balance sheet discipline, a small sized highly professional staff, and a specialized organization with expertise dealing solely with U. S. investment in the L.D.C.'s.

OPIC was authorized to provide investment insurance against the risks of inconvertibility, expropriation, and war, revolution, or insurrection and to establish finance programs to consist of an Investment Guaranty Program, a Direct Investment Fund, and a Productive Credit Program; in addition OPIC was to administer the Cooley Loan program. The finance programs were envisaged and funded to represent a smaller, auxiliary part of OPIC's operations; the major function was to be the investment insurance program.

OPIC was authorized to permit $320 million to be appropriated in fiscal years 1970 and 1971. Although the President requested a capitalization of $100 million to establish a Direct Investment Loan Fund, Congress, at the behest of the House Foreign Affairs Committee, reduced the authorization to a capitalization of $40 million.

The legislation creating OPIC established the eligibility requirements and stipulations with regard to its operations as follows:

* A bilateral agreement must be signed between the U. S. and a host country in order to inaugurate the program.

* Eligible investors were defined as U. S. citizens; corporations, partnerships or other associations including non-profit associations created under the laws of the U. S. and substantially owned by citizens; foreign corporations, partnerships or other associations wholly owned by one or more such U. S. citizens, corporations, partnerships, or other associations.

* No more than 10% of the face amount of insurance or guaranties could be issued to a single investor. (Added by House subcommittee).

* The Auditor General of AID would audit OPIC's operations.

* Loans from the Direct Investment Fund could not be used to finance the extraction of ore, oil, gas, or other mineral deposits.

All three forms of investment insurance were subject to the eligibility requirements and the requirement that insurance be written only on new investment in either the form of equity or loans and be issued for a maximum of 20 years for equity investments and the term of the loan for debt investments. In addition to equity and debt, investment could take the form of a guaranty of a third-party loan to the foreign enterprise, licensing of patents, processes, or techniques, and agreements for technical and managerial agreements.

Expropriation Insurance: Expropriation was defined by the Foreign Assistance Act of 1961 as "Including but is not limited to any abrogation, repudiation, or impairment by a foreign government of its own contract with an investor with respect to a project, where such abrogation, repudiation, or impairment is not caused by the investor's own fault or misconduct, and materially adversely affects the continued operation of the project."

War, Revolution, and Insurrection: This coverage protected the foreign investor against damage to tangible property arising from these causes. Damage to intangible property was not covered and insurance did not apply to lesser civil disturbances.

Inconvertibility: This coverage applied when an investor was unable to exchange local currency for dollars if the central bank of the host country refused to convert his locally held funds that represented his earnings on the original investment or capital eligible for repatriation. The insurance did not cover devaluation losses and did not protect the investor from exchange regulations, restrictions, and fluctuations applicable at the time the insurance contract was issued.[15]

The differences in statutory powers and obligations between OPIC and the previously AID-administered program under the A.I.D. Office of Private Resources can be summarized as follows:

1. OPIC's mandate included the objective of furthering the economic and social progress of the L.D.C.'s, a broader objective than A.I.D.'s mandate to further the development of the economic resources and productive capacities of the L.D.C.'s.

2. OPIC would operate under certain statutory guidelines which were not adopted for or applicable to AID: risk management techniques in the insurance program, self-sustaining operation in the finance program, furthering the balance of payments objectives of the U. S., utilizing the skills and resources of small business, broadening private participation through the sale of its direct investment.

3. OPIC was authorized to insure non-U. S. investors in multinational projects if certain specified proportional criteria were met.

4. OPIC could make direct loans from its direct investment fund or from excess foreign currency to firms and, in return, accept debt securities convertible to stock.

5. OPIC's pre-investment survey and encouragement activities were not, unlike AID, limited to 50% financial participation.

6. OPIC received $7.5 billion new insurance authority and $750 million in new investment guaranty authority.

7. OPIC was authorized to sue and be sued in its corporate name.

8. OPIC could invest funds derived from fees and revenue in U. S. obligations.

9. OPIC could represent itself in all legal and arbitral proceedings.

10. OPIC was authorized to purchase, discount, rediscount, sell, and negotiate guarantee notes, participation notes, and other indebtedness.

11. OPIC was authorized to operate in Yugoslavia and Romania.

12. OPIC was authorized to establish pilot programs in five Latin American countries to encourage lending institutions to make loans to foster agricultural credit and self-help community development projects.

13. OPIC was required to analyze transferring its activities to the private sector.

14. Under AID, an investor could claim entitlement to coverage whereas OPIC could turn investors down based on qualifying criteria for coverage in the statute.[16]

Finance Programs

OPIC's finance programs were modest in scope. Their purpose was to stimulate investment by utilizing a package of financing instruments - pre-investment survey financing, direct loans to assist inauguration of an investment project, and guaranties against commercial risk over and above the insuring of political risk. The statute creating the finance aspect of OPIC's operations stated that OPIC was to: "conduct financing operations on a self-sustaining basis, taking into account the economic and financial soundness of projects and the availability of financing from other sources on appropriate terms."[17]

The Investment Guaranty Program, carried forward from AID served to guaranty both equity investments and long term loans against commercial risks. Eligibility requirements were similar to those of the insurance program. Equity investments, however, were usually guaranteed for only a 10 year period and were insured for 50% of the loss. Loans from U. S. lenders are insured for 75% of the loss. No more than 10% of all OPIC's guaranties could be extended to a single investor. The 1969 statute authorized $750 million to be utilized to underwrite the Guaranty program, with 25% of the outstanding guaranties, to be maintained in reserves.[18]

The Direct Loan program under AID came to be a part of the Direct Investment Fund under OPIC, launched with $40 million in capital. Under this program OPIC could participate and thus facilitate the going forward of investments considered to be highly developmental in nature. Such investments were required to contain a substantial degree of U. S. small business investment or to give evidence of making a contribution to an improved investment climate in an L.D.C. The direct investments were restricted to those in which private lenders would have no interest, such as those with high risk, but which were potentially profitable. OPIC could sell the direct investments. The direct loans, in dollars or foreign currencies, could be made to either private or mixed private-publicly owned firms. OPIC was permitted to accept convertible debentures as a form of debt repayment and to accept stock as a result of liens. Any stock accepted had to be sold. Convertible debentures could be sold to L.D.C. nationals. Direct Loans were usually made for a term of 5-15 years with interest based on OPIC's risk assessment; the loans were not intended to be concessional. Mining and extractive industries were excluded from both direct loans and direct investment.[19]

The Cooley Loan program under AID was transferred to OPIC's administration but continued to be funded by AID. Funds in local currencies accumulated from the sale of agricultural products in the L.D.C.'s under Public Law 480 are utilized in the Cooley Loan program for loans to U. S. business to invest or expand investments in those countries. These loans gave priority to the expansion of investment in agricultural products.

Pre-investment surveys were another financing program brought forward into OPIC from AID. The surveys, to support "the identification, assessment, surveying, and promotion of private investment opportunities" in the L.D.C.'s were partially financed by OPIC in conjunction with potential investors to locate projects beneficial to both firms and host governments.[20]

DECISION-MAKING: THE HOUSE

House Committee Modifications

The major difference in the policy goals of OPIC's insurance and finance programs from the AID insurance guaranty program was in the emphasis placed on self-sufficiency and risk management.[21] Supporters in the administration and the House Foreign Affairs Committee felt that separation of the program from AID would shift the program from the periphery in AID to the centerpiece of a new organization specializing in the stimulation of private investment. Further, the program would be administered by directors and officials with extensive business experience who could utilize the flexibility of the corporate form to make the insurance portfolio pay for itself.

After hearings by the predominantly liberal House Subcommittee on Foreign Economic Policy, the full House Foreign Affairs Committee endorsed the creation of OPIC but recommended changes in specific provisions of the bill.[22]

The committee changes were: (1) a cut in the requested capitalization from $100 million to $40 million; (2) a requirement that the OPIC Board Chairman be the administrator of AID rather than from private life; (3) a provision that three of the six directors from private life should include one from organized labor, one from small business, and one from the cooperative movement; (4) the addition of a 10% limitation on the amount of insurance or guaranties that could be extended to a single investor; (5) designation of the Auditor-General of AID as auditor of OPIC's operations; (6) addition of a three year pilot program of agricultural credit and self-help community development loan projects to five Latin American nations; (7) a prohibition against Direct Investment Fund loans to extractive industries, an area which in the past, the committee noted, had led to political repercussions; (8) a change in wording of the economic development policy goal from a general guideline to encourage investors to be sensitive and responsive to the special needs of L.D.C. economies to OPIC encouragement of only those private investors who were sensitive and responsive.[23]

The changes in the bill creating OPIC wrought by the Committee were responses to concerns raised by critics within both the subcommittee and the full committee. Rep. John Culver's (D., IA.) desire for a code of investment conduct to induce more enlightened business practices was met by an amendment to change the policy goal phrasing. The image of closely tying American foreign policy and the national interest to the interests of private business through OPIC was raised by Representatives Morse, Tunney, Rosenthal, and Toybal. Other committee members emphasized that the foreign policy development purpose of OPIC was insured by designating the AID Administrator as OPIC Chairman; business was de-emphasized by adding board members from cooperatives and labor. Concern with economic nationalism in the L.D.C.'s was reflected in the prohibition of loans to extractive industries and limitations on guaranties to a single investor.

Critics of highly paid management in OPIC (exempt from Civil Service) to conduct the same program as AID at a higher cost, (Rep. Gross, Derwinski, Burke, and Zablocki) ignored the fact that OPIC would be self-sustaining. Rep. Zablocki also objected to decreased Congressional control and oversight inherent in the corporate form of organization. One objection, not fully addressed, was the likelihood of increased association of the U. S. government with investor disputes as a result of the OPIC instrumentality.[24]

The business community testified in favor of the bill at Committee hearings, having formed an intercommunity group of business representatives to support it. The nucleus of business supporters was the group of six organizations in IPIAC who drafted the bill. They formed an alliance with the Agri-Business Council, the Council for Latin-America, and the banking community.[25] Every one of these organizations had also been consistent supporters of liberal trade legislation and often joined in alliances such as ECAT (the permanent Emergency Committee for Trade) to lobby for reciprocal trade agreements act extensions. These organizations also, in general, supported foreign aid.[26] They represent predominantly large corporations engaged in trade, finance, and business activities overseas.

OPIC's most vocal supporters on the House Foreign Affairs Committee came from moderate Republicans and Democrats. Conservative Republicans, such as Rep. Gross, objected to the cost and the additional bureaucracy represented by OPIC, an objection echoed by conservative Democrat Zablocki. Liberal Democrats criticized either the excessive business orientation of OPIC or insensitivity to the L.D.C.'s. The liberal Democrats gained concessions by way of amendments.[27] The House Foreign Affairs Committee recommended the bill.

Action on The House Floor

The House floor debate on the bill centered on an amendment by Rep. Gross to delete OPIC from the Foreign Assistance bill and to reauthorize continuance of the AID investment guaranty program. Rep. Gross objected to another layer of "bureaucratic blubber" while Rep. Zablocki reiterated his objections to the supergrades in the agency. Rep. Frelinghuysen supported the bill by stressing the control over the agency to be exercised by the AID administrator, the Auditor General, and the GAO. Thomas Morgan, chairman of the House Foreign Affairs Committee, explained committee reasoning, objected to arguments about additional bureaucracy, and urged the House to focus on the real purpose of OPIC - to relieve the taxpayers of foreign aid outlays by stimulating private sector involvement. The Gross amendment was defeated 24-48 and the foreign aid bill, including the OPIC provisions, passed the House 176 to 163.[28]

DECISION-MAKING: THE SENATE

Senate Foreign Relations Committee Consideration

The Senate Foreign Relations Committee also predominantly liberal in composition, decided not to hold hearings on S.2347, the bill to create OPIC, stating that foreign aid programs should remain at existing levels to improve the chances for Senate passage of the Foreign Assistance Act of 1969. The committee believed any new measures suggested by the House should await a pending report from the Peterson Commission on revision of the entire foreign aid program.[29] A tie vote of 7-7 in the Senate Foreign Relations Committee specifically excluded OPIC from the Foreign Assistance Act of 1969.[30]

Action on the Senate Floor

When the Foreign Assistance Act came to the Senate floor for debate, Senator Javits, as a Senate Foreign Relations Committee member, introduced an amendment, co-sponsored by 17 Senators, to include the House provision for OPIC in the Senate legislation. The 17 co-sponsors included 11 Republicans and 6 Democrats, broken down further by ADA ratings into six Liberal, (3 Dem. and 3 Rep.), three moderate Liberals, four moderate Conservatives, and four Conservatives.[31]

Senator Javits justified the amendment by explaining that OPIC had been held up by a tie vote in committee and by the opposition of Committee Chairman Fulbright who refused to hold hearings in order to kill the bill. It was not necessary, he claimed, to wait for the Peterson Commission report since the concept of OPIC had already been endorsed by reports from IPIAC, the Rockefeller Committee, and the Pearson Commission. Further, OPIC's creation was an administration measure, wholeheartedly endorsed by the Secretary of State.[32]

The arguments presented by Senator Javits on behalf of the OPIC amendment on the floor were essentially U. S. self interest arguments: new U. S. business firms would be encouraged to join the mere 5% then investing abroad; the corporation would earn money for the U. S. Treasury; increased investment would improve the U. S. balance of payments position and increase trade through tied purchases; investments would be facilitated in the same fashion that trade was assisted by Eximbank; the development of the L.D.C.'s would make them better U. S. customers; the tax burden of foreign aid would be reduced. Advantages of the corporate form were also cited.[33]

As Chairman of the Senate Foreign Relations Committee, Senator Fulbright voiced opposition to the bill. Major issues of the political consequences to foreign nations of vast flows of private capital into their economies, the impact of foreign investment on the U. S. balance of payments, and the priorities involved in guaranteeing investments abroad rather than in U. S. ghettoes should receive lengthy rather than hasty consideration. Primarily, Senator Fulbright maintained, OPIC was assistance to American business designed as part of the foreign aid bill.[34]

Whereas Senator Javits appealed to business and national income interests, Senator Fulbright appealed to traditional, liberal, Democratic ideology, i.e., poverty at home, populist fears of subsidizing business, anti-imperialist concerns about exploiting the L.D.C.'s. Each included one argument for the other side-Javits and the rich-poor gap, Fulbright and the balance of payments.

The Javits amendment was adopted in the Senate by a vote of 53-34 in December of 1968[35] An analysis of the ideological component of the vote follows. The House and Senate Appropriations Committees later disagreed on the administration request for $75 million to supplement the reserves OPIC would inherit from AID; the appropriation agreed to in conference was $37.5 million.

Analysis of Senate Roll Call Vote

There was no roll call vote in the House of Representatives on the creation of OPIC since it was incorporated into the foreign aid bill. The Senate voted on OPIC as a floor amendment offered by Senator Javits. The 1969 Senate was composed of 57 Democrats and 43 Republicans.

In order to analyze the Senate vote on OPIC, political ratings for liberal voting records were obtained from the Americans for Democratic Action.[36] Scores were divided into four quartiles. Senators were placed in each quartile according to ADA Liberal Quotient scores, producing categories of members who were Highly Liberal (36 Senators: 29 Democrats and 7 Republicans), Moderately Liberal (15 Senators), Moderately Conservative (14 Senators), and Highly Conservative (35 Senators).

The breakdown of votes shows that OPIC was supported by 23 of the Highly Liberal Senators - 16 of the Northern Liberal Democrats and all 7 Liberal Republicans. OPIC was also supported by 11 Moderate Liberals, 8 Moderate Conservatives, and 11 highly Conservative Senators.

Opposition to OPIC came from 10 Highly Liberal Democrats (Ribicoff, Conn.; Williams, N.J.; Eagleton, Mo.; Proxmire, Wis.; Nelson, Wis.; McCarthy, Minn.; Young, Ohio; Church, Ida.; Burdick, N. Dak; McGovern, S. Dak. Church and McGovern were members of the Senate Foreign Relations Committee.) Slightly more than half of the Liberal Democratic opponents had voted with the neo-isolationist coalition on Vietnam war measures in the Johnson administration. These liberals were joined in opposition by 4 Moderate Liberals, 4 Moderate Conservatives, and 19 Highly Conservative members. Among the conservatives, Southern Democrats voted against OPIC by a margin of 11-2.

The OPIC Senate vote moved in the direction of a classic vote against the middle in which the most liberal and most conservative members join in opposition to the moderate political forces in the middle. The highly liberal and conservative members did join on the OPIC vote but insufficient highly liberal defections on one end of the scale and conservative Republican votes to support the President's position on the other end prevented a closer vote. The highly liberal non-neo-isolationist OPIC supporters tipped the scale.

DETERMINANTS OF POLICY

The policy content of the decision to create OPIC represented a significant departure from mild investment promotional efforts to a major focus on promotion of private foreign direct investment in the L.D.C.'s. The content also included, for the first time, the principle of risk reduction. The fact that OPIC operations must pay their own way would necessitate devising methods to reduce the risk of claims payments in contrast to blanket approval of all guaranty applications.

The creation of OPIC was the result of careful groundwork and entrepreneurship on the part of Senator Javits. The legislation, drawn up by business committees Javits persuaded the Congress to appoint, was ready in time for sponsorship by a new Republican President. A coalition of business groups gave the appearance of united business support; no significant opposition developed from domestic interest groups. No conflicts within the executive branch surfaced - State, Treasury, and AID itself supported the legislation.

Both the House and Senate Foreign Affairs committees were predominantly liberal in 1969. In the absence of major domestic opposition, the liberal House Foreign Affairs Committee members expressed uneasiness about corporate interests and uncertainty over the potential impact of promoting investment by writing amendments designed to safeguard foreign policy goals into the bill. Once approved by foreign policy specialists, the legislation was sold on the House floor by an appeal to domestic and conservative interests: OPIC would save the taxpayers money by reducing foreign aid funds.

Senator Javits was stymied in the Senate Foreign Relations Committee by Senator Fulbright's personal opposition to the creation of OPIC and the revolt of liberal neo-isolationist Senators against foreign aid commitments. He won the amendment fight on the Senate floor by the device of rounding up 17 bi-partisan co-sponsors, involving support of the President, persuading Republicans to support an administration measure and liberals to support him as a liberal colleague, and appealing to national self interest on the Senate floor. Yet the opposition in the Senate from both liberals and conservatives represented a breakdown of the liberal coalition on investment policy issues, reflecting some not yet fully articulated policy concerns.

NOTES CHAPTER 4

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2. Robert H. Swansbrough, The Embattled Colossus (Gainesville, Fla: The University Presses of Florida, 1976), p. 133.

3. Peter A. Hornbostel, "Investment Guaranties: Bureaucracy Clogs the Flow." Colombia Journal of World Business, IV (1969) pp. 37-47.

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6. Working With Private Enterprise, AID (1968), p. 17.

7. Lipson, "Expropriation Insurance," p. 363; Swansbrough, Embattled Colossus, p. 170

8. Lipson, "Expropriation Insurance," p. 365. Lipson links investment insurance policy to corporate preferences.

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11. See U. S. Congress, House Committee on Foreign Affairs. Hearings on the Overseas Private Investment Corporation, 93rd Congress, 1st Session, 1973.

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CHAPTER 5: OPIC POLITICIZED: POLITICS OF REAUTHORIZATION UNDER THE NIXON ADMINISTRATION, 1970-1974. THE POLICY FORMULATION PROCESS

Context: Presidential Priorities and Domestic Political Alignment

After his inauguration in 1969, President Nixon outlined the Nixon Doctrine in which the U. S. would seek a less preponderant role in world affars by increasingly sharing the responsibility for security with other nations; the U. S. would assist friendly nations under attack only if those nations provided for their own military defense.[1] In line with this doctrine and as a means to end the Vietnam War, a policy of Vietnamization of that war was instituted. At the same time, President Nixon and his Secretary of State Henry Kissinger sought to dampen the Cold War by pursuing "detente" with the Soviet Union, Strategic Arms Limitation talks with the Soviet Union, and the re-opening of diplomatic relations with the Peoples' Republic of China. After three years of negotiations and various military strategies, including the controversial bombing of Cambodia, President Nixon was able to disengage the U. S. from the Vietnam War in 1973.

In addition to relationships with the Soviet Union, China, and Southeast Asia, the Nixon administration gave priority to negotiations for peace in the Middle East where Egypt and Syria launched the Yom Kippur war in 1973. Economic nationalism in Latin America was met by attempts to settle outstanding disputes.[2]

Continued balance of payments deficits resulted in the removal of the investment controls adopted during the Johnson administration, a dramatic closing of the convertibility of the dollar to gold in 1971, and a devaluation of the dollar. The OPEC nations raised prices and embargoed oil in 1973, threatening U. S. foreign policy in the Middle East and the U. S. domestic economy at the same time. The U. S. domestic economy, suffering from inflation, unemployment, and unfavorable trade balances, triggered the AFL-CIO to advocate protectionist trade and investment policies while the U. S. political system as a whole was enmired in the Watergate crisis.

President Nixon's 1968 election resulted in an increase in the number of Republicans elected to the Senate to 57 Democrats, 43 Republicans. The House, however, maintained its previous division with 243 Democrats and 192 Republicans, an increase of two Democrats. Nixon was able to draw on conservative Democrats and both liberal and conservative Republicans for coalitions on certain issues. On issues formerly supported by Democrats, liberal coalitions could be forged. In the by-elections of 1970, the Democrats gained 11 seats in the House but lost two Senate seats. The Presidential campaign of 1972 resulted in the exact alignment in both the Senate and the House as existed after the 1968 elections.[3]

During Nixon's first term, opposition to U. S. foreign policy steadily grew, manifesting itself in votes against the foreign aid bill, resolutions directed against aspects of the Vietnam War, and finally, by 1973, in the War Powers Act, an attempt to assert greater control by Congress over the foreign policy decision making process. On foreign policy issues, liberals and conservatives in both parties joined forces in defiance of conventional alignments.

In 1971 the bill to authorize foreign aid for 1972 was unexpectedly defeated in the Senate, 41-27, by a coalition of 26 Republicans voting against the President's bill joined by 15 Democrats. Only 20 Republicans and seven Democrats voted for the bill; significantly, 11 Republicans and 21 Democrats did not vote on the bill. The coalition was composed of those who rejected the principle of foreign aid and/or pressed for domestic priorities and those who objected to any single provision in the bill, i.e., anti-war Senators objected to authorization of aid for Cambodia, liberal Senators objected to aid for the "repressive" regimes of Pakistan and Greece; conservative Senators objected to aid to countries who failed to support the U. S. position in the UN with regard to seating the Peoples' Republic of China. Supporters for the bill included committee members who had long supported foreign aid such as Javits, Percy, and Case; among those who did not vote on the bill were liberals Humphrey, McGovern, Muskie, and Kennedy. These divergent perceptions and lack of consensus will be compared to the coalitions that emerged on investment policy.[4]

Investment Patterns and Investment Climate

The increase in U. S. foreign direct investment from 1970-1973 in developed countries was 39% compared to an increase of 19% in the less developed countries. Investment increased by slightly more that $1 billion per year in the L.D.C.'s with the exception of 1973. The increase of $700 million in 1973 was composed of investment increments in Asia and Latin America but decreases in the Middle East and Africa. At the close of 1973, 71% of all U. S. direct investment was located in developed nations and 29% in the L.D.C.'s

During this period, U. S. direct investment decreased by -5.8% in the Middle East, reducing the share of overall U. S. investment to .02 in the Middle East. U. S. investment also declined in Africa by -.02 but the share of U. S. investment located in Africa rose to 10%. Although investment over the three year period rose in Latin America by 27%, the relative share of U. S. investment in Latin America decreased to 72%. The greatest increase in investment, 69%, took place in Asia which increased its share of U. S. investment in the L.D.C.'s to 17%.[5]

Decreased investment in the Middle East and Africa was caused by the overall renegotiation of OPEC oil contracts, the nationalization of oil in Libya and Iraq, and arrangements to contract for services with oil companies in Iran. Although nationalizations caused divestitures in Latin-America, losses were more than compensated by the gigantic increase in U. S. investment in Brazil. Increased investment in Asia occurred in the city states of Hong Kong and Singapore and countries outside the war zones: Indonesia, Malaysia, Taiwan.

Although opportunities for investment by U. S. firms were available in particular countries such as Nigeria, South Africa, Brazil, and in Asia as a region, the investment climate was not propitious n Latin America and the Middle East and varied throughout Africa. U. S. oil companies relinquished equity in the Middle East regardless of the nature of the governments involved - by nationalizations of socialist regimes in Iraq and Syria or by contract negotiations with traditional monarchies. In Africa, a variety of types of political regimes moved in the same direction: to acquire increasing equity participation by government or indigenous ownership in foreign-owned and basic industries. Although the Marxist-oriented or radical socialist regimes of Guinea, Somalia, and Libya utilized outright expropriations, the demands for equity were effective nationalizations in the African socialist nations of Ghana and the Sudan, the mixed economies of Kenya, Nigeria, Uganda, and Zambia, and the predominantly capitalist societies of Morocco and Liberia.

The Nixon administration was greeted by a series of nationalizations in Latin America which had begun in 1968 in Bolivia, Ecuador, Peru and Guyana. Pressures for increased equity in oil, bauxite, and copper production had intensified in Venezuela, Jamaica, and Chile. By the end of 1973, the Jamaican and Venezuelan governments had not nationalized property, disputes in Bolivia, Ecuador, and Guyana had been settled, and a special emissary conducted continuing negotiations with Peru over the difficult I.P.C. dispute. In 1970-1971, however, sweeping nationalizations of U. S. property were carried out by the Allende government in Chile.[6] Details of the nationalizations and U. S. policy response to them are appended, beginning on page 441.

The climate for U. S. investment in Latin America was diminshed not only by nationalization disputes but by the investment provisions of the Andean Pact, formed in 1969 by Colombia, Ecuador, Peru, Bolivia, and Chile to create a common market. Venezuela joined in 1973. New foreign investment in the Andean region was excluded from specific sectors such as banking and public utilities; existing foreign firms were required to sell to local firms within three years. A fade-out provision required divestiture of new foreign investment benefiting from tariff reductions over a 15-20 year period. Repatriation of profits was limited and buy-outs of local companies were forbidden.[7]

The United Nations Conference on Tariffs and Trade (UNCTAD), organized by the L.D.C.'s in 1964 (the Group of 77), held meetings in 1968 and 1972 to discuss common concerns. The perception of investment policy issues by the L.D.C.'s was defined through these discussions. The L.D.C.'s refused to accept any obligation to provide full compensation for nationalizations, rejected submission of disputes to outside tribunals as intervention with the sovereignty of nations, argued that foreign direct investment was not automatically beneficial to L.D.C. economies and may have adverse effects, and subscribed to a general belief in a dependency theory of underdevelopment.[8] The Latin American governments further stated in the Vina del Mar Declaration of 1969 that foreign private investment should not be considered as foreign aid.[9]

POLICY TOWARDS UNINSURED INVESTMENT

The unresolved nationalization of U. S. property in Peru and the massive nationalizations of U. S. property in Chile prompted the Nixon administration to develop an explicit expropriation policy. The policy, hammered out in a debate between the State Department, arguing for discretion, leeway, and a soft line and the Treasury Department, headed by Nixon confidant John Connally, advocating automatic aid cut offs as a deterrent to nationalization, was set forth in January of 1972.[10] Nixon's statement of policy was as follows:

> Under international law, the United States has a right to expect that the taking of American property will be non-discriminatory; that it will be for a public purpose; and that its citizens will receive prompt, adequate and effective compensation from the expropriating country.

> Thus when a country expropriates a significant United States interest without making reasonable provision for such compensation to United States citizens, we will presume that the United States will not extend new bilateral economic benefits to the expropriating country unless and until it is determined that the country is taking reasonable steps to provide adequate compensation or that there are major factors affecting United States interests which require continuance of all or part of these benefits.[11]

Nixon's rationale for the above policy was his perception that it was axiomatic that private investment promoted development. He and key members of his administration believed that nationalizations interfered with the development process in the L.D.C.'s by diverting needed funds to compensation or by freezing further investment capital flows if no compensation were paid. Either way, the L.D.C. would lose.[12] Although this rationale was offered for the benefit of the L.D.C.'s, the policy was obviously directed to Congressional and business critics of U. S. appeasement of L.D.C. nationalism. The policy has been depicted as the hard line of Treasury that won out over the State Department.[13] A reading of the policy statement itself, however, suggests no difference from previous U.S. policy. The U. S. would not cut off aid in the pipeline as the Hickenlooper Amendment required. The fact that no new aid would be extended was still dependent upon a determination of whether the country was taking adequate steps towards adequate compensation; almost all factors deemed mandatory were in fact discretionary. The soft line of the State Department and the hard line of the Treasury would be resolved in the execution of the policy.

The expropriation policy was immediately strengthened, however, by the President's statement that it would apply to the withholding of U. S. support from loans under consideration in the multilateral development banks.[14] Further weight was added to executive statements by an amendment offered by Rep. Gonzalez (D., Tex.) to the Congressional authorization of funds for international institutions the same month, January, of 1972. The Gonzalez Amendment required the U. S. representatives to the World Bank, The International Development Association, the Inter-American Development Bank, and the Asian Development Bank to vote against loans or financial support to nations that had nationalized property unless the President determined that compensation arrangements had been made, the dispute had been submitted to arbitration, or that good faith negotiations were underway to provide compensation under principles of international law.[15]

Execution and enforcement of the policy was to be carried out through the creation of a special Inter-Agency Group on Expropriation, composed of representatives from the White House and from the State, Treasury, and Commerce Departments.[16] OPIC sat in on the meetings of the group. The Inter-Agency Group was responsible for considering each individual case of expropriation and recommending sanctions or other appropriate actions that the U. S. Government should take. The existence of the group made it impossible for the State Department to make unilateral decisions based solely on foreign policy considerations. It was the Inter-Agency Group that wrestled with the question of sanctions against Peru.[17]

In 1973 the House Foreign Affairs Committee recommended repeal of the Hickenlooper Amendment; Congress instead added a provision for a presidential waiver in the national interest. Since the waiver replaced the mandatory aid-cutoff, the effect was to repeal the Hickenlooper Amendment. On the floor of the House, Rep. Gonzalez attached another amendment to require the cut-off of aid to countries that nationalized U. S. property, repudiated existing contracts or agreements with a U. S. owned business or imposed discriminatory measures which had the effect of expropriation unless the President determined that the steps outlined in the Gonzalez amendment pertaining to multilateral financial institutions were undertaken. Rep. Gonzalez insisted that this amendment was different from the Hickenlooper Amendment by providing the President with flexibility. The Gonzalez amendment passed the House floor 278-102.[18]

Congress also inserted an anti-expropriation clause into the Generalized System of Preferences established in the Trade Act of 1974 to assist less developed countries in the export of manufactured goods into the U. S. Countries that expropriated U. S. property without compensation would be denied GSP eligibility. The Inter-Agency Group on Expropriation was responsible for the review of cases and determiniation of eligibility.[19]

Although President Nixon emphasized the importance of private foreign investment and recognized the need for it in the face of the foreign aid revolt, he exhibited sensitivity to its implications. His preference for negotiated settlements rather than confrontations is revealed by his use of emissaries to Peru rather than invocation of the Hickenlooper Amendment. The Expropriation Policy of 1972 can be interpreted as a response to the threat posed by Allende, the need for a deterrent to the type of massive nationalizations undertaken by Chile, pressures in Congress, and prodding from the Treasury Department. For President Nixon and Secretary of State Kissinger, the priorities of 1972 were the presidential election and the war in Vietnam. The implementation of policy towards uninsured investment became a struggle on a departmental level between State and Treasury, with pressure from groups in Congress opposing or favoring Hickenlooper-type sanctions.

INVESTMENT POLICY, 1971-1973: TAXES

Foreign investment policy was politicized in 1972-1974 in two Congressional arenas: the Foreign Affairs committees and the tax-writing committees - Senate Finance and House Ways and Means. In 1972 the Burke-Hartke bill was introduced on behalf of the AFL-CIO to restrict the tax advantages of foreign investors.

Although tax measures affecting foreign investors had been continually under consideration by Congress since 1945, the tax committees had supported legislation which modified tax treatment in specific areas by degree. A substantial change, the elimination of tax deferral, recommended by the Kennedy administration in 1962, re-emerged in 1972 as part of a package of tax and trade proposals designed by Burke-Hartke bill supporters to discourage U. S. foreign investment overseas. The position of the AFL-CIO was that U. S. firms engaged in overseas manufacture and assembly used cheap foreign labor, creating unemployment in the U. S.

The multinational coprorations and other affected U. S. foreign investors waged a successful campaign to defeat the Burke-Harte bill in both 1972 and 1973. It was, however, a narrow victory. By introduction of the bill, forcing a full debate and lobbying efforts on both sides, and rallying considerable support, labor demonstrated that it could exert counter-vailing power to that exercised by international business on international economic policy. The interest of labor, to keep industry at home and discourage foreign investment, was most forcefully argued in the tax committees but was also presented to the subcommittees concerned with the foreign policy goals of foreign investment policy. In those committees, labor was able to secure protective amendments.[20]

INSURED INVESTMENT POLICY FORMULATION

President Nixon recommended temporary foreign aid and investment policies in 1969, awaiting reports from the high level Peterson Commission on foreign economic policy, the Rockefeller mission to Latin America, and the Pearson Commission of the World Bank. The one new policy recommendation in 1969 was the creation of OPIC, recommended by IPIAC and the Perkins Committee, groups appointed by President Johnson.[21]

In his 1971 foreign policy report to Congress, President Nixon stressed the potentially vital role to be played by private investment in development. This role could only be implemented to the extent that the L.D.C.'s desired private investment and worked out arrangements to attract it. The President suggested that U. S. investors must be sensitive to the needs and attitudes of the L.D.C.'s and that the "delicate task" of developing new modes of investment should be pursued. State Department officials Meyer, Samuels, Szabo, and Weintraub made public statements about the need to consider the national sensitivities of the L.D.C.'s in investment policy.[22]

The Pearson Commission recommended large increases in both foreign aid and private investment by donor nations to the L.D.C.'s to stimulate economic development. The Rockefeller mission to 20 Latin American countries reported a high degree of economic nationalism and suspicion towards U. S. investment through the region. Rockefeller urged the suspension of the Hickenlooper Amendment, adoption of new investment modes, a policy of pragmatism rather than idealism, and non-intervention in Latin American political affairs.[23] The Peterson Commission recommended a new institutional framework for foreign aid and investment. The Commission was critical of the emphasis on private investment during the late 40's and 50's and on the excessive emphasis on government aid under the Alliance for Progress. Their report recommended more U. S. capital for local development banks and regional private investment companies with a view to the stimulation of capital and credit markets in the L.D.C.'s. The Task Force also recommended increased funding to the IFC arm of the World Bank to encourage joint ventures.[24]

In 1971 President Nixon created a Council on International Economic Policy to function in the White House under the cooperative chairmanship of the President and the Secretary of State to achieve consistency between domestic and foreign economic policy. Members would include the Secretaries of Treasury, Agriculture, Commerce, and Labor, the OMB Director, the CEA Director, the Special Representative for Trade Negotiations, the National Security Advisory, and the Executive Director of the Domestic Council. Peter Peterson, Chairman of Bell and Howell, was chosen to be the Executive Director.

The Peterson Commission proposals were incorporated in legislation submitted by the President to Congress in 1971 - the separation and multilateralization of aid and the creation of two new semi-independent agencies to replace AID. Congress was opposed to provisions to transfer control over U. S. foreign aid funds from Congress to the President or to multilateral organizations and did not act on the proposals. Instead, Congress temporarily defeated the foreign aid authorization bill in 1971 as an expression of frustration with U. S. foreign policy.[25]

In 1971 Congress broadened the eligibility requirements for investors insured under OPIC, permitted OPIC to operate in Yugoslavia and Romania, and extended the agricultural credit and self help community projects until 1973. Rep. Gibbons offered an amendment on the floor of the House in 1972 to prohibit the use of appropriated funds by OPIC to meet its obligations; OPIC would have to be totally self-sustaining. The Gibbons amendment was defeated, 141-167, when Rep. Culver stated that his subcommittee would fully review the operations of OPIC early in 1973 prior to a consideration of OPIC's re-authorization.

President Nixon recommended to Congress a two-year extension of the authority of OPIC to June 30, 1976, an appropriation of $72.5 million to bolster insurance reserves threatened by the Chilean nationalizations (an amount which had previously been transferred from OPIC to the AID housing program), an extension of time to prepare a feasibility report on transferring OPIC functions to the private sector, and broader authority to share the cost of insurance with private users and to negotiate coinsurance and reinsurance contracts.[26]

THE REAUTHORIZATION DEBATE: HOUSE SUBCOMMITTEE ON FOREIGN ECONOMIC POLICY

Oversight of OPIC in preparation for a decision to reauthorize the agency was undertaken by the House Subcommittee on Foreign Economic Policy, chaired by John Culver, (D., Iowa), a month prior to Senate subcommittee hearings in 1973. The House Subcommittee met again in 1974 after Senate hearings and floor amendments. The subcommittee conducted a field trip to Latin America and commissioned a critical analysis of OPIC by the Library of Congress. Subcommittee members were knowledgable about the structure and purpose of OPIC based on House hearings and support for the creation of OPIC in 1969. Some of the original backers of the agency participated in the 1973 deliberations.

The organization of testimony presented at the first hearings in 1973 centered on issues of particular concern to Chairman Culver - the conflicting nature of OPIC's multiple mandate, the degree to which investment contributed to economic development in the L.D.C.'s, the nature of U. S. government involvement in disputes, the wisdom of insisting on U. S. subrogation rights, the prospects for the creation of a multilateral insurance agency, and the appropriate criteria to be utilized for selectivity in the choice of investments to be insured. Additional issues concerning the role of OPIC in stimulating investment, securing raw materials, and furthering the competitive position of the U. S. in the world economy were raised.

Representatives from the business community and the executive branch did not exhibit basic disagreement on these issues. Two Congressmen who testified, Rep. Gibbons (D., Fla.) and Senator Jacob Javits (R., N.Y.), often disagreed with each other and with Chairman Culver. The sharpest clash, however, emerging on almost every issue in the same form, was between the divergent perceptions of three professors invited to testify. The academic witnesses represented classic positions: Dr. Robert Stobaugh believed that OPIC should insure all investment and let the market allocate its distribution, a conservative position; Dr. Thomas Weisskopf argued that investment should only be insured in countries with an equitable distribution of income, the liberal neo-isolationist position; and Dr. Dale Wiegel who perceived the issues as dependent on the nature of the variables and the operating conditions, the moderate or public policy position. These perceptions were premised on the same causal assumptions that underpinned the Congressional voting coalitions on investment policy issues.

Multiple Mandates

Both Chairman Culver and the ranking Republican subcommittee member Rep. Whalen (R., Ohio) expressed a need for Congress to choose among the conflicting mandates in the statute authorizing the creation of OPIC. OPIC was directed to stimulate economic development in less developed countries while simultaneously providing benefits for the U. S. economy (employment, raw materials, balance of payments inflow). In addition, OPIC was required to make enough money to be self-sustaining while insuring investment in politically risky countries. This ambiguity forced OPIC to testify on behalf of the economic development mandate to the House Foreign Affairs Committee and on behalf of U. S. economic benefits to the House Appropriations Subcommittee.

Despite committee member insistence that OPIC's re-authorization could only be justified if priorities were established, President Bradford Mills of OPIC, supported by Charles Robinson, President of Marcona Corporation, vigorously maintained that the mandates were not mutually exclusive. Reconciliation of the mandates was accomplished, OPIC officials stated, through the implementation of OPIC's insurance guidelines.[27]

Economic Development

The question of whether OPIC's primary mandate to contribute to the economic development of the L.D.C.'s had been met led to a consideration in House subcommittee hearings of the role of private investment in economic development. The role of private investment as a development tool was analyzed by three academics, two of whom held opposing views while the third put forward a middle position; by two members of Congress with opposing views; by officials of AID, the State Department, and OPIC who presented the classic justifications for the contribution of investment to development, and the insertion into the record of extensive scholarly research by Dr. G. L. Reuber, University of Western Ontario, undertaken on behalf of OECD.

Professor Robert Stobaugh, Harvard Business School expert on foreign investment, testified that his research revealed that U. S. foreign investment is beneficial to host country economies because the increased technology and management skills result in increased efficiency and output. Dr. Stobaugh, an advocate of market allocation, believed it was presumptuous for OPIC to decide what investments were good for host countries; OPIC could advise but host countries should determine the investments they prefer. OPIC would, by Dr. Stobaugh's reasoning, be fulffilling its economic development mandate by insuring host-approved investments; the investments would lead to efficiency and output, his implied definition of development.

Dr. Thomas Weisskopf, University of Michigan Department of Economics, defined development as "social and economic progress", measured by improving the average standard of living, raising the minimum quantity and quality of essential goods and services available to all citizens, and increasing opportunities for everyone to participate in social and political life. To the extent that economic growth stimulated by foreign investment results in net benefits over costs, the benefits will not lead to overall progress unless the nation's leadership is committed to greater equality in the distribution of wealth and power. Institutional changes in the direction of equality threaten the concentrated power of the dominant elite groups. U. S. investors, conservatively desiring political stability, may operate to strengthen the elite leadership and retard progress. The opinions of host country political leaders, as Dr. Stobaugh suggested, should not be a criterion for approving investment since their opinion may not be in the best interests of the nation, Dr. Weisskopf maintained.

A middle position taken by Professor Dale Wiegel of the College of Business Administration, University of Iowa, stressed that the direct benefits of a foreign investment depend on the nature and circumstances of the investments since the costs (profits of investors and opportunity costs of labor and materials) must be subtracted from the benefits (value of additional output from the investment). His research indicated that: extractive industries yield net benefits in taxes; industries manufacturing goods for a protected host country market are receiving a tariff subsidy which may increase costs and negate benefits; direct investment for the domestic market in an L.D.C. is not beneficial in the chemical and paper industries, is beneficial in metals and nonelectrical machinery industries, and dependent on local circumstances in the electrical machinery, transport equipment, and food processing industries. Dr. Wiegel would oppose OPIC's continuance unless it insures selectively on the basis of estimates of the impact of a proposed investment on the host country.

William Rogers, Attorney for Arnold and Porter and former AID official, Phillip Birnbaum, AID Program and Policy Administrator, Willis Armstrong, Assistant Secretary of State for Economic and Business Affairs, Kenneth Mueller, Vice President of the Agribusiness Council, and a number of OPIC officials all testified with a conventional list of economic benefits to the L.D.C.'s of foreign investment: technology, management skills, marketing, foreign exchange earnings, employment, raw material development, tax earnings, stimulus to domestic investments, export promotion, import substitution, stimulus to local suppliers, philanthropy, agricultural productivity.

The OECD research by Dr. Reuber, submitted by Philip Birnbaum of AID, was comprehensive, classifying investment by whether it was export oriented, market development oriented, or government initiated in order to seek correlates to all investment, followed by correlates to each classification. Statistical analysis was supplemented by a survey of 80 foreign investment projects engaged in by private firms. Although there are difficulties in selecting key conclusions out of the context of a sophisticated analysis, Dr. Reuber's study indicated the following relevant findings:

The total stock of private foreign direct investment represents 7% of total output in the L.D.C.'s, a higher percentage than in developed countries. The ratio of the stock of private foreign direct investment to GNP in 1970 for all L.D.C.'s was .105 compared to .057 for developed countries.

Statistical analysis of the relation between foreign aid receipts and direct investment shows statistical significance and association but low correlation; it is more reaonable to view foreign aid and private direct investment as complements rather than substitutes.

Survey findings revealed that about 50% of total after-tax earnings were re-invested; after-tax rate of return on total equity was 32% for export-oriented, 15% for market oriented and 21% for government-initiated investment; among the determinants of the level of foreign investment, the liquidity of the firm, current rate of profit and output-capacity relationship were not major factors as frequently suggested-the major factors were long range strategic considerations related to market size and potential and operating costs. Thus investors may not be sensitive to short term variations in liquidity, profits, output, taxes, and subsidies but to political and economic changes which affect long-term outlook. The most important host incentive is protection of local market from foreign competition.

Analysis of trade effects, productivity and costs, transfer of technology, skills, training, tax benefits, foreign exchange earnings, stimulus to domestic investment, employment produced by direct foreign investment for the host economic development are complex-in general the study found these to be positive effects but the degree of the effect varied with the type of investment, certain conditions, and host country policies.

Differences in degree of foreign ownership have little effect on the performance of affiliates or on business practice. The foreign enclave image has some applicability to export oriented investment; market oriented are better integrated into local economy.

Evidence of two way relationships between direct investment and level of income and GNP in the L.D.C.'s - investment is attracted by the size of the market and investment stimulates growth of income.

Since the terms and amount of bilateral and multilateral aid are determined by donor countries, this form of capital transfer may pose a greater threat to the national independence and sovereignty of host countries than any other form of finance except intergovernmental loans. The local government, rather than local private firms, constitutes the main countervailing influence encountered by private foreign investors - the bargaining position of export oriented firms in relation to the host government is greater than other firms. The problem for host governments is to design policies which achieve the result of more net benefit per unit of direct foreign investment and at the same time not reduce the level of investment to the point where gains due to higher returns fail to offset losses from reduced levels per unit.[28]

In response to Representative Culver's question as to whether Professor Reuber studied the allocation of revenues to the poor people of the L.D.C.'s, AID Administrator Birnbaum replied that this issue was not addressed in the study. Allocation, Mr. Birnbaum stated, would depend on the local tax structure, an area in which AID seeks to influence reform. After Rep. Culver commented that the findings were "trickle-down" theory in which as the pie grows larger, the rich get richer, he asked Mr. Birnbaum if AID cut off loans to L.D.C.'s that refused to reform their tax structure or utilized other leverage affecting allocation. AID subsequently submitted a written statement on leverage for the committee.[29]

U. S. Involvement in Disputes with Host Countries

The broadest conceptual concern explored by the subcommittee was the effect of OPIC as an agent of the U. S. Government on the attitudes of host governments and the behavior of investors with regard to investment disputes. The subcommittee chairman and key committee members indicated that specific proposals were under active consideration related to the larger question of the proper degree of U. S. Government involvement in the settlement of disputes. Thus the committee asked almost every witness to comment on subrogation rights, multilateral insurance, investment codes, and the Hickenlooper-Gonzalez amendments. The committee also pursued an interest in the details of OPIC's dispute prevention and settlement procedures and the record of claims and cases.

The foremost concern of the subcommittee was the necessary involvement of the U. S. Government, represented by OPIC, on behalf of an investor in disputes. The national interest of the United States could be called into play to support irresponsible investors and defend "a bad deal". Several witnesses felt that identification of the U. S. Government with investors, through OPIC, could have adverse effects. Host country politicians might find confrontations with the U. S. Government over investments an attractive prospect; the U. S. Government could not avoid involvement because of OPIC's subrogation clause. Witnesses reasoned that the greater the economic stake of the U. S. in foreign countries, the greater the pressure for the U. S. to engage in military action if the U. S. Government, through OPIC, had a stake in those economic interests.

Other witnesses challenged the proposition that OPIC is identified with the U. S. Government and argued that OPIC deters involvement by the U. S. Government in investor disputes. Contrary to reports by some Foreign Service officers that OPIC is considered synonomous with the U. S. Embassy in particular countries, these witnesses maintained that the difference between OPIC and the U. S. Government is not a subtlety. A domestic government corporation is not the same thing as the State Department speaking on behalf of the President or the U. S. Ambassador. On the contrary, OPIC provides a host country with the political discretion to maintain that there is a difference between OPIC and the U. S. Government and that the host country is merely paying off a commercial claim. OPIC plays no role in the "good offices" relationship of the U. S. Embassy to host country governments. Since U. S. Embassies have an obligation to protect U. S. citizens and property, the U. S. Embassy on behalf of the U. S. Government is required to be involved to some degree in all disputes in which investors are either insured or uninsured. In the case of uninsured disputes, the U. S. Government has no means by which to evaluate the claim.

When disputes arise between OPIC-insured investors and host governments, OPIC requires them to engage in direct negotiations. These negotiations prevent the application of the Hickenlooper and Gonzalez amendments; the application of those amendments forces U. S. Government involvement in disputes. Witnesses pointed out that the record shows that disputes with uninsured investors involve the U. S. Government (I.T.T. in Brazil, I.P.C. in Peru) whereas OPIC, by removing ideology from disputes (Chilean settlements), can resolve them expeditiously without government involvement.

A secondary concern expressed by the subcommittee was the possibility that OPIC rigidifies negotiations over claims. Companies may enter the negotiations with unreasonable demands rather than in good faith, aware that the insurance, backed by the U. S. Government, will cover their commitments. Based on his experience when Chile nationalized the Braden Copper Co. subsidiary, the attorney for Kennecott Copper Co. suggested that this relationship could work either way - OPIC might make parties more amenable to negotiations or stall them by means of the letter of the contract.[30]

OPIC Claims Process Procedures

The Assistant Secretary of State for Economic and Business Affairs, Willis Armstrong, outlined OPIC procedures and sample cases for the subcommittee. OPIC introduces expertise by advising an expropriated investor the legal and administrative remedies he should seek. The OPIC contract obligates the investor to follow certain procedures or lose his insurance benefits: he must keep OPIC informed, make every effort to negotiate in good faith with the host government, and avoid provocative actions. OPIC audits books to provide an independent valuation of the investment. OPIC can exercise a moderating influence through practices, contracts, and monitoring which stimulate sensitivity on the part of the company to the host country. An advantage to the OPIC process is that the agency becomes involved in the early stages of a dispute before positions have been made public rather than after the dispute has started. OPIC also has financial tools at its disposal which makes it possible for settlements, otherwise impossible, to be negotiated. From the extensive written and oral testimony presented by OPIC on the history of its claim settlements, Secretary Armstrong cited two examples of the creative use of financial instruments, e.g., U. S. banks lent Bolivia $8 million, covered by OPIC, to make it feasible for Bolivia to compensate the investor directly for the 1971 expropriation of the Mina Matilde zinc and lead mine; OPIC insured a portion of the notes used by Chile to pay for a 20% equity interest purchase in a U. S. owned pulp mill.

Multilateral Codes, Multilateral Insurance, Subrogation, and Expropriation Amendments

When Chairman Culver expressed his long interest in obtaining a multilateral code of business conduct and a multilateral insurance agency, OPIC President Mills explained that the stumbling block to achieving these goals was U. S. policy. The U. S. requirement of formal assurances of subrogation rights and access to binding international arbitration not only excludes OPIC from writing insurance in many countries but prevents multilaterializing codes of conduct and insurance programs.

The problems of reaching agreement are greatest in Latin America, President Mills explained, where two traditions collide: (1) U. S. traditional insistence on spelling out how intergovernmental disputes will be settled; (2) Latin-America's various applications of the Calvo doctrine. Article 51 of the Andean Code specifically prohibits investment agreements providing for subrogation and international arbitration; OPIC will not operate programs without those commitments, severely limiting OPIC activities in Latin America and some Arab countries. Although there has never been a formal assertion of subrogation or resort to international arbitration in the insurance program's history, the policy is one of judgment as to appropriate policy on the part of the State Department rather than a legal requirement; OPIC's statute refers to "suitable arrangements". Japanese, German, and Canadian insurance agencies write insurance in Latin America without either provision.

Negotiations are underway in OPIC and the foreign affairs bureaucracies, Chairman Culver reported, to modify U. S. subrogation policy. Most witnesses favored either a modification or suspension of subrogation rights since leverage in a dispute flows from the status of the U. S. and the rights have never been utilized. Chairman Culver felt that subrogation was not consistent with U. S. respect for the laws and institutions of sovereign nations. The State Department defended subrogation, however. They maintained that willingness of a less developed nation to sign a bilateral agreement containing a subrogation clause may be a "bellwether" of the investment climate; governments have not repudiated their obligations under the bilateral agreements. Subrogation was not inconsistent with the sovereignty of nations as it is a normal clause in domestic insurance. The arbitration clause is used by business in labor disputes.

All witnesses with knowledge of the World Bank proposal to establish multilateral insurance reported that the proposal had failed to gain acceptance among both developed and undeveloped nations. A number of organizations, such as the International Chamber of Commerce and the Pacific Basin Council, had developed codes of business conduct but found that these were difficult to draft and, in the end, were unenforceable.

Business representatives, OPIC officials, Chairman Culver, Senator Javits, and most other participants in subcommittee discussions went on record in favor of repeal of the Hickenlooper and Gonzalez amendments. OPIC inserted into the hearings record a morning newspaper account of an OPIC-refused investor in Haiti who threatened to invoke these amendments.[31]

Risk and Selectivity

When the insurance guaranty program was administered by AID, all investors who applied were insured with virtually no restrictions pertaining either to the investor or to total exposure in a given country. This policy resulted in high concentrations in two countries, Chile and Jamaica, and in the heavy insurance of the extractive industries in those countries, high risk targets for expropriation.

Former AID Administrator William Rogers testified that risk analysis should be the major focus of OPIC's work. Rogers recommended that OPIC develop guidelines as to the types of industries and countries to which investment should be channeled. He stated:

> "I believe that an insured investor is less likely to get caught in the vicious circle of a high risk investment requiring that he seek a very high immediate return, thus triggering increasing pressure from the host country, thus leading to precisely the kind of investment dispute that the investor feared in the first place . . . effective political risk insurance like this tends to break that vicious circle and, if you will, to make certain kinds of foreign investments in developing countries more compatible with the development objectives of the developing country."[32]

In order to reduce risk and to induce development-oriented investment, the subcommittee explored the type of criteria Congress could devise to guide OPIC in selecting the investments they would be willing to insure. The following criteria were considered: economic development impact of the investment, limitation to low income countries as measured by GNP per capita; limitation to countries with politically favorable investment climates; restrictions on the nature of the industry insured; restrictions on investment by multinational corporations; restrictions on equity investment.

The participants in the discussion, however, were unable to agree on the appropriate criteria. Lower premium rates for non-equity investments and inducements to promote agribusiness were suggested. The State Department preferred that OPIC retain the flexibility to determine the criteria to be utilized in selection of investments. Professor Stobaugh felt the only legitimate restrictive criterion was company size since large firms could afford their own insurance. Otherwise, OPIC should not impose its judgment on the preferences of host countries and business firms.[33]

Stimulation of Investment and its Effect on the U. S. Economy

Whether OPIC stimulates investment in the L.D.C.'s which would not otherwise be made was briefly discussed. Government officials cited a survey by Business International attesting to the value of OPIC assistance; firms testified to their utilization of the insurance. Professor Stobaugh, outlining models of foreign investment decisions by firms, reported that OPIC can induce more investment by absorbing some of the risk and reducing the need for a high return. The actual effect would depend on the role of risk in a particular business investment decision. Rep. Gibbons and Professor Weisskopf argued that OPIC was simply a subsidy for U. S. private business investors by insuring firms whose investment decisions were already made.

Analyses of the effect of U. S. foreign investment on U. S. employment were inconclusive. Arguments were presented that foreign investment raises the skill level of U. S. labor at home and increases employment in export industries. The only consensus was that the effect on U. S. labor varied by industry and the circumstances of the investment. It was agreed that the U. S. balance of payments was positively affected by the flow of income currently returning to the U. S. from past foreign investments. Whether the current outflow of capital would generate future income with a positive or negative impact on the balance of payments was difficult to determine.[34]

U. S. Raw Material Supply

Both the President of OPIC and Senator Javits presented a raw material supply justification of OPIC. Quoting from the U. S. Raw Materials Commission report, they suggested that one of OPIC's foremost missions should be to encourage, via insurance and financing, investment ventures in the exploration and development of raw materials projected for future short supply.

The Vice-President for Exploration of Kennecott Copper reminded the subcommittee that the U. S. has been forced to import copper since 1939 as domestic production does not meet demand. Copper is located in Chile where mines have been confiscated, in Zaire where mines have been nationalized, in Zambia where the government requires 51% for their own part, and in Peru where negotiatins leading to 51% participation were underway. Ore bodies are geological phenonomena which, by nature, are not always located in alternative sites so that the U. S. must move to obtain the raw materials or lose them. Insurance is essential to the competitive raw material access process.

Representative Gibbons took issue with the rationale for OPIC's role in raw material supply. Research by the Overseas Development Council indicated that the L.D.C.'s were not likely to allow foreign enterprises to acquire a controlling interest in raw materials enterprises. The fact that 40% of OPIC's portfolio is in raw materials should be a cause for concern, Rep. Gibbons argued, since it may lead to massive claims rather than to the protection of supply.

U. S. Position in the World Economy

In reviewing the needs of the U. S. domestic economy, the Subcommittee felt that foreign investment should be evaluated from the perspective of the future position of multinational corporations and the U. S. economy in the international economic order. The U. S. no longer dominates the contemporary world economy; the world economy is characterized by interdependence and inadequate international institutions.

U. S. investment policy must be formulated, according to Business International, in light of U. S. continuing trade and balance of payments deficits, two devaluations of the dollar, and static foreign aid flows. Since research findings reveal that investment follows exports and then creates more exports, OPIC must encourage investment to strengthen the U. S. export position.

U. S. exports will decline and the U. S. economy will be supported in the future by returns from foreign investment, Professor Stobaugh contended. As the U. S. increasingly becomes the international headquarters of multinational firms, OPIC should encourage foreign investment by providing insurance in both developed and undeveloped countries. In contrast, Professor Wiegel did not believe foreign investment would continue to grow. He viewed previous investment by multinational corporations as a response to an overvalued dollar, recently devalued.

Whether foreign investment continues to grow is a function of U. S. government policy support for its expansion, Professor Weisskopf maintained. The economic effect of supporting expanded overseas investment will be to maximize world GNP and more efficiently allocate the world labor supply. The economic results will be achieved, Dr. Weisskopf pointed out, at the political expense of condemning "the people of much of the rest of the world to second rate citizenship . . . which will lead to revolution and war."[36]

House Subcommittee Report and Recommendations

The House Subcommittee set out to identify a persuasive justification for the existence of an agency to insure U. S. foreign investors against political risk in less developed countries. The intention was to choose one mandate out of the original conflicting mandates to serve as the priority purpose and overriding rationale for the continuance of OPIC. The consensus of the subcommittee was that economic development should function as the overriding mandate. Chairman Culver, however, had serious reservations as to whether direct foreign investment encouraged widely - shared developmental effects; these reservations were examined rather carefully from a variety of viewpoints by participants in the hearings. If OPIC's mandate was to focus on economic development, the subcommittee needed to seek a means to facilitate it. Thus the hearings turned to a consideration of criteria for the selection of insured investments that would move investment into low income countries and into developmental projects.

Although Chairman Culver also expressed reservations about OPIC's role in the settlement of disputes, a strong case was made by witnesses before the Committee that OPIC's most successful achievements had been attained in the settlement of disputes and claims. The subcommittee then suggested changes in those U. S. policies counterproductive to the amelioration of investment disputes, such as the Hickenlooper-Gonzalez Amendments.

Finally, in an examination of the effect of OPIC on the U. S. economy, the subcommittee appeared to be seeking a domestic rationale to persuade those Congresspersons reluctant to accept the economic development justification. Adverse domestic effect arguments, taking place in the Congressional tax-writing committees, had to be countered.

The witnesses invited to testify represented a fair spectrum of divergent views. It was evident throughout the hearing record that neither Chairman Culver nor minority leader Whalen were convinced that the testimony of any of the participants represented a clear direction to follow. The final report of the Subcommittee reveals continued feelings of ambiguity and uncertainty. The Subcommittee concluded that the greatest potential value of OPIC's program lay in the selectivity principle.

At the conclusion of the oversight hearings, the House Subcommittee recommended that OPIC's authority be extended through 1974 in order to complete the original authorization of a five year trial period. In addition, the Subcommittee recommended an extensive list of guidelines for the operation of OPIC's program goals.

Key recommendations were: (1) OPIC should seek greater private participation in the insurance program without sacrificing OPIC's public purpose; (2) OPIC should develop effective measures to assess the developmental impact of investments; (3) OPIC should refine its risk management program; (4) OPIC should encourage investment by small business; (5) OPIC should determine the foreign investment needs of the L.D.C.'s and act as a broker by finding suitable investors; (6) OPIC should diversify its portfolio by encouraging investments in a larger number of L.D.C.'s; (7) OPIC should screen applications for effect on U. S. employment; (8) OPIC should seek modification of the subrogation clause in bilateral agreements; (9) OPIC should work towards the adoption of a code of investment behavior; (10) OPIC should offer its expertise in dispute settlement to executive branch consideration of uninsured disputes; (11) OPIC should develop provisions to insure that the investor is kept out front during investment disputes.[37]

THE REAUTHORIZATION DEBATE: SENATE SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS

Since it took two years to effect the guaranty program's transfer from AID, OPIC began operations in 1971 with only two years in which to function before re-authorization hearings began in 1973. As it opened for business in 1971, OPIC was immediately faced with staggering claims from the expropriation insurance written by AID in Chile. The downfall of Allende in 1973 followed by disclosures of intervention by ITT in Chilean affairs prompted demands for an official investigation. A wide-ranging investigation was launched by a specially created Subcommittee on Multinational Corporations of the Senate Foreign Relations Committee in 1973. This subcommittee published more than 15 volumes of record over a period between 1973-1975, including two volumes of hearings into the activities of I.T.T. in Chile, an investigation into multinational banks and U. S. foreign policy, and a volume of hearings on the Overseas Private Investment Corporation. As a part of the OPIC investigation, the subcommittee requested a report from GAO on OPIC's management of insurance, guarantees, and claims payments. Chaired by Sen. Frank Church (D., Da.), the Subcommittee on Multinational Corporations was composed of Democratic Senators Symington (Mo.) and Muskie (Maine) and Republican Senators Case (N.J.) and Percy (Ill.). The volumes of Senate hearings, combined with those of the House Subcommittee on Foreign Economic Policy, demonstrate that the Senate and House Foreign Affairs Subcommittees were the central arenas in which most of the issues concerning foreign investment policy were placed on the public agenda in the 1970's and in which participants with interests at stake have engaged in debate.

The 1973-1974 debates over the reauthorization of OPIC were different in scope and content from the 1969 debate on the original authorization: the range of interests represented at the hearings increased, the number of views multiplied, and the evidence submitted was both voluminous and far reaching. The Senate subcommittee on Multinational Corporations was in essence an investigatory committee, searching in many directions simultaneously and operating with greater media attention than had been accorded previous debates concerning any aspect of foreign investment. The Congress, primarily the Senate, extended foreign investment policy issues to a wider public; in 1973-1974, U. S. investment policy became politicized.

The determinants of the politicization of investment policy were two developments: foreign policy issues raised by events in Chile involving I.T.T. and the Allende regime and domestic economy issues raised by the AFL-CIO as a countervailing interest group to business corporations. The new focus on foreign policy and domestic effects of investment guaranty policy took place in a political context in which other foreign and domestic U. S. policies, described earlier, were also politicized.

The method used to analyze the content of the debate on the reauthorization of OPIC in the Senate Committee on Multinational Corporations will be to summarize the policy content of the argument in four basic issue areas, to link the policy content to the interests of the participants and to the final policy formulation. The four basic issue areas are: foreign policy, corporate investment decisions, the U. S. domestic economy, and oversight of OPIC implementation. Of the four areas, the hearings reveal that the most extensive concern in the Senate Subcommittee was paid to the issues bearing on U. S. foreign policy and OPIC oversight. Foreign policy issues will be discussed in this chapter; OPIC implementation will be discussed in Chapter Six. Corporate investment decisions and U. S. domestic economy considerations will be summarized briefly under the report of the full committee in Chapter Seven.

The Senate Foreign Relations Committee designated the Subcommittee on Multinational Corporations to conduct hearings on OPIC's reauthorization since 79% of the insurance policies issued by OPIC were provided to the Fortune 500 largest corporations and 50 largest banks. The Subcommittee held six days of hearings, heard 42 witnesses and reviewed supplemental written material.[38] The report of the full committee summarized majority and minority views of the issues raised in the hearings and recommended amendments to the Foreign Assistance Act based on the options they perceived to be available. The bill (S2957) was proposed by the Subcommittee on Multinational Corporations; it incorporated their views and those expressed by others at the formal hearings.

Foreign Policy Arguments

Foreign policy arguments were selective. Through the nature of his questioning and the conclusions he drew at the end of each presentation, Senator Church made clear his opposition to the continuance of OPIC as an agency to guarantee investment. The individuals and representatives of groups invited to testify were three academics who had serious reservations about OPIC, seven business representatives who testified in favor of OPIC's continuance, a labor union spokesman opposed to foreign investment and OPIC, two private insurance companies called upon to assess the feasibility of turning over political risk insurance to the private sector, three State Department and one Treasury Department spokesperson, GAO, OPIC, Senator Javits (original sponsor of the agency legislation), and a representative of Urban Coalition. Although business representatives may well have been lined up by OPIC, the opposition to OPIC was orchestrated by Senator Church and the Subcommittee staff through the choice of academics invited to testify, the focus on the testimony of the U. S. ambassador to Jamaica, the dispatch of the subcommittee staff overseas to investigate, selectively, in the field, the seeking out of private insurors who might displace OPIC, and the research by staff which underpinned the line of questioning pursued by Senator Church.

The line of questioning was organized around the question of whether OPIC's mandate, or some part of its mandate, was valid, followed by the subsequent question as to whether OPIC as currently constituted was the proper vehicle for achieving the valid goals in its mandate. Comments and questions posed by Senator Church indicate that he found OPIC's mandate to contain contradictory goals, that each of the goals was unlikely to be achieved, that the implementation of the goals led to undesirable consequences for U. S. policy, and a substantial change in investment guaranty policy was in order. Senators Percy and Case questioned continuance of the program as well; their questions did not, however reveal what pre-conceived attitudes they may have held. Senator Case reacted to the testimony negatively, foretelling opposition to OPIC whereas Sen. Percy exhibited an openness to the testimony. The Democratic members of the subcommittee, Symington and Muskie, did not attend most of the hearings and seldom participated. Three members from the full Foreign Relations Committee occasionally sat in on the hearings, asked questions, and offered comments - these were Sen. Fulbright, Sen. Javits, and Sen. McGee (D., Wyo.).

During the course of the testimony relevant to the foreign policy purpose and effects of OPIC, three separate arguments were advanced which, taken together, provided the grounds for the conclusion of the majority report that OPIC, instead of facilitating its economic development purpose, had led the U. S. to become excessively involved in the domestic affairs of other nations.

These arguments were: (1) ideological support and U. S. business preference for free enterprise economies in the L.D.C.'s create an ethnocentric blindness to the reality that the L.D.C.'s are in the process of developing their own socio-economic systems;

OPIC's mandate to foster free enterprise along with its operational procedure to insure direct ownership of property leads to conflict with host governments, increasing the risk of nationalization. (2) The relationship between foreign extractive industries and host governments, termed the "obsolescing bargain", in which the balance of bargaining power shifts from the foreign firm that can dictate terms at the outset of investment to the host government that desires to re-negotiate terms as the investment progresses, is exacerbated by long term OPIC insurance based on the original terms; the freezing of terms generates conflict, increasing the risk of nationalization. (3) The economic development mandate of OPIC also produces conflict between U. S. firms and host governments which increases the risk of nationalization by arguments which show either (a) U. S. private investment does not contribute to economic development in a given L.D.C. because the host government does not obtain sufficient benefits in taxation, re-investment of profits, export earnings, or spill-over effects but is exploited at the expense of the firms (neo-colonialism) or (b) while U. S. investment may contribute to economic growth of an L.D.C., it does not contribute to its development if development is defined to encompass reduction of poverty and mal-distribution of income. Perceived exploitation or general economic dissatisfaction with poorly distributed gains from growth leads to the radicalization of politics with U. S. firms as a target for expropriation.

U. S. foreign investment, then, is subject to nationalization by its very presence but the risk of nationalization is increased by OPIC's insurance of long term direct equity. The nationalizations, by virtue of OPIC insurance, create, according to Senator Church an "identity of interest" between the U. S. Government and the investing firms and a "financial stake" on the part of the U. S. Government in the dispute. The "financial stake" will inevitably cause the U. S. Government to become excessively involved in the domestic affairs of other nations. Evidence of such an "identity of interest" and "deepening involvement" in the internal affairs of L.D.C.'s was brought to the committee hearings by examination of the cases of Jamaica, Chile, and Taiwan.

Business representatives who testified were representative of U. S. investment operations in two regions, Central America and the Far East. The entire focus of the discussion in Central America was on Jamaica; the question of OPIC involvement in Chile was raised in the course of separate hearings on the role of I.T.T. in Chile. No testimony pertaining to OPIC guaranties in any Central or South American countries other than Jamaica and Chile were obtained; questioning of the State Department Acting Assistant Secretary for Inter-American Affairs was directed to Jamaica. Not only was OPIC's insurance exposure in Jamaica high relative to all other countries but the Ambassador to Jamaica was willing to recount his own involvement in Jamaican politics.

Senator Church stated his position with regard to U. S. equity investment as the cause of radicalized politics in the L.D.C.'s early in the hearings as he questioned the Chairman of Reynolds Metal Co. as to the firm's experience in bauxite production in Jamaica. Having ascertained that Reynolds needed to protect its original investment in mines by promising Jamaican officials to build an alumina plant, that financing for the alumina plant (organized and owned jointly by Reynolds, Kaiser, and Anaconda) was dependent on obtaining insurance coverage, and that insurance coverage was necessary because some political groups within Jamaica agitated for nationalization of the bauxite industry, Sen. Church suggested that a management contract by Reynolds and other firms in the U. S. to mine bauxite in Jamaica would be a preferable mode of investment. Reiterating that equity investment causes nationalism, Sen. Church stated: "We have two countries in the Western Hemisphere that have gone Communist - Cuba and Chile - and in fact these were the two countries with the highest incidence of American private capital investment in mines and minerals. It's not just coincidence that the Marxists have taken over in Cuba.[39]

Private Enterprise Mandate

The first argument presented by witnesses concerned with OPIC's foreign policy role was the ideology of free enterprise argument advanced by Dr. Peter Gabriel, Dean of the College of Business Administration, Boston University. Dr. Gabriel urged that the OPIC mandate to favor systems hospitable to private enterprise be eliminated on the ground that it contradicts another OPIC mandate to encourage those investments which are sensitive and responsive to the needs of the economies of the L.D.C.'s and which contribute to the social and economic development of their people. Although Dr. Gabriel pointed out that an environment supportive of free enterprise facilitates control from a multinational corporate center of its wholly owned subsidiaries, corporate preference for this provision is negated by the experience of corporate investors in Eastern European countries which lack a private sector. The provision, employing an official American value judgement as to a foreign government's conduct of its affairs creates resentment and, in Latin America, a perception on the part of all segments of society that the U. S. seeks to meddle in the internal socio-economic evolution of their countries. Desparate economic conditions in the Latin American L.D.C.'s mean that to the extent they move towards representative government, advocated under the Alliance for Progress, the political force of rising popular expectations will frustrate compliance with the private enterprise mandates both in the Alliance and OPIC's enabling legislation. Dictatorships of the right or left would be required to quell popular expectations for material improvements; much of the agitation will be directed against foreign investors as well as against traditional L.D.C. social structures. Thus a combination of U. S. business material interests and an ideological belief in free enterprise by the U. S. public and political officials have led to OPIC's private enterprise mandate and OPIC's long term insurance of direct equity. These policies are self defeating for the U. S. as they result in the radicalization of politics and future expropriations. Dr. Gabriel recommended foreign aid funds to investment ventures under tri-partite arrangements between a local project owner, multinational contractor, and an international finance agency along with the inauguration of multiple premiums by OPIC, staggered to favor palatable investments such as the management contracts utilized by the Japanese and to discriminate against direct equity.[40]

Obsolescing Bargain

The "obsolescing bargain" argument was set forth succinctly in the course of Dr. Gabriel's testimony but was elaborated as the centerpeice of a presentation made by Theodore Moran of the Brookings Institution. Dr. Moran's research and experience revealed a pattern of thoroughly predictable evolution independent of the character of the actors in the relation between host countries and foreign investors with regard to large natural resources concessions. This evolution takes the form of a shift in the balance of power favoring the investor at the outset of bargaining to the host country over time. The investor can insist on highly favorable concession terms because of his control over the resources and skills to undertake an uncertain venture in mining or oil. Once the risk has been undertaken and the venture proves highly profitable, the host government will seek a greater share of the profit by breaking the old contracts either explicitly or implicitly. Empirically, Moran pointed out, successful natural resource agreements have inevitably been re-negotiated in the host country's favor.

The host country perception of being exploited - like the foreign company perception of being cheated when contracts are broken - emerges almost irrespective of what the actual figures are that divide profits between host government and foreigner. The perceptions of injustice and exploitation lead to high levels of tension which result in acrimonious nationalizations that disrupt economic operations and present U. S. State Department officials with choosing a position in the ensuing dispute which will offend either the host country or the corporation and its allies in Congress. Diplomats are then forced to insist legalistically on the honoring of contracts signed long in the past or facilitating a compromise under unfavorable circumstances and under conditions of uncertainty relative to accurate information, the merits of the case, and the consequences of the agreement. The obsolescing bargain leads inevitably to increased host country power over firms whose large investments are in place; the host country will use its power to nationalize, re-negotiate, diversify, invite competition, or otherwise drive a better bargain. U. S. policy should encourage agreements between host governments and investors which will minimize tensions and disputes and provide each side with sufficient interest to maintain them such as management contracts, joint ventures, factoring, and systematic pre-compensated divestment, Dr. Moran stated. By insuring that the U. S. Government will assume risk and become party to disputes at any point defined by the investor, OPIC discourages the development of arrangements to spread risk and avoid disputes based on the reality of bargaining strength cycles over time. OPIC is in the same position as the investor in the initial phases, guaranteeing an investment which may have been lured by tax concessions and negotiated at the peak of the firm's bargaining strength; these conditions will deteriorate over the period of time OPIC guarantees. Moran preferred to restructure OPIC away from equity investment; without restructuring, he advocated that OPIC be discontinued.[41]

ECONOMIC DEVELOPMENT

Foreign policy arguments pertaining to OPIC's economic development mandate suffer from the same ambiguity found in both Congressional debate and analytic discussion of the countribution of foreign aid to economic development in the L.D.C.'s. The ambiguity stems from a lack of shared definition of what constitutes economic development, rendering it impossible to agree on an indicator that would demonstrate that economic development had been achieved or that it was in the process of taking place. The problem of whether the definition of economic development being used in a particular context is a point of self sustaining growth, a function of economic growth rates, the degree of industrialization, the redistribution of wealth and income, the elimination of mass poverty, or the meeting of human needs is compounded by some definitions which imply varying visions of a just society which must be created before economic development can be said to have occurred. Any argument that is advanced that OPIC insured private investment does or does not contribute to economic development rests on the assumptions made in defining development as an end state as well as appropriate means to obtain that state. Testimony, questioning, and debate in the OPIC hearings did not transcend this ambiguity.

By connecting sections of his presentation, it appears that Dr. Gabriel sees economic development to consist of industrialization, the elimination of mass poverty, and the development of indigenous socio-economic institutions. OPIC exacerbates the political turmoil accompanying rising expectations that emanate from economic growth by frustrating the development goal of indigenous socio-economic evolution through its direct equity guaranties and the private enterprise mandate that inhibits acceptance and support of public enterprise.

The testimony of Sean Gervasi, economist and consultant to the United Nations, was solicited to address directly the question of the impact of private foreign investment in the developing countries. Gervasi's written testimony is a detailed outline of dependencia theory. His oral presentation before the committee stressed the need to eschew the concept of economic growth as development in favor of defining economic development as the elimination of mass poverty, the reduction of income inequality, and the use of modern technology to produce basic necessities for the majority of the population. In order to assess the degree of presence and therefore the impact of U. S. multinational corporations in the L.D.C.'s, Gervasi maintained that statistics are needed to establish the percent of assets and sales of U. S. corporations compared to total assets and sales in each economic sector of the L.D.C.'s. The only statistics available, from the U. S. Tariff Commission, are for Mexico and Brazil; these statistics show that U. S. multinational shares increased from 1966-1970 in manufacturing as a whole, with dramatic increases in some sectors, (e.g., transportation equipment in Brazil) and a substantial presence in many sectors (e.g., both non-electrical and electrical machinery in Mexico). Gervasi was confident that these statistics could be generalized to the whole of the Third World and that a pattern of increasing U. S. multinational corporate presence and influence was evident. Since data computed by Adelman and Morris in 1960 revealed gross inequality of income distribution within a selected group of L.D.C. countries who have experienced economic growth and since 60-80% of the Third World population live in poverty, Gervasi concluded that the impact of the multinational firms has not contributed to economic development but has, instead, promoted a pattern of economic growth which blocks the possibility of development. Investing for their own interests, multinational firms develop primary products and semifabricated manufacturing as components to production in the U. S.; the market within the L.D.C.'s is too narrow for profitable internal investment. What market exists is in the wealthy urban enclave export sector which imports luxury consumer goods. Thus the dependency of the L.D.C.'s on trade in a structured international economic system insures that they will be locked into a dependency upon the industrialized nations which will continue to enrich the export sector and inhibit the development of the economy as a whole. Foreign investment, oriented as it is towards trade, contributes to uneven growth, arrested development, and even greater inequality of income. Gervasi concludes that development can only occur through a process of autonomous industrialization within the L.D.C.'s. During questioning, Gervasi indicated that foreign investment has no incentive to invest precisely where it is most needed, i.e., the agricultural sector. Senator Church expressed his concern that the inequities within the L.D.C.'s would produce violent revolutions and OPIC would have to pay massive expropriation claims. Staff Director Levinson pointed out that foreign investment is not politically neutral since it becomes aligned with local interests who are committed to a particular development strategy as in Korea and Brazil.

The issue of economic development was raised through the hearings by questions pertaining to the number of jobs created, amount of local taxes paid, local supply procurement, downstream and side effects, transfer of technology, and manpower training traceable to U. S. foreign investment in a specific L.D.C.

Richard Conlon, representing Business International, suggested that the developing countries are well aware of the benefits of employment, income, and productivity brought to their economies by foreign investment and seek it with packages of incentives. Although the L.D.C.'s may adopt codes to protect national control, the fact remained that foreign investment to the L.D.C.'s had doubled over the previous five year period. Herman Barger, Deputy Assistant Secretary of State for East Asian and Pacific Affairs, stated that East Asia is the region with the most successful examples of L.D.C.'s which have attained self-sustaining growth, such as Singapore, Taiwan, and Korea, or show great promise of moving towards it as in Indonesia, Thailand, and the Phillipines; foreign private investment, much of it underwritten by OPIC, had been "pivotal" to such growth.[42]

Deepening U. S. Involvement

Evidence of the way in which OPIC insured foreign investment has in fact led to deepening involvement of the U. S. government in domestic affairs of other nations was outlined in the events surrounding three cases. In the Jamaican case, the U. S. Ambassador to Jamaica, Vincent de Roulet, suggested to the opposition Jamaican leader, Michael Manley, that the United States would not interfere in the forthcoming election if the issue of expropriation of the bauxite industry was not raised in the campaign; he also stated that OPIC's over-extended insurance exposure influenced his actions. The Jamaican case was further complicated by the Reynolds company pressure on the U. S. Embassy in Jamaica to agree to additional OPIC insurance to prevent Reynolds from informing the Jamaican government of U. S. lack of confidence in its economy and leadership and demanding additional concessions from them. In Chile, both the American Ambassador and John McCone, I.T.T. Director and former CIA Chief, referred to the liability of the U. S. government to pay hundreds of million dollars in claims under OPIC insurance if U. S. properties were expropriated under an Allende government. The State Department testified that Taiwan interpreted continuance of OPIC's insurance program as U. S. support for Taiwan's independence. Subcommittee members concluded that OPIC would not be free to terminate insurance coverage even if Taiwan no longer qualified as a developing country. Some committee members suggested that OPIC insurance may increase the likelihood of expropriation since radical governments, such as those in Libya and Iraq, may view expropriation as the means of striking a direct, rather than an indirect, blow against the U. S. government.[43] Senator Church summed up this evidence by stating that "OPIC might force the government to become involved in a way that is different from the normal involvement of the U. S. in connection with its relationships with other countries."[44]

Relationship of Investmemt and Foreign Aid

The question of the purposes to be served by OPIC and its role in economic development was closely linked, the hearings reveal, to the foreign aid program. While a group of Senators expressed concern about the efficacy of foreign aid and the relationship of aid to U. S. over-involvement with other countries, others continued to see both aid and investment as critical to U. S. support for economic development. This was the fundamental case for Senator Javits whose testimony at the hearings attempted to (1) answer critics of OPIC (b) provide a specific U. S. self interest rationale (secure supply of raw materials) (c) re-emphasize OPIC's purpose. OPIC's purpose, for Senator Javits, was to supplement, not supplant, the U. S. foreign aid program as both resource transfers were required to narrow the gap between rich and poor nations. It had been necessary to turn to private investment because the aid programs had experienced difficulties in Congress and because private investment has a higher multiplier in development. Senator Javits rejected the notion that the U. S. could withdraw from the world economy; instead, the U. S. should selectively encourage investments beneficial both to the U. S. and the L.D.C.'s.

State Department Deputy Assistant Secretary Barger, invoking the authority of President Nixon, placed OPIC-insured investment in the framework of international development assistance, through DAC, by quoting the President's 1971 foreign aid message to Congress to the effect that no public agency has the resources or skills sufficient to meet the vast needs of developing countries, necessitating the supplementing of official aid with the flow of private capital to assist in promoting economic development.[45]

Senator McGee (D., Wyo.), member of the full Senate Foreign Relations Committee, sitting in on the hearings as one of the original architects of OPIC, stated the relationship between support for foreign aid and support for foreign investment pointedly:

> "We have been under continuous assault against the AID program here in Congress. We were looking to the day when AID would have a lesser role in economic development, and we were trying to crowd the private sector into absorbing as much of that as was meaningful. Now at the same time we find those who were opposing AID on the floor of the Senate, opposing this program. You cannot have it both ways. If we are going to get out of the AID program we have to try to put something in its place. . . Where the private sector goes with its capital investment is not always coincidental with where the need is. . . I think that is part of the gap that OPIC was aimed at filling, to try to encourage the private capital to move into areas that were otherwise not attractive because they were more marginal and that sort of

> thing. This is an important part of economic development. If you go to all of the easy or the quick profit areas, we are going to get a more lopsided world than we have now."[46]

Senate Subcommittee Report and Recommendations

The subcommittee, following the hearings, proposed Senate Bill S 2957 which required OPIC to assume a reinsurance role within seven years by withdrawing from the direct underwriting of political risk insurance.[47] An explanation of the phase-out formula will be presented in Chapter 7.

The Senate Subcommittee's phase-out formula was designed to kill OPIC. Senator Fulbright, Chairman of the Senate Foreign Relations Committee and Senator Church, Subcommittee Chairman, had both been opposed to the creation of OPIC in 1969. Senator Church conducted the OPIC hearings in the wake of his other sensational hearings on the multinational corporations.

The Chilean hearings had elevated the multinational corporations to the status of a politicized issue. By linking U. S. involvement in Chilean affairs to U. S. involvement in Vietnam, Senator Church was able to arouse latent fears among the liberal neo-isolationists that the presence of U. S. business and U. S. foreign aid in any less developed country inevitably led to U. S. intervention in their domestic affairs. Senator Church stacked the hearings with witnesses who attested to instances of involvement. Suspicions of future involvement were enhanced by Watergate disclosures of secretive actions on the part of the incumbent President, a Republican.

Senator Church also orchestrated an attack on economic development by only inviting testimony from experts committed to dependencia theory and an attack on equity holdings of multinational corporations by selecting witnesses committed to joint ventures. Senator Church ignored the agency's implementation efforts, blaming OPIC for the potential insolvency caused by A.I.D. Chilean underwriting practices.

Although the hearings were unfairly manipulated to present only one side of the issue and achieve a negative outcome for OPIC, the testimony solicited by Senator Church brought highly sophisticated analyses of dependencia, the obsolescing bargain, and the ethnocentrism of the private enterprise mandate into the public arena for debate. These analyses had to be taken into account in any redefinition of the situation. Ultimately the OPIC supporters on the full Senate Foreign Relations Committee incorporated a response to these new issues in their minority report and OPIC officials addressed them directly.

The content of the Subcommittee report was determined by the Chairman's opposition to OPIC's reauthorization and his choice of issues to defeat it. It was defeated on foreign policy grounds. The Democratic majority on the committee felt no obligation to support the President's foreign policy measures; they had felt little obligation under the previous Democratic President either.

NOTES CHAPTER 5

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12. Sigmund, Multinationals in Latin America, p. 11.

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22. Swansbrough, Embattled Colossus, pp. 141-143.

23. "The Rocky Way to Latin Liaison," Saturday Review (Jan. 31, 1970), pp. 30-32; Swansbrough, Embattled Colossus, p. 140.

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25. Legislative Action Files, LOWV, 1971.

26. A Critical Analysis, Library of Congress, pp. 11-13.

27. U. S. Congress, House, Committee on Foreign Affairs, Hearings of Subcommittee on Foreign Economic Policy to reauthorize OPIC. 93rd Congress, 1st Session, 1973. p. 88, p. 298.

28. Ibid., p. 28. Previous testimony on pp. 2, p. 37, p. 9-14.

29. Ibid., pp. 192-193. Allocation was, in fact, discussed in the Reuber report in a section entitled "Distributive Effects."

30. Ibid., p. 40, pp. 26-27, p. 29, p. 54, p. 127, p. 180, pp. 120-121. The U. S. Embassy makes representations to the host government to encourage negotiations with OPIC insured investors. Such representations in Chile relative to the Ralston Purina and Bethlehem Steel cases and in Bolivia over Mina Matilde are described by Peter R. Gilbert, "Expropriations and the Overseas Private Investment Corporation." Law and Policy in International Business, Vol. 9, No. 2 (1977). For a further discussion of the claims settlements negotiated by OPIC, see Chapter 6.

31. Ibid., p. 127, pp. 133-134, p. 48, pp. 321-323. Although subrogation may not have been formally asserted, subrogation rights were successfully pursued by OPIC in the Fearns Food (Somalia) and Exotica Mines (Chile) cases. (Gilbert, "Expropriations and OPIc," pp. 515-550).

32. Ibid., p. 180.

33. Ibid., p. 35, pp. 41-41, pp. 182-183, p. 146.

34. Ibid., p. 6, p. 14.

35. Ibid., pp. 115-117, p. 59, pp. 63-64.

36. Ibid., pp. 82-83, p. 15, p. 29.

37. U. S., Congress, House, Committee on Foreign Affairs, Report of the Subcommittee on Foreign Economic Policy, 93rd Congress, 1st Session, 1973.

38. U. S. Congress, Senate, Committee on Foreign Relations. Report on S. 2957, 93rd Congress, 1st Session, 1973, p. 11.

39. U. S. Congress, Senate, Committee on Foreign Relations. Hearings before the Senate Subcommittee on Multinational Corporations on the Overseas Private Investment Corporation, Part 3. 93rd Congress, 1st Session, 1973. Quotation by Senator Church on p. 78.

40. Ibid., pp. 103-104, 91, 93-94.

41. Ibid., quotations on p. 291, p. 297; see also pp. 302-308.

42. Ibid., The testimony of Dr. Gabriel on economic development is on pp. 104-106; Sean Gervasi's testimony can be found on pp. 335-370. See relevant scattered testimony on p. 51, p. 164, pp. 169-170, p. 179, p. 317, p. 397, p. 280, p. 410.

43. Ibid., p. 24, 25, 26.

44. Ibid., p. 122.

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CHAPTER 6: OPIC IMPLEMENTATION OF INVESTMENT GUARANTY POLICY: 1970-1973

The implementation of OPIC's policy goals during its two years of operation can be analyzed in terms of the arguments raised in Congress over the content of investment policy in the reauthorization hearings. The implementation process is documented in a GAO report, a Library of Congress study, OPIC annual reports, and OPIC's testimony and response to oversight questions in the House and the Senate. This documentation has been supplemented by selected interviews.

Policy actions taken by OPIC as a consequence of implementation are also documented. The documentation is partially based on information supplied to Congress for the hearing record by the Library of Congress, GAO, and OPIC in the form of charts, tables, graphs, and other data pertaining to OPIC insurance and finance programs as well as comparisons between OPIC and the guaranty programs of other countries. The dollar amounts supplied by this data for insurance coverage in each country are not, however, comparable across published sources. Tables presented to the Senate hearings add together maximum potential coverages for inconvertibility, expropriation, and war risk; tables published in the House record list equity, loan, royalties, and total investment protected by insurance, a different set of figures; the GAO uses separate totals for each type of coverage; the Library of Congress statistics are based on the original "collapsed maximum" insurance coverage. Internally consistent country insurance statistics, based on the original maximum coverage for insurance each year were obtained from OPIC's computer files under a Freedom of Information Act request.[1] They are presented in the Appendix. Policy actions can be viewed in the context of the degree of discretion and the range of alternative actions available to OPIC; those policy actions can be linked to possible outcomes.

Implementation of OPIC's policy will be considered in terms of (1) OPIC's bureaucratic organization and its relation to othr parts of the federal strucutre (2)

OPIC's guidelines to implement goals: reduction of risk, economic development, and protection of the U. S. economy (3) OPIC's claims settlement process and financial viability (4) the private alternative.

BUREAUCRATIC ORGANIZATION

In 1973 the eleven-member OPIC Board of Directors was composed of the Chairman, who by statute was the Administrator of AID, three government executives (the Assistant Secretary of State for Economic Affairs, the Under Secretary of the Treasury for Monetary Affairs, the President of OPIC) and five representatives from the private sector. Two vacancies existed - one representative from the private sector and the government post normally filled by a representative from the Department of Commerce.

Both the President and Executive Vice-President of OPIC are appointed by the President and approved by the Senate. The first President, Bradford Mills, came to OPIC from the investment banking business in New York; OPIC was delayed two years, 1969-1971, in organizing its operations as a government corporation because of a disagreement between Senator Javits and President Nixon over the President's nominee to be OPIC's first President.[2] The Executive Vice-President, Herbert Salzman, provided continuity as former director of OPIC's predecessor agency within AID; he had also been a business executive. When Bradford Mills resigned in 1973, Herbert Salzman moved up to the post of President of OPIC.

Other senior management positions appointed by the President of OPIC and the Board of Directors (i.e., the vice-presidents for corporate planning, insurance, finance, development, and public affairs, the general counsel, and the treasurer) all had backgrounds in investment banking, executive level business management, or the practice of law. There were no former insurance executives. OPIC executives shared strikingly similar educational backgrounds - almost all had attended Ivy League undergraduate institutions and, with only one exception, had attended either business school or law school at Harvard, Yale, or Columbia. The private sector members of the Board of Directors of OPIC who were not representing statutory constituencies (i.e., labor, cooperatives) came from exactly the same business and educational backgrounds as those of OPIC's executives.[3]

OPIC was divided into departments for administrative purposes - Development, Public Affairs, Finance, Insurance, Office of the Treasurer, and Office of the General Counsel. The Insurance Department was divided into two geographical areas and included a special officer for the construction industry. The Finance Department contained three geographic areas, the Investment Guaranty program, the Direct Investment Fund, and the Productive Credit Guaranty Program.

The OPIC staff numbered 122 persons in 1973; it had been subjected to Congressional criticism in 1969 for the large number of highly paid professionals contemplated. In 1973 the ratio of professionals to other staff was 1 to 4, compared to a 1-6 ratio in the AID predecessor agency. OPIC explained that this higher ratio was required to obtain personnel with business background, ability to maintain high level contacts with business and banking officials, and competence to manage the range of new programs in OPIC.

OPIC is served by an Advisory Council which, in 1973, was composed of 31 citizens appointed by the Chairman of the Board. The Council is required by law to meet "periodically" to review OPIC policies. This requirement had been construed to mean that meetings were held once a year. During House committee questioning, Rep. Wolff (D., N.Y.) elicited from Dr. Stobaugh, an Advisory Council member, the fact that the Advisory Council did not thoroughly examine either OPIC's exposure or its insurance decisions. Of the 31 Advisory Council members, six represented the insurance industry; the majority of other members were from banking, business corporations, or associations such as the Chamber of Commerce.[4]

OPIC's closest relationships within the Federal structure were with the State Department, under whose policy guidance it fell, and with AID. It also had, on occasion, some relationship with the Commerce Department and other agencies. OPIC maintained continual communication with relevant congressional committees. In 1972 the Inter-Agency Coordinating Group on Expropriations, set up under the aegis of the Council on International Economic Policy to administer President Nixon's 1972 policy towards expropriations, became an additional group to which OPIC was related. Willis Armstrong, Assistant Secretary of State for Economic and Business Affairs and member of the Board of Directors of OPIC, was Chairman of this group.[5]

The relationship between the State Department and OPIC was managed by the Office of Investment Affairs within the Department of Economic and Business Affairs. The Office of Investment Affairs approved all overseas OPIC telegrams and reviewed all insurance applications for their foreign policy significance. In addition, the Office of Investment Affairs conferred with the Office of the Legal Advisor and all relevant country desk officers before the State Department signed off on each insurance or finance project or OPIC policy message.

According to AID officials, coordination between AID and OPIC was facilitated at the policy level through the dual position of the AID Administrator as Chairman of OPIC's Board. Coordination was also simplified by the large number of personnel who moved over to join OPIC's staff from AID's fromer Office of Private Resources. New investment insurance and guaranty programs under consideration by OPIC were reviewed by AID country desks for development impact. In the field, AID might assist OPIC in negotiations with the host country with regard to OPIC programs and AID missions might reorganize development strategy in a sector in which an OPIC-backed U. S. investment could have an impact. Wherever AID had a field mission (40 countries), OPIC asked the AID bureau to assess the impact of a proposed project on the host economy - AID supplied export statistics, information on investment and labor laws, and submitted recommendations on the project to OPIC. The U. S. Embassy provided this service in other countries. At oversight hearings, Philip Birnbaum, administrator for Program and Policy of AID, repeatedly stated that coordination between AID and OPIC worked well both in the field and in Washington and that no new mechanisms were needed. OPIC Official Joseph Price, however, reported in House Committee questioning that response to requests for advice from the field were increasingly being supplied by the commercial section of U. S. Embassies in all countries because many AID missions had been cut back in personnel.[6]

The working relationship between OPIC, AID, and the State Department on a specific case, the controversial Jamaican Alpart aluminum investment insurance application of 1970, was outlined in detail by President Salzman during Senate questioning. The regular decision-making process was operative in that case. The process called for a developmental assessment on proposed insurance from AID and a political assessment from the Embassy and the State Department on whether the insurance was likely to be called in the host country. The controlling and final decision on the political assessment came from the geographical bureau of the State Department rather than the Ambassador in the field. The State Department was empowered to veto any OPIC investment insurance or claims settlement on foreign policy grounds.[7]

THE OPIC INVESTMENT GUARANTY PROGRAM: IMPLEMENTATION GUIDELINES

Goals

OPIC's management, from inauguration of the agency in 1971 through 1973, instituted selectivity and a variable rate structure to implement OPIC's investment insurance program. These key features, incorporated in insurance contracts, finance programs, and implementation guidelines, were designed to meet the demands of OPIC's multiple mandates - to reduce risk, to foster economic development in the L.D.C.'s, and to protect the U. S. economy. By reference to these features, OPIC attempted to address policy content questions raised in the Congressional hearings. OPIC claimed that selectivity and variable rates, implemented to provide incentives and disincentives, would induce the desired outcomes envisoned by Congressional mandates.

Risk Management

The Private Enterprise Mandate

Senate witnesses had criticized OPIC's mandated promotion of private enterprise and discrimination against public enterprises in the L.D.C.'s as conducive to risk. Critics viewed the private enterprise mandate as incompatible with the special needs of L.D.C. economies and a source of potential confrontation. In his description of OPIC implementation of the mandate, OPIC President Salzman stated that the agency took a pragmatic, rather than an ideological, view of its mission. The statutory guideline directed OPIC "to consider in the conduct of its operations the extent to which less developed governments are receptive to private enterprise, domestic and foreign, and their willingness and ability to maintain conditions which enable private enterprise to make its full contribution to the development process." Implementation of this guideline was applied, according to Salzman,

> ". . . only in the practical sense of considering whether a country's government welcomes long-term private foreign investment in a particular field and will approve such a U. S. investment for insurance or guaranty under our programs. OPIC recognizes that its program could have no real and lasting influence over the economic ideology of a developing country. One of the main changes in U. S. foreign policy since 1969 has been the abandonment of the illusion that U. S. development assistance programs should or could intervene in the political evolution of developing countries . . . Where private U. S. investment in a publicly owned enterprise is proposed, OPIC will encourage the investment when the management of the foreign enterprise is to be in private hands or the enterprise is to be operated (as in Yugoslavia) under conditions that are equivalent to the disciplines of the market-place, or the enterprise though publicly owned and managed, is designed (as in the case of a public investment bank) to serve local private enterprises. Some consideration has been given recently to broadening these policy guidelines because of our recognition of just the point you make."[8]

The Obsolescing Bargain and New Investment Modes

OPIC's implementation of the mandate to reduce risk was severely limited, according to experts testifying before the Senate, by emphasis on direct equity investment. Direct equity was not flexible enough to meet the inevitable contract renegotiation demands which would arise over time in the host countries. OPIC President Salzman addressed one critic as follows:

> "First, with respect to your criticism of OPIC's encouragement of the conventional form of investment ownership in developing countries, we share your concern. We have actively encouraged joint and multi-party ownership of large or politically sensitive projects. We sometimes propose greater reliance on loan financing and less equity (although many L.D.C.'s for good economic reasons prefer the opposite) or suggest consideration of variable-return contracts in lieu of U. S. ownership. We have insured projects involving complete divestiture to local interests over a fixed period of time and investment contemplating partial divestiture . . . Loans and other contractual investment without U. S. equity have always been eligible for insurance or guaranties. Scores of such cases can be seen in our project lists. Under both AID and OPIC management, insurance of loans and other contracts has exceeded equity in total amounts of original investments covered . . . Here are examples of the adjustment of OPIC policies to new political realities in the developing countries:
>
> 1. In December, 1971, the OPIC Advisory Council considered whether OPIC should discourage or exclude conventional equity ownership or provide financial incentives for adoption of new modes of non-equity investment. The Council recommended that OPIC be positively responsive to new investment forms but learn more about their practicality and political risks before adopting a rigid policy toward any form of investment.
>
> 2. In April, 1972, OPIC developed and put into use new insurance coverage for contracted investment, including not only construction contracts but also long term technical and management service contracts and coproduction arrangements . . .
>
> 3. In February, 1972, Congress gave OPIC authority to operate programs in Yugoslavia and Romania; formal agreements were signed this year with the two governments. We have adjusted our policies to the fact that conventional subsidiary investment is not possible in these countries . . .[9]

President Salzman also listed multiple premium rate schedules and refusal to insure 100% equity in mining projects as steps in OPIC's evolution away from direct equity. He suggested, however, the limitations of such a policy. From a practical standpoint, the only local partner in many L.D.C.'s would have to be either a local government agency of limited capacity or one of a small circle of wealthy elite. The risk of default or "squeeze" could be as great in these circumstances as the risk of expropriation in a direct equity arrangement.[10]

There were doubts in the House of Representatives about carrying the emphasis on new investment modes too far. Most policy network participants agreed that OPIC should offer lower premium rates to joint ventures but some voiced concern about bogus partnerships and the forcing of unsound ventures. Others questioned how vigorously OPIC actually pursued the implementation of new investment modes.[11]

The Library of Congress criticized OPIC for not stressing investments involving joint ventures, fade-out provisions, and minority ventures. Their report found that OPIC projects were acceptable if there was any local capital investment in the project; local participation was not required on large and sensitive projects although premium rates provided incentives for it; there were no fade-out contractual provisions. Since no records were kept of joint ventures insured, the Library of Congress concluded that OPIC placed a low priority on joint ventures. An OPIC-sponsored Harbridge House study of twenty insured projects in India, Thailand, Venezuela, and Columbia revealed that 14 were either wholly owned or majority owned by U. S. interests with only six composed of U. S. minority interests. The Library of Congress also found that OPIC's finance program moved away from joint ventures as indicated by a decline of 72% to 53% from the AID program to OPIC management.

The Library of Congress analysis, however, was ambivalent about new investment modes. Their analysts were receptive to suggestions of scholars that foreign investors be ready to divest equity and entrepreneurship in favor of an agreed contractual relationship for management services in the Japanese mode (in the Japanese model, the investor makes loans, supplies machinery and managerial skills, takes little or no equity, and contracts to buy the project's output for a long term while the loan is paid off). At the same time, the Library of Congress recognized that joint ventures with "fade-out" provisions were sceptically received by U. S. investors because of commercial consequences and that major expropriations had been directed against joint ventures with the host government. The validity of the Japanese model seemed to be contradicted by the data: since 1971, the Japanese increased equity investment to 54% of their total investment.

Despite the nationalization record, commercial problems, and the Japanese experience, the Library of Congress suggested that "a case can be made that insurance and finance incentives for U. S. investors to include local partners, and eventually to sell majority ownership to those partners, would assist OPIC to better meet both its risk management mandate (i.e., by reducing the risk of expropriation) and its economic development mandate". Referring to OPIC's testimony with regard to a Phillippine co-production non-equity agreement, the Library of Congress concluded that this type of investment might be accelerated by OPIC and encouraged by Congress.[12]

Factors Conducive to Expropriation as a Function of Risk

Data and accumulated knowledge point to the following factors conducive to expropriation that were, theoretically, suceptible to manipulation and control: sensitive investments in natural resources, concentration levels, and the conduct of investors. OPIC developed new guidelines for "sensitive investments". These investments were defined as investments in enterprises that by nature countries wish to own themselves, e.g., utilities, extractive industries, banking, insurance, telecommunications, and transportation. Not only were insurance premiums higher for such projects, but policies were written on a declining coverage basis for a shorter period than non-sensitive projects (10-15 rather than 20 years). Sensitive projects were required, as of 1973, to be in the form of a 50-50 venture, with OPIC facilitiating the U. S. investor's required effort to help the local investor obtain financing. (OPIC accepts third country partners and/or international bank financing as a means of reducing risk on these projects but it will not insure 100% U. S. direct equity.)

OPIC only issued one-sixth of what the statute ceiling permitted on mining investment contracts. OPIC contracts were written for a twelve year period with declining coverage, equivalent to six and one-fourth years for full coverage of the actual investment. These terms also applied to retain earnings. OPIC issued policy guidelines governing the exploration of petroleum which in effect, prohibited it:

> Unless otherwise specifically authorized by the Board of Directors of OPIC, the Corporation shall not insure or guaranty any part of an investment in a petroleum exploration project . . . and shall insure or guaranty only that part of such investment attributable to such projects's tangible and removable assets . . . [13]

By virtue of these policies, OPIC shifted its concentration of insured investment from the mining/extractive sector to manufacturing.

TABLE 2

INSURANCE COVERAGE BY ECONOMIC SECTOR
Per Cent Insurance Portfolio

AID, 1948 - 1970	%	OPIC, 1971 - mid 1973	%
Manufacuting	62.2	Manufacuring	82.2
Mining	24.7	Other	11.2
Other	5.4	Fin., Insur., Real Estate	4.2
Wholesale, Retail Trade	4.0	Mining	2.2
Fin., Insur., Real Estate	3.7	Wholesale, Retail Trade	0.2

According to OPIC, the number of projects insured in raw materials increased but the dollar amount and exposure declined. Coverage written on each raw material investment was less. A breakdown of the manufacturing sector shows that OPIC coverage increased in petroleum refining and decreased in chemical products.[14]

A code of conduct for good corporate behavior had been advocated at national and international levels as a deterrent to expropriation. The following requirements, supplemented by behavioral requirements in a dispute situation, were designed by OPIC to build incentives to good corporate citizenship and disincentives to improper behavior: contractual requirements for host approval, developmental impact screening, conformance to local laws, execution according to original representation, OPIC approval of changes in the projects, long term rather than short term speculative contracts, annual reports, C.P.A. certified open records, commercial arms-length relationships, contracts subject to U. S. civil/criminal fraud violation, assessment of company conduct at the time a claim was presented, and strengthened contract provisions pertaining to provocation.

OPIC placed limits on the growth of insurance exposure in countries of heavy concentration, such as Brazil. The ultimate aim, inhibited immediately by long term AID-written contracts, was to limit OPIC exposure to 10% in a given country. If a given project exceeded a certain level of size, the project came before OPIC's Board of Directors to decide whether OPIC exposure was too great.[15]

TABLE 3

CONCENTRATION OF INSURANCE

AID	Original Collapsed Max.	OPIC 1971-1973 (at end of 1972)	Original Collapsed Max.
Chile	1,826	Korea	328
Korea	1,295	Indonesia	209
Jamaica	1,100	Brazil	189
Brazil	765	Taiwan	110
Argentina	755	Botswana	102
Dominican Rep.	699	Singapore	87
India	661	Philippines	80
Philippines	561	Israel	70
Total: 57% of Total Insurance		Total: 83% of Total Insurance	

> Indonesia, Taiwan, and Singapore were substituted in the OPIC list for Chile, Jamaica, and Argentina where coverage was concentrated under AID. By using the 10 largest countries rather than the 8 highest, OPIC statistics show a steady decline in concentration. The 10 largest countries represented 69%, 67%, and 65% respectively in 1968, 1971, and 1973. The OPIC portfolio shifted from Latin America to Asia and Africa.[16]

Nonetheless, insurance continued to concentrate increasingly in Brazil and Korea. The concentration totals, using either the eight or ten largest countries represent a high percentage of the total. One explanation for country concentration can be seen in the expiration dates of the 20-year original AID contracts. Contract coverage written by AID could not be substantially reduced until 1982. OPIC could, however, have chosen to refuse additional coverage to Brazil, Korea, and Jamaica.

An alternative explanation was suggested by the Library of Congress. OPIC's self-sustaining mandate would require the agency to insure in friendly, stable countries unlikely to nationalize U. S. property. Of the eight countries with the greatest concentration of insurance, five were run by the military or were under martial law; three were approaching a high level of economic development. At least ten of the 13 countries with highest insurance coverage, with the possible exception of India, Zaire, and Botswana, received according to the Library of Congress, extensive U. S. support. "OPIC insurance might be seen as a means of reinforcing U. S. policy toward those countries by providing economic support through private investment."[17]

Since OPIC by statute could only assist friendly governments under the guidance of the State Department, OPIC could potentially be used as an instrument of foreign policy to bolster economic conditions in a country important to U. S. interests. During the 1960's the AID Guaranty program issued a total of $1.8 billion in political risk insurance in Chile as part of U. S. policy to support the Frei Government when no bilateral agreement existed between the U. S. and Chile. AID issued insurance worth $.9 billion in Chile during a three month period in 1967. I.T.T. was insured during this three month period.

The Library of Congress further noted that virtually all of thirteen high concentration countries were at the time considered safe for foreign investment. Only five of the countries in which 93% of OPIC insurance was concentrated were on the State Department list of expropriating countries between 1960-1971. The five included Indonesia and Brazil which had changed to safe governments by 1971; Israel, whose expropriations were related to the Arab conflict; Zaire, which nationalized property only immediately after independence; and India, where insurance companies were nationalized in 1971.[18]

Insurance Principles to Reduce Risk

Specific risk reduction measures introduced by OPIC included variable rates, co-insurance, a first loss deductible, re-insurance, multilateral negotiations, increasing country coverage, strengthened contracts, and political risk assessment.

OPIC established a variable fee schedule in late 1972 at the suggestion of its Advisory Council. The standard rate of 0.6 was modified to give OPIC's management the power to vary the rates by a differential of 0.4. A rate of 0.8 was assigned to the insurance of large and sensitive equity investment; 0.6 was set as the rate for large projects with high visibility and for small but sensitive projects. The debt contract fee for non-large and non-sensitive projects was reduced to 0.4. Joint ventures and local participation reduced OPIC's exposure and risk and were thus insured at lower rates. Additional factors affecting rates were investor-host government agreements to submit disputes to binding arbitration, multinational as well as local participation, substantial pre-existing uninsured investment by the applicant, intercompany debt, and host government payment guarantees. Factors could add or deduct 2/10 of 1% of the standard fee for a possible 250% spread between high and low premiums. Insurance could cost as much as 1.9% of the insured investment annually (maximums of 1% for expropriation, .3 for inconvertibility, and .6 for war risk) for the same insurance coverage that Japanese or Germen investors purchased at the rate of .05%. Additional variations required approval by the President of OPIC on a case basis and explanation to the Board of Directors. OPIC officials stated that there was nothing like money on the table to illustrate the point to investors that some situations were riskier than others. The variable rates were developed to provide incentives for joint ventures, new investment modes, arrangements capable of change over the duration of the contract, and desensitized investments.

OPIC reduced its net liability risks by a general increase in premiums and a first loss deductible, a form of investor coinsurance. The agency also obtained re-insurance of its contracts. Lloyds of London agreed to reinsure 50% of OPIC's expropriation risks in 80% of the countries in which the program operated and a smaller percentage in the remaining countries. OPIC negotiated with a group of private insurance companies proposing a syndicate of private firms to assume at least 25% of OPIC's expropriation and inconvertibility exposures.

Other risk-reducing steps taken by OPIC included tightening the contract wording and eliminating the standby option provided by AID. The standby option allowed an insured company to decide from year to year whether to keep the whole policy in force that year or whether to pay a fraction of the premium to retain the insurance on a standby basis. When Senator Church suggested that such an arrangement allowed the company, by deciding whether the degree of risk warranted full or token coverage, too favorable a choice, OPIC reported elimination of standby options on all new investments but retention for future company earnings. A plant under construction could carry standby insurance to be converted to full coverage of future earnings once construction was completed. New OPIC contracts also provided that any insured project must be carried forward according to representations made at the time of project approval; OPIC must be consulted before any material change in the project could be made.

To spread risk, OPIC sought expansion to other countries and the multilateralization of insurance. When the World Bank multilateral insurance negotiations collapsed, OPIC sought out the Berne Union as an alternative. The Berne negotiations were conducted to set up an Association of Investment Insurors to provide international good offices, conciliation services, and investment appraisals.[19]

In 1972 OPIC was successful in concluding bilateral agreements with Yemen, Yugoslavia, and Romania. Negotiations with Mexico, Saudi Arabia, and Bangladesh were not successful. The subrogation issue in Calvo Doctrine Latin American countries adhering to the Andean Code prevented negotiations with Columbia, Ecuador, Peru, and Chile. OPIC's expansion to additional countries was further inhibited by restrictive investment codes adopted by a number of less developed countries and limited investment opportunities in some of the lowest income countries.

In addition, Congress prohibited certain countries for OPIC insurance eligibility. OPIC could not write insurance in countries that had refused to settle expropriation claims, i.e., Chile and Peru. OPIC could not operate in countries which shipped to North Vietnam, i.e., Somalia and Hong Kong. Egypt, the Sudan, and the Peoples' Republic of the Congo were ineligible because of the lack of U. S. diplomatic relations. Nigeria became ineligible for further insurance because of a disputed interpretation of bilateral understandings; North Vietnam was ruled out by specific Congressional request; and Uganda was designated ineligible due to political turbulence.[20]

The need to solve the problem of subrogation in order to expand the number of eligible countries in Latin America was addressed by OPIC's management in a proposal drawn up, after consultation with the State Department and U. S. Embassies, for presentation to the OPIC Board of Directors. The proposal would permit OPIC to tailor its requirement for subrogation to the degree of political risk in a country. The Board of Directors in 1973 requested OPIC management to present further examples of the way the proposal would work in practice.[21]

TABLE 4

NUMBER OF COUNTRIES WITH OPIC OPERATIONS

	1965	1966	1967	1968	1969	1970	1971	1972
Latin America	17	18	16	19	16	14	10	8
Europe	--	--	1	1	--	--	--	--
N. East, So. Africa	7	6	9	6	8	6	5	6
Africa	11	11	14	14	11	11	8	9
Far East	9	6	7	8	8	9	8	6

Congressional policy designated 15 countries which had been eligible for AID programs ineligible for OPIC.[22]

After OPIC analyzed economic and political conditions abroad, decisions to suspend the program in particular L.D.C.'s were officially reported. Often OPIC simply suspended operations in line with State Department actions to break diplomatic relations or cut off foreign aid to a a particular country. In December, 1972, OPIC reported suspension of operations in Bolivia, Chile, and Peru for uncompensated expropriations and in an unidentified fourth country for "widespread political actions adverse to foreign interests."[23] Bolivia, however, was reinstated after outstanding claims were settled.

GAO found that OPIC unofficially suspended the program in countries where problems with foreign investment occurred; the names of these countries were not disclosed to investors or the public. Although OPIC accepted applications for these countries, they were not processed until the investment climate improved. OPIC identified twelve countries to GAO in 1972 in which political risk insurance was semi-operative for one of the following reasons: subrogation rights, legal questions, currency inconvertibility, foreign investment laws with unreasonable divestiture provisions, unratified bilateral agreements, exceptional OPIC concentration, and Congressional request. Although legitimate uncompensated claims provoked suspension, actual or potential claims did not affect OPIC country operations.

Senate Subcommittee Chairman Frank Church, in his letter to GAO requesting a management-type review of OPIC, specifically asked for an evaluation of the adequacy of OPIC's analysis of political risk in Brazil, Thailand, and the Dominican Republic. GAO concluded that OPIC's assessment of Brazil as a stable, favorable climate for investors was essentially accurate. Potential problems in Thailand had been resolved. GAO felt, however, that OPIC's high exposure in the Dominican Republic required special monitoring to forestall potential failure under OPIC's high risk guaranties. Relationships between OPIC and the Dominican Republic and Thailand were unaffected by the failure of previous high risk guaranteed projects in those countries.[24]

OPIC officials were reluctant to discuss assessment of political risk. Suggestions made by Congressional witnesses to vary insurance rates by a generalized assessment of political risk in a country or the nature of its government were thought to be harmful to U. S. foreign policy relationships. Private insurance companies testified that they would be forced to make such overt assessments if they were to take over OPIC's political risk business. OPIC is likely to have developed an in-house political assessment system. Dr. Gerald West, economic development officer on OPIC's staff, authored a book, "Assessing Political Risk" which identified variables associated with such risk.[25]

Foreign Policy: Economic Development

The major tool utilized by OPIC to implement its economic development mandate was a long term insurance contract covering 12-20 years on all but sensitive new investments; contracts on new non-sensitive investments covered 200% of the investment, 100% of the original investment and 100% of reinvested earnings. The purpose of the contract was to reduce the investor's need for a quick profit and quick recovery of capital, thereby encouraging long term developmental effort. Re-investment of earnings was encouraged by 100% additional coverage provided in advance of the earnings, reducing the need to repatriate profits before full investment potential could be explored and realized. Existing investments were not insured since the mandated purpose of OPIC was to stimulate new investment in the L.D.C.'s.

OPIC required approval of an insured project by the host country as a developmental investment. The Library of Congress reported that 10 of 38 projects denied insurance by OPIC were investments that failed to win approval by foreign governments. OPIC also required a developmental impact statement to screen out projects not beneficial to the development of the host country.[26] The developmental impact statement furnished by the U. S. investor was forwarded to the Embassy or AID Mission in the field and to the country desks in Washington for recommendations on the project. GAO reported that favorable or unfavorable recommendations from the field were usually based on a development evaluation of the project.[27]

The preliminary guidelines for the developmental impact statement by OPIC insurance applicants were implemented in March, 1972, for all projects involving OPIC-insured investment of more than $1 million and were revised in July, 1972. The guidelines were as follows:

A. Foreign exchange: Acceptable projects must produce a positive net foreign exchange contribution to the host country within the first five years of operation. A good project was one that produced a sum of its exports and import replacements equal to 150% or more of repatriations by the investor.

B. Domestic revenue: Acceptable projects must make tax payments to the host government within the first five years of operation equal to the average payments by comparable enterprises in the same industry section of the country. A good project was one that made annual average tax payments (less duties on replaced imports) that were equal to 10% or more of total investment.

C. Tariff protection for product: Acceptable projects were those in which quantity restrictions on competing imports were less than 100% and preceded the project, duties on such imports did not exceed 50%, and protection would be needed less than eight years. A good project was one in which competing imports were not restricted in quantity, tariffs were less than 30%, and protection was needed for five years or less.

D. Local capital mobilization: Acceptable projects must have some local capital investment. A good project was one that included substantial local private investment.

E. Local market price of the product: Acceptable projects must be those in which the products would be priced no higher than 20% above current local prices and would have a strong positive effect on the host country's balance of payments. A good project was one in which the product would be priced lower than current lower prices for comparable products.

F. Effect on local suppliers and/or downstream industries: Acceptable projects provide an incremental stimulus for local industries. A good project was one that substantially increased the local market for production of supplies and components or provided local fabrication, packaging, or distribution of the end product.

G. Employment and skill creation: Acceptable projects were those that would significantly increase employment and include specific plans for local staff training. A good project was one in which total new investment divided by total employment in the fifth year would be $10,000 or less.

H. Other significant factors: A project could receive a rating of acceptable, good or adverse in this category if significant factors, such as technological contributions or ecological impact not considered in other categories, existed.[28]

A new type of insurance contract for U. S. investors was developed in June, 1972, by OPIC for the U. S. construction industry. This contract protected contractors for up to 90% of net losses resulting from political events such as expropriation, war risk, non-payment of sums declared due under the disputes procedures of the contract, and refusal of host government to pursue the contract dispute procedures. The rationale for this contract was to strengthen the competitive postion of U. S. builders bidding jobs in the international market and to insure projects which provided developmental infrastructure for the L.D.C.'s. The construction program, as well as other investment insurance, OPIC officials maintained, eliminated expensive self insurance on the part of the investor as a cost of doing business.[29]

In response to the need to encourage agricultural productivity in the L.D.C.'s, OPIC embarked on a cooperative effort with the Agribusiness Council, Inc., a non-profit membership organization. The Agribusiness Council organized an "Agribusiness Investment Mission" for a small group of non-competitive agricultural firms. The senior executives of the companies were introduced to the investment opportunities and business climate in particular countries and regions, host government officials then arranged briefing sessions and field trips. Follow-up research to induce a final decision by a firm to invest in an agricultural project was conducted by the Agribusiness Council, OPIC, and local L.D.C. officials.[30]

Although oversight questions in the Senate subcommittee were directed to a number of developmental criteria, the highest degree of interest was directed to the question of whether L.D.C. tax concessions negate the tax benefits from U. S. investment. In the case of a five-ten year tax deferral granted by Taiwan to Ford, OPIC officials indicated that any firm will gladly accept the prevailing standards of incentives to invest. OPIC, nonetheless, does not always accept prevailing standards and is concerned if the viability of an investment depends on a tax holiday. OPIC is also concerned with whether excessive concessions will created a situation in which a future government in a particular country might castigate the insured project as an instrument of "venality". OPIC's standard procedure is to ask the host country whether all the facts of the investment warrant its approval; beyond that, OPIC cannot "big brother" it unless the investment terms are flagrantly risky or anti-developmental. As a practical matter, OPIC acceded to typical five year tax concessions because the decision was one for the host country, not OPIC to make. OPIC officials stated that the U. S. delegation to the Santiago UNCTAD meeting had advised the L.D.C.'s to reconsider granting concessions that give away the benefit of the investment.[31]

As a response to overall implementation of OPIC's development mandate and in reply to the testimony of Dr. Sean Gervasi of the United Nations who urged that development be redefined, Rutherford Poats of OPIC addressed the distinction between economic growth and economic sociopolitical process by stating:

> "Economic growth is essential to economic and social development. OPIC cannot in its program accomplish social and political change. It can contribute to the possibilities of those changes to some modest degree. OPIC is by no means a centerpiece of an effort to alter the social and economic doctrine, ideology of developing countries. Having said that, there is still some room for OPIC contributions to social as well as economic growth development. . . . But bits and pieces of direct contribution to employment creation by foreign investment and the indirect contributions which are far larger in magnitude through services employment creation and downstream user and supplier industries add up to significant increments in dealing with the employment problem. Obviously the degree to which a government uses the production growth, the economic growth, the revenue generation for what we would regard as socially rationally purposes . . . is a matter of very intimate political decision. I think this committee is familiar with the

> difficulties of trying to influence that kind of decision externally . . . On the margin private investment encouraged by OPIC does make some contribution to the increased development of a middle class, as you say, enclave portions of the host countries. On the margin the U. S. investor and other foreign investors tend to pay higher wages. They tend to demonstrate by their performance certain standards of behavior and certain standards of accounting practice, and so on. They tend to create the growth of an entrepreneurial tendency and technologicial class in the developing countries . . . So they make a positive, but admittedly modest contribution to an enormous problem of social changes.[33]

Since the question of economic development was implemented by OPIC on the basis of selectivity, an exchange between Senator Church and OPIC President Salzman is instructive: When Senator Church argued that OPIC capability to influence private firms to invest for development was limited to promotional efforts, OPIC President Salzman replied, "I do not think we pretend to direct the flow of private investment. Private capital has to make its own decisions in its board rooms." Senator Church countered, "Aren't you really in a position where you have to process applications business makes . . so that rather than OPIC directing business into certain countries and forms of investment, it is really the other way around? Business determines where to go and then applies for insurance?"[32] President Salzman's response was that OPIC applies negative selection, a process of stating where insured investment cannot go.

Domestic Policy: Effects on the U. S. Economy

OPIC's statute required OPIC to consider the U. S. balance of payments effect of insured investment. OPIC requested that a statutory guideline be added in 1973 to require OPIC to consider the effects of U. S. employment as well. OPIC's implementation of policy affecting the U. S. economy included regulations and discretionary action pertaining to U. S. exports, the balance of payments, U. S. employment, and the U. S. supply of raw materials. In addition, OPIC developed programs to meet the statutory obligation to promote the investment of small business firms in the L.D.C.'s.

Small Business and the Multinational Corporations

Although it was suggested in Congress that small business could better promote economic development and avoid expropriation, the promotion of small business was aimed at limiting further growth and power of the multinational corporations in domestic and foreign markets, The degree to which multinational corporations, middle-sized corporations, and small business utilized OPIC insurance and financial assistance is detailed below. OPIC's efforts to redistribute the insurance portfolio away from its concentration on Fortune 500 multinational firms to include a balance of small firms proved more successful in terms of the number of contracts issued than in dollar amounts.

Both AID and the Commerce Department had experienced limited success in locating small business foreign investors. In 1972 OPIC sought the assistance of the Small Business Administration and appointed a full time officer within OPIC to launch a new small business project development program, utilizing promotional brochures, incentives and special rates. The small business thrust applied to the financing rather than the insurance program and involved feasibility funds to finance project and market development studies. Finance program regulations required approval by the OPIC Board of Directors for any finance project involving participation by a Fortune top 150 business firm.

OPIC consistently maintained that there were inherent limitations in any effort to attract small firms to invest overseas. Studies such as those undertaken by Harbridge House found that it takes 4-7 years to reach a point of profit in a foreign investment, requiring long term debt money and surplus managerial staff not available to small firms. U. S. Embassies reported that most L.D.C.'s encourage their own businessmen to enter the fields in which U. S. small businessmen usually invest. OPIC anticipated that only the upper limits of the small business community could be attracted to invest overseas.[34]

TABLE 5

CONCENTRATION OF INSURANCE ISSUED TO MULTINATIONAL FIRMS

	AID Contracts	OPIC Contracts
No. of companies in Fortune 500	27.3%	39.2%
No. of coverages by Forturne 500	54.5%	48.9%

TABLE 6

DOLLAR VOLUME COMPARED TO CONTRACTS ISSUED TO LARGE CORPORATIONS

	AID				OPIC			
	Contracts	%	$ Vol.	%	Contracts	%	$ Vol.	%
Largest	2,213	42	8,415	63	312	40	856	61
Large & Medium	863	17	2,042	15	122	15	259	18
Small	2,136	41	2,908	22	355	45	294	21

Both aggregations show very little change in the proportion of insurance coverage by size of firm. There is slight evidence of change by OPIC towards increasing the number of contracts with small corporations (those not on Fortune lists) and decreasing them with the largest corporations (Fortune's top 150 corporations and top 25 banks). There is also a slight increase in dollar volume with medium size firms (corpoations listed 151-500 and banks 26-50 on the Fortune list.[35]

A balanced mixture of small and large firms would not, however, meet the demands of labor interests. Union spokesmen objected to OPIC encouragement of the growth of any large global corporations. They were indignant that OPIC insured branches of multinational banks, a multinational investment conglomerate in Latin America (ADELA), and multinational corporations whose operations might involve the export of U.S. jobs and technology.[36]

Balance of Payments and U. S. Employment

OPIC President Mills reported that U. S. foreign direct investment in manufacturing industries had a positive impact on the U. S. balance of payments and U.S. employment. These effects were analyzed by GAO, the Library of Congress, the AFL-CIO, and Congressional committees.

In March, 1972, OPIC tightened policy procedures initated by AID in 1965 to protect against runaway industries and "investments that export significant portions of their product to the U. S. market at the expense of U. S. jobs . . ."[37] and inaugurated new procedures to examine the end result of an insured U. S. investment on exports to the U.S., utilizing an economics effects analysis. Five applications were rejected for adverse U.S. domestic effects in 1972-73.

GAO outlined OPIC's protective procedures and reviewed the insurance application files to analyze U. S. employment and balance of payment effects. Runaway industries were defined by OPIC as those which completely or partially replaced a going concern in the U. S. in order to export the same product to the same market. Such an industry would only be eligible for insurance if there were counter balancing economic advantages for the U. S. such as a partial replacement of a U. S. firm designed to preserve the remaining U. S. employment by maintaining a competitive market position. No OPIC insurance was to be issued in the event of an unfair labor practice suit lodged against a company for closing down U. S. production.

Beginning with 1972, OPIC required insurance officers to analyze detailed information supplied by OPIC applicants whose projects involved 20% export production to the U. S. or more than $10 million in investment. The analysis was to determine impact on the U. S. economy of U. S. trade effects and financial flows. Both a five year short-term impact of production inputs from the U. S. compared to exports to the U. S. and long term cumulative analyses were required.

An applicant was also required to certify that an investment was not a runaway industry in order to be eligible for insurance. OPIC procedures assessed the net effect of industries that served U. S. markets from cheap labor locations such as textiles, shoes, and electronics and placed limitations on textiles (ineligible if export more than 5% of production to U. S.) and agricultural products (80% food crops and 90% feed crops must be for host country consumption).

In its review of these guidelines, GAO noted the following problems: (1) OPIC investors cannot be held liable for changes in plant operations which adversely affect U.S. interest if certification is based on information available to the applicant at the time. This may develop through economic changes which later turn an investment into a runaway industry. (2) OPIC relies on vague certifications that projects do not have an adverse effect on U. S. employment. (3) OPIC files do not include the following: case description of the product manufactured overseas and the extent of its competition with U. S. production; whether the plant could have continued U. S. operations at smaller profit; an analysis of employment by the investor over time in both its domestic and foreign operations; views of host and parent country union officials.

GAO's review of OPIC's insurance contracts for electronic projects revealed a high percentage that primarily exported to the U. S. Fourteen out of 34 electronic firms exported 100% of their products to the U. S. Eighteen of those with a large percent of exports to the U. S. submitted data indicating a dollar outflow from the U. S. four times greater than combined procurement from the U. S., plus repatriated earnings. Although the L.D.C.'s may use some of these dollars for other commodity outflows, GAO estimated that U. S. balance of payments were adversely affected. GAO found the information supplied insufficient to estimate the effects of OPIC contracts on U. S. employment. Despite the absence of relevant information on U. S. employment and the high export of electronics projects. GAO concluded that OPIC's most recent procedures, if properly implemented, "should provide reasonable assurance that U. S. interests are protected."38

OPIC President Mills testified that U. S. direct foreign investment in manufacturing in the L.D.C.'s created 120,000 jobs in the U. S. and contributed $800 million to the U. S. balance of payments. According to the Library of Congress, OPIC insured a major portion of those investments.[39] A further study of "mature projects", originally insured or financed by AID, was conducted by a private consulting firm, Harbridge House, for OPIC in 1978. The majority of the 20 projects included in this study provided positive effects to the U. S. balance of payments.[40] The Library of Congress itself analyzed both balance of payments and employment effects of 10% of the largest OPIC risk insurance contracts, accounting for 2/3 of all risk insurance, issued in 1972. They concluded that these investments would have a positive balance of payments effect of $127 million and create 3,100 U. S. jobs over a 5 year period.

Researchers at the Library of Congress did not view OPIC-insured investment as a problem for the U. S. economy. They maintained that most manufacturing projects were designed for local markets or could not be effectively produced in the U. S. and were not competitive with U. S. products.[41] This was not the view of the AFL-CIO.

In testimony before the House and Senate, representatives from the AFL-CIO and the International Association of Machinists and Aerospace workers referred to the GAO report, emphasizing electronics industry findings as an indication of adverse effect on the U. S. economy. Labor representatives stressed that 83% of OPIC insurance covered manufacturing industries; many of these industries had suffered job and production losses in the U. S. Labor representatives pointed out that OPIC's 1973 Annual Report listed coverage of the following: "auto parts production in Korea, when the U. S. auto industry is suffering layoffs in the hundred thousands, shoe production in the Dominican Republic, in spite of the fact that jobs of thousands of shoeworkers in this country have been exported; electronic components in Taiwan and Singapore; textile and apparel production in Latin America and the Far East."[42]

Labor union spokesmen were also critical of the exploitation of labor by multinational corporations, e.g., Gulf in Singapore, and the suppresson of trade union freedom in L.D.C.'s where investment was insured, e.g., Korea, Singapore, the Philippines, and Malaysia. The AFL-CIO objected to OPIC insurance in the communist countries of Yugoslavia and Romania where labor unions do not operate freely.

Labor union criticism was directed to OPIC as an instrument of multinational corporations, the real target of their opposition. In 1973 the AFL-CIO had sponsored Burke-Hartke legislation to remove alleged tax advantages enjoyed by multinational corporations, depicited as global entities whose operations had eroded the U. S. industrial base by exporting U. S. production facilities, jobs, and technology to low wage, anti-union countries offering tax concessions. Andrew Biemiller of the AFL-CIO stated that his organization sought close government regulation and controls over any U. S. capital going abroad to make certain it did not affect U. S. employment. Questioned by Rep. Steele (R., Conn.), as to the specifics of U. S. job losses in particular industries, Mr. Biemiller could only cite the GAO electronics report. He stated that the AFL-CIO could not obtain OPIC's industry list unitl 1973 and did not have the staff for an exhaustive study.[43] AFL-CIO platform proposals have opposed the continuance of OPIC every year since 1973.[44]

Exports and Procurement

Procurement, the importing of materials and component parts by U. S. industries operating overseas from U. S. domestic firms, encouraged U. S. exports, providing a domestic justification for OPIC in 1969. As a part of revised foreign aid policy in 1970, President Nixon removed the requirement that components be procured from the U. S. from the guaranty program. In practice, OPIC guidelines permitted OPIC-covered firms to procure supply from less developed countries but restricted procurement to less than

50% from such highly developed U. S. competitors as Germany and Japan. OPIC on-site visits to verify procurement practices and legal remedies for variations in practice were insufficient for adequate enforcement of these guidelines.[45]

Raw Materials

Although OPIC supporters claimed that OPIC played an essential role in securing an essential supply of U. S. raw materials, no analysis was offered to support the contribution of any U. S. directed investment to securing supply. OPIC had, in fact, shifted insured investments from the extractive to the manufacturing sector. OPIC officials did contend that the shift had not reduced the number of new raw materials projects insured but only the dollar amount of OPIC exposure. The agency learned that new mining ventures could be induced to go forward with less insurance coverage. By denying coverage in countries with high risk concentration, e.g., Jamaican bauxite, OPIC could influence U. S. firms to re-direct investment to other countries; bauxite production was shifted to Costa Rica and Brazil.[46]

Finance Program Guidelines

According to the analysis undertaken by the Library of Congress, OPIC inherited a finance portfolio from AID with a high proportion of liabilities in relation to reserves. The guaranteed investments contained both a high degree of development potential and a high degree of risk. Although OPIC had not as yet experienced loss on its own guaranties, it had been forced to pay for $12.7 million in losses from failures of AID guaranties, including a loss of $6.7 million on an agricultural project in Thailand. Since there were no losses in the direct lending programs, OPIC personnel forecast that the finance program could become self-sustaining if the reserves for the extended guaranty program were not diminished by future losses in the direct loan program.

In evaluating the Finance program, the Library of Congress study concluded that the need to compensate for the AID portfolio had required OPIC to finance projects of minimal risk and to ignore developmental impact. The study recommended that Congress either drop the self-sustaining mandate from the AID segment of the finance portfolio or transfer it to another U. S. government agency for liquidation and absorption of loss. Questions were raised in the Senate hearings as to whether the Finance program should continue to be operated on a self-sustaning basis and whether increased capitalization would permit a greater degree of development-oriented financing. Consideration was also given to OPIC's request to take on equity finance positions through the acquisition of warrants.[47]

OPIC Monitoring to Obtain Compliance

Since the implementation of OPIC's statutory requirements and guidelines to reduce risk and increase development depend on compliance in the field, GAO undertook to determine how well OPIC projects were monitored. By March of 1973 OPIC had made only 36 field visits to 12 countries to monitor insured projects, concentrating primarily on economic development criteria (tariff protection, foreign exchange savings, local capital participation, local employment) and protection of U. S. interests (procurement, exports to the U. S., displacement of U. S. trade). GAO found the reporting from on-site visits to be more complete on developmental effects than on U. S. economic effects and generally in need of improvement in quality.

GAO found four types of policy guidelines that appeared to be violated in the field: several instances in which monopolies and host government restrictive trade policies had continued beyond OPIC's permitted 5-8 period; one project that produced goods for military use; two projects which had over 50% host government participation; 11 that procured supplies from rich, third country sources (four of them procured only from these sources).

OPIC approved plans to increase its monitoring of large or sensitive projects. Although OPIC recognized the need to expand its monitoring program, no plans had been developed to visit smaller, non-sensitive projects on a regular basis. GAO stated that OPIC should analyze any evidence of misrepresentation with a view to terminating insurance coverage.[48]

CLAIMS SETTLEMENTS AND PROCESS

From January, 1971, through March, 1973, OPIC paid expropriation claims in cash settlements of $14,350 million, recovered $1,462 million, and sustained a net loss of $12,888 million. Expropriation claims involving OPIC guarantees for payment were settled for by an OPIC payment of $5,080 million with a contingent liability of $97,730 million. Legal and technical aspects involved in implementing the settlement of expropriation disputes in the first two years of OPIC's operations included resolving differences in accounting principles between nations, the determination of whether an expropriatory action had taken place, a lack of understanding of the roles of the investor and OPIC in the early stages of a dispute, and the need for more explicit contract language requiring investors to undertake direct negotiations. The latter point was raised by arbitrators in the OPIC - I.T.T. dispute.

Expropriation dispute settlements were facilitated by a variety of techniques developed by OPIC. These techniques included a cash settlement in local currency, utilized by the U. S. Embassy (Ralston Purina, Chile); the use of an investment company, ADELA, as an intermediary (Northern Indiana Brass, Chile); OPIC guarantee of host government notes (Bethlehem Steel, Cerro Corp., and Parsons and Whittemore in Chile); OPIC guarantee of Bank of America loan (Mina Matilde in Bolivia); OPIC sale of notes to third parties (I.T.T. and Braden Copper in Chile); outside property evaluation and direct negotiations with the host government (Reynolds Metal in Guyana).

In the early claims cases, OPIC found that incentives were needed to keep the investor out front in negotiations rather than rest on the claim with OPIC. From OPIC's point of view, it was important for the investor to provide detailed technical information on the investment, to suggest side methods of compensation such as future contracts, and to bargain for a larger settlement than the amount of the insurance, insisting on at least book value. Settlements reached from 1971-1973 were close to or at the level of book value. Settlements pursued by OPIC as subrogee were larger than the insurance claim; others either covered the claim or were less than the claim.

The early settlements, located primarily in Chile, led to a perception in the business community that OPIC contested too many claims and insisted on compromises, lesser amounts, and discounts from investors before either admitting liability or guaranteeing notes.[49] Although OPIC had to protect its reserves and financial viability in the face of Congressional critics, a rigid claims policy would dampen the desirability of the insurance for investors. The fourteen investors who responded to a GAO questionnaire, however, indicated satisfaction with OPIC's handling of their claims.[50]

As OPIC gained experience in settling expropriation claims, the agency became sensitive to a number of problems. One problem was the necessity to exercise caution in the settlement of one case, particularly in Chile, because of its impact on other pending cases. Another problem was the pressure from other U. S. agencies for OPIC to disapprove any claims settlement that did not meet "minimum standards under international law" - OPIC finessed this by not approving the settlement in question but excluding the lack of approval from determination of the insurance claim. OPIC also became alert to the problem of side payments in which investors might obtain the insured portion of their investment from OPIC and payment for the uninsured portion in hidden compensation from the host government.[51]

Inconvertibility claims from 1970-1973 amounted to $1,069 million, with a net loss of $55 million after $1,014 in recovery. Guidelines governing recovery under inconvertibility claims include: steps taken by the investor to exchange the currency, holding the currency for less than 18 months, earnings or return of capital as the basis of the currency holdings, and procedures to protect against devaluation. The Treasury Department converts the foreign currencies obtained by OPIC through inconvertibility claims into dollars.

War Damage claims, 1970-1973, totaled $14,350 million with a net loss of $12,888 million after recoveries. Recovery is difficult in war risk claims since the property insured is often destroyed.[52]

FINANCIAL VIABILITY

From 1971-1973, OPIC's total earnings were $180 million; the average net income per year from premiums was $30 million. In 1973 OPIC had an expropriation liability of $2.5 billion, of which $400 million was reinsured by Lloyds of London. Reserves against these potential liabilities were $142.6 million. OPIC estimated that reserves should be increased to $200 million to make the insurance program self-sustaining and asked Congress to appropriate $72.5 million for this purpose. At the time OPIC was established, Congress withdrew $50 million from AID reserves that would ordinarily have been brought forward into OPIC's reserves.

OPIC used earnings and reserves to meet claims arising in the insurance program from 1970-1973. $20 million in claims were paid and an additional $28.5 million were pending. In addition, in April, 1973, "probable" claims amounting to $51.6 million and "possible" claims amounting to $42.6 million were under negotiation. Another $246.5 million were in arbitration. The total of unpaid claims in the pending, probable, possible, and arbitration categories was $369 million. The largest portion of the claims arose from expropriations in Chile - $389 million. OPIC paid $12.7 million of the Chilean claims, $23.4 of the claims were pending, and $246 million were denied by OPIC and were in arbitration ($154 million for Anaconda and $92.5 million for I.T.T.) Of the claims paid, OPIC guaranteed $87 million in deferred compensation from the Chilean government. The pay-out from Chile was made in installments so that any defaults would be in installments, thus protecting OPIC's reserves. In August, 1973, OPIC reported that Chile had missed two payments.

OPIC's financial viability was dependent on winning the arbitrations, continued Chilean payments, and a low volume of future claims. The deferred compensation mortgaged OPIC's future income; 60% of future income had to set aside to meet the contingencies of non-payment.[53]

PRIVATE ALTERNATIVE

The enabling legislation creating OPIC mandated that the agency report to Congress by 1974 on "the possibilities of transferring all or part of its activities to private U. S. citizens, corporations, or other associations."[54] To implement this mandate, a special insurance committee of OPIC's Advisory Council met with private insurance company representatives in October, 1972. They agreed to recommend that the private sector become the direct underwriters of political risk insurance, backed by U.S. government re-insurance.

In accord with the committee's recommendation, OPIC conducted negotiations with private insurance representatives to establish a syndicate combining OPIC with private insurance companies, with OPIC retaining a controlling interest during a three year trial period. OPIC would administer the program under a management contract. The syndicate would assume first loss liability for expropriation and convertibility claims. OPIC would underwrite war risk insurance and assume catastrophic losses. Such losses would be minimized by annual maximum levels of permissible insurance to be extended as a whole and in each country.

Insurance company officials expressed interest in participating in the proposed syndicate but indicated they would need a trial period of indefinite length in which to gain experience, need the U. S. Government to act as re-insurer for the forseeable future, need to spread the risk in a variety of ways (add developed countries to the portfolio, develop a pool of insurors), need to relate the premiums to risk, and need to set loss limits. These measures would eliminate public policy considerations from the insurance program, according to a Chamber of Commerce spokesman. He contended that private insurors would not underwrite war risks, could not use blocked local currencies to absorb inconvertibility claims, would not write expropriation insurance beyond stated loss limits, and could cause a reduction in investment by charging higher premiums. The burden of substantial losses would be placed on the U. S. Government as re-insurer and as the only agency that could guaranty claims payments. Moreover, the U. S. Government's potential involvement in disputes would not be eliminated as long as the government continued in the role of re-insurer.[55]

OPIC's implementation of its private sector mandate took the form of steps to acquire Lloyds of London as a reinsurer, sound out the insurance industry as to degree of interest and pre-conditions for participation, and development of a preliminary plan for a syndicate. These steps stimulated Congressional discussion of the desirability and feasibility of further negotiations.

CONCLUSIONS: THE EFFECTIVENESS OF OPIC IMPLEMENTATION

The implementation of OPIC's investment guaranty policy can be evaluated through analysis of bureaucratic management and the measures undertaken to achieve Congressionally mandated goals, 1971-1973.

OPIC's management had no alternative but to place priority on the policy goal of risk reduction in order to move towards self-sustaining status. That status was threatened by the massive Chilean claims underwritten by AID. Although OPIC was able to protect financial viability through guarantees for Chilean installment payments and measures to preclude future claims of such magnitude, the agency was vulnerable to criticism that insolvency might necessitate public appropriations. If the insurance program had remained with AID, the lack of authority to negotiate flexible claims settlements would have required the U. S. Treasury to finance the Chilean claims. OPIC proved to be an effective instrument in protecting the public against the shortcomings of previous investment policy.

The most effective devices to reduce both the risk of expropriation and the risk of insolvency implemented by OPIC were the country concentration limits, higher but variable fees with a first loss deductible, declining terms for sensitive projects, and reinsurance with Lloyds of London. Immediate results were obtained in reducing risk within the mining sector. Less effort was directed to the more time-consuming tasks of encouraging new investment modes and negotiations to expand the program to other countries. OPIC quite correctly focused on the quickest steps to reduce the outstanding risks in the inherited AID portfolio.

Although not an explicit goal, OPIC demonstrated a high level of competence in the settlement of expropriation disputes. The procedures for handling disputes and the contract provisions governing corporate behavior established a model of host-investor relations in which precise expectations could replace ambiguity. Refined by experience and extended to increasing numbers of firms, the contracts could produce a salutary effect on the foreign policy outcomes of U. S. investment policy. Fears that insurance might be used to support AID-supported military regimes were not borne out in this period by AID-investment-insurance data and the scope of alternative insured investments permitted or available.[56]

The promotion of U. S. direct investment in the L.D.C.'s was not accomplished. The volume of insurance written declined by 75% from $2,500 million to $636 million, 1968-1972. The value of protected investment declined from $900 million to $200 million; the number of separate insurance coverages declined from 712 to 298.[57] Although OPIC attributed the decline to the limited coverage currently extended to mining investments as well as the 1970 recession, the drop in mining coverage left 53% of the decreased insurance volume unexplained. An adverse climate of risk produced by nationalizations in Latin America combined with the total effect of OPIC's new risk reduction methods offer a stronger explanation.

OPIC did little to implement its economic development policy mandate. Latitude for discretion permitted OPIC to accept company estimates of development effects without verification, utilize relatively unsophisticated impact models, and pursue limited monitoring in the field. There was no reallocation to countries with lower G.N.P. per capita but reallocation by region - from high risk Latin America to low risk Asia. With the priority to reduce risk the first two years, OPIC could only hope that once the host government accepted a project, some developmental effect would automatically occur. The same latitude for discretion applied to the protection of the U. S. economy. Although monitoring in the field to protect U. S. job placement was minimal, OPIC did manage to turn down the most obvious run-away plants. OPIC was quite unsuccessful in redirecting the volume of its operations to small business although conscious effort produced a marginal increase in the number of small business projects. If OPIC itself were to remain in business, there was no alternative but to underwrite investments sought by the largest corporations.

OPIC's achievements in risk reduction, financial viability, and dispute settlement were forged by the sophisticated business executives recruited to serve as management and Board members. They displayed remarkable ingenuity in deflecting attacks on equity investment and economic development theory before Congress. Their method was to admit the existence of every problem raised, indicate that consideration was under way to devise measures to solve it, suggest that expectations should not exceed the scope of the program, and, in some instances, recommend cautious policy modifications (new investment modes). OPIC's management did not resist liberal criticisms; they attempted to incorporate and even co-opt them.

The private insurance alternative served no useful purpose. No congressional goals would have been served and no problems averted. The return of the program to AID would have eliminated the risk-reduction forced by OPIC's need to be self sustaining. Transfer to the Commerce Department, which was not suggested, would have reduced the multiple mandates to the single goal of promoting national income interests through exports and raw materials but eschewing economic development. As long as OPIC was tied to foreign policy interests and subjected to close Congressional committee oversight, it was possible to reduce risk, avoid confrontations over nationalizations, and make some kind of economic development effort. Such an assessment formed the basis of the guidelines drawn up by the House Committee on Foreign Affairs. What remained to be seen was whether the public policy guidelines drawn up in Congress would have a positive or adverse effect on the flow of investment to the L.D.C.'s. The flow of investment, determined by business firms, decreased in relation to environmental constraints - OPIC could not affect recessionary domestic conditions but could, potentially, contribute to a less politicized investment climate.

The wisdom of the Congressional committee amendment to appoint the AID Director as Chairman of OPIC's Board of Directors was apparent as the agency embarked on business-oriented management procedures. Those procedures could easily become a permanent end in themselves. AID stood as a symbolic reminder of the foreign policy purpose of the program. Oversight hearings revealed, however, that neither AID nor the State Department provided extensive input from the field and that an elaborate approval process was signed off quickly - this prevented bottlenecks but little serious analysis. Since no consensus on a definition of economic development existed among either economists or practicioners in the field, any future serious effort by OPIC to fulfill this mandate would require the creation of its own economic development analysis capacity.

NOTES CHAPTER 6

1. U. S., Overseas Private Investment Corporation,"Contracts Written From 1948 through 1971 by Date and Country as of July 31, 1978." (computer print-out), pursuant to formal Freedom of Information Act request.

2. Robert H. Swansbrough, The Embattled Colossus (Gainesville, Fla: The University Presses of Florida, 1976), p. 175. A senior staff member to Senator Javits in 1977 did not know the nature of the 1971 disagreement; this question needs to be further explored.

3. Annual Reports, Overseas Private Investment Corporation (1971, 1972, 1973) U. S. Library of Congress.

4. The Overseas Private Investment Corporation: A Critical Analysis, Report prepared for the U. S. Congress, House, Committee on Foreign Affairs, September 4, 1973, pp. 15-17; U. S. Congress, Committee on Foreign Affairs, House, Hearings of Subcomittee on Foreign Economic Policy, Oversight of OPIC in preparation for re-authorization; 93rd Congress, 1st Session, 1973, pp. 18-19.

5. House Subcommittee Hearings on OPIC Oversight, p. 125.

6. Ibid., p. 192, pp. 203-205, p. 299.

7. U. S. Congress, Senate, Committee on Foreign Relations. Hearings before the Senate Subcommittee on Multinational Corporations on the Overseas Private Investment Corporation, Part 3. 93rd Congress, 1st Session, 1973, pp. 122-127, pp. 504-508; p. 475.

8. Ibid., pp. 514-515.

9. Ibid., pp. 513-514.

10. Ibid., p. 514.

11. U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, pp. 80-81, p. 153. U. S. Congress, Senate, Subcommittee Hearings on Multinational Corporations, p. 514.

12. A Critical Analysis, Library of Congress, pp. 91-94.

13. A Critical Analysis, Library of Congress, p. 85 for direct quotation of OPIC policy guidelines. The discussion of "sensitive projects" can be found in U. S. Congress, House, Subcommittee Hearings on OPIC, pp. 303-305, and U. S. General Accounting Office, Report to the Subcommittee on Multinational Corporations, Committee on Foreign Relations, U. S. Senate. (July 16, 1973), p. 28. This report dealt with the management of investment insurance, loan guarantees, and claim payments by the Overseas Private Investment Corporation.

14. Ibid., p. 17. See also Report of Senate Subcommittee on Multinational Corporations, 1973, p. 46 and p. 460.

15. U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, p. 309; U. S. Congress, Senate, Subcommittee Hearings on Multinational Corporations, p. 515.

16. A Critical Analysis, Library of Congress, pp. 63-64. See insurance data in appendix.

17. Ibid., p. 64.

18. Ibid., pp. 64-65, 94-95.

19. GAO Report, 1973, p. 30; U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, p. 146, pp. 267-269, pp. 287-288; p. 342.

20. GAO Report, 1973, p. 25; Library of Congress, A Critical Analysis, p. 63.

21. U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, 1973, p. 285.

22. Annual Report, OPIC, 1973.

23. GAO Report, 1973, p. 31.

24. Ibid., pp. 81-82, pp. 55-57.

25. Dan Haendel and Gerald T. West, The Measurement of Political Risk (Philadelphia: Foreign Policy Research Institute, 1975).

26. U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, pp. 287, 356, 267; Library of Congress, A Critical Analysis, p. 41.

27. GAO Report, 1973, pp. 6-7.

28. Ibid., pp. 7-8. The GAO report applied the above eight developmental criteria to 17 OPIC projects insured before the criteria were developed and concluded that OPIC had made progress in developing new procedures to obtain more comprehensive developmental information. A copy of the application form to qualify for OPIC programs is reproduced in, Library of Congress, A Critical Analysis, pp. 154-156.

29. Annual Report, Overseas Private Investment Corporation (1972), p. 11; (1973), p. 11.

30. Annual Report, OPIC (1973), pp. 43-44.

31. U. S. Congress, Senate, Subcommittee Hearings on Multinational Corporations, pp. 473-5.

32. Ibid., pp. 516-517.

33. Ibid., p. 463.

34. U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, pp. 338-9.

35. Library of Congress, A Critical Analysis, p. 41.

36. U. S. Congress, House, Committee on Foreign Affairs, Subcommittee Hearings on Overseas Private Investment Corporation. 93rd Congress, 2nd Session, (March 20, 1974), pp. 2-20.

37. U. S. Congress, Senate, Subcommittee Hearings on Multinational Corporations, p. 436.

38. GAO Report, p. 54.

39. Library of Congress, A Critical Analysis, pp. 78-79. OPIC financed a study by the Harvard Business School under the direction of Dr. Stobaugh on which these figures were based.

40. Ibid., pp. 78-80.

41. Ibid., p. 78.

42. U. S. Congress, House, Subcommittee Hearings on Overseas Private Investment Corporation, 1974, p. 3.

43. Ibid., pp. 17-18.

44. Labor Looks At the 93rd Congress, Legislative Report, AFL-CIO Department of Legislation (February, 1975), pp. 32-34.

45. GAO Report, p. 38.

46. U. S. Congress, House, Subcommittee Hearings on Multinational Corporations, pp. 461-462.

47. Ibid., pp. 364-365.

48. GAO Report, pp. 35-39.

49. Peter R. Gilbert, "Expropriations and the Overseas Private Investment Corporation," Law and Policy in International Business, Vol. 9, No. 2 (1977), pp. 535-6.

50. GAO Report, pp. 45-46.

51. Gilbert, "Expropriations and OPIC", pp. 535-6.

52. GAO Report, pp. 43-44.

53. U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, p. 46; Library of Congress, A Critical Analysis, p. 72.

54. U. S. Congress, House, Foreign Assistance Act of 1961 as amended by Section 105 of Foreign Assistance Act of 1969, Section 20A.

55. U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, p. 361, pp. 61-65, 237-239, 268; Senate, Subcommittee Hearings on Multinational Corporations, p. 242, p. 371.

56. See Appendix for data. In addition, this chapter lists Latin American nations ineligible for the insurance program.

57. Annual Reports, OPIC (1970), (1971) (1972); Library of Congress, A Critical Analysis, p. 42; U. S. Congress, House, Subcommittee Oversight Hearings on OPIC, pp. 219-229.

CHAPTER 7: DECISION-MAKING: INVESTMENT POLICY REORIENTATION, 1973

DECISION-MAKING: THE SENATE

While the Senate Subcommittee on Multinational Corporations prepared legislation to determine the fate of the Overseas Private Investment Corporation, Congress extended OPIC's authorization, as a temporary measure, until Dec. 31, 1974, and appropriated $25 million for OPIC's insurance reserves. The Senate Subcommittee completed work on the legislation in late 1973 and forwarded S. 2957 to the Senate Foreign Relations Committee. By a vote of 9-7 in February, 1974, the full Senate Foreign Relations Committee supported S.2957 as drafted by the Subcommittee and reported the bill to the Senate floor, accompanied by a report of the majority and minority views of Committee members.[1]

The Senate Subcommittee on Multinational Corporations was composed of five Liberals (2 highly liberal, 3 moderately liberal) and no Conservatives.[2] All five were opposed to the continuance of OPIC. The full Senate Committee on Foreign Relations contained 15 Liberals (9 highly liberal, 6 moderately liberal) and 4 Conservatives (2 moderate and 2 highly conservative). The Conservatives included Chairman Fulbright, a southern Democrat opposed to the creation of OPIC, and two Republicans. The phase-out decision to kill OPIC represented a vote by three Liberals and Chairman Fulbright to support the recommendation of the five Liberal OPIC-opponents on the subcommittee. The bipartisan support for OPIC by four Liberals and three Conservatives was insufficient in the face of the ideological position taken by the Liberals dominating both the subcommittee and full committee.

Senate bill 2957 reauthorized the Overseas Private Investment Corporation for the purpose of killing it by phasing out its operations. OPIC was required to withdraw from writing direct insurance and to assume a re-insurance role within seven years by mandating the withdrawal of direct writing of political risk insurance, transferring that function to private insurance companies and multilateral agencies. When the withdrawal was fully effected in 1980, OPIC's direct finance programs would be moved to AID or appropriate international financial institutions. Progress made in the implementation of transferring insurance functions was to be reported to Congress on Jan. 1, 1976. During the phase-out period, OPIC was permitted to write new policies on the basis of a declining percentage formula. Beginning in 1975 OPIC was required to obtain 25% outside participation in order to write expropriation and inconvertibility policies (increasing to 50% by 1979) and 11.5% outside participation for war risk policies (increasing to 40% by 1979). The formula was designed to prevent OPIC from writing insurance in countries in which private insurance companies were unwilling to underwrite any risks. As a re-insuror, OPIC was permitted to re-insure private company policies only when private companies agreed to absorb 50% of the loss.[3]

Senate bill 2957 contained several other provisions. The administrations's request for $72.5 for OPIC reserves was denied and OPIC was limited to seeking appropriations only when reserves fell below $25 million. Retained earnings could only be insured if invested in the insured project; a 10% deductible was required on every insured investment. OPIC's authorization to operate programs in Communist countries (Yugoslavia and Romania) was repealed; future direct finance programs transferred to AID were to be limited to countries with a per capita income of $450 or less in 1973 dollars.[4]

The report issued by the Senate Foreign Relations Committee summarizing their deliberations listed the options perceived to be available: (1) to leave OPIC essentially as it was (2) require OPIC to insure only those projects which significantly benefited the development of the host country (3) terminate the program (4) turn the insurance function of OPIC over to private insurance companies. The majority chose the latter option. The Senate report outlined the propositions which emerged from hearing testimony that formed the basis of committee debate. The propositions were whether OPIC promoted investment, whether investment promoted economic development, and whether direct and indirect economic and political costs to the U. S. were inherent in the program. Both majority and minority views of the propositions were presented in the Report.

The majority report argued that the testimony of Richard Conlon, Vice-President of Business International, Herbert Salzman, Vice-President of OPIC, and officers of Motorola and Dow Chemical revealed that the insurance program was not a "decisive consideration" in decisions to invest overseas; a conclusion supported by an OPIC-requested 1971 Business International study in which over half of OPIC's customers stated that political risk insurance was not a necessary condition for future investment and by statistics revealing that investment guaranty coverage in the L.D. C.'s had declined from 1968 to 1971. Those who testified that OPIC insurance was important to their investment decisions, officials of Reynolds Metal and Kaiser Aluminum, indicated that without insurance, they would not be able to concentrate on Jamaican bauxite but would need to go where other bauxite was located; the relocation might require diversification and alternatives to equity investment. Further, the record demonstrated that OPIC had not proved to be an incentive to investment in a wide spectrum of L. D. C.'s and especially not an incentive in the poor countries since 75% of OPIC insurance was concentrated in 7 countries; 50% in only three countries - Korea, Indonesia, and Brazil. The majority concluded that since OPIC had only marginal influence as an investment incentive, it had been used by multinational corporations to insure against the risks of concentrating their investments in a few countries.

The minority report disputed the interpretation placed on the testimony by the majority, claiming that the witnesses repeatedly stated that OPIC insurance was sometimes a crucial factor and sometimes a minor factor but nonetheless an important consideration in many investment decisions. The minority quoted the Dow Company

Vice-President that if insurance had not been available, Dow probably would not have made investments in particular L. D. C.'s. A Business International Survey, according to the minority, found that 46% (less than half) of the investing firms considered OPIC insurance "essential" to their decision to invest while 93% stated the insurance was either "necessary" or "desirable". Citing OPIC's high premiums (10-15% of expected annual return) as evidence that firms believe the insurance important enough to pay dearly for it, the minority concluded that OPIC does provide a significant incentive to investment. In an oblique reference to the concentration in a few countries issue, the minority pointed out that investment insurance was playing the same ground-breaking role in new countries that it once played in Korea and Indonesia.

The majority report made a case that the testimony of economists attested to a growing scepticism that direct foreign investment contributes to economic development in the L. D. C.'s since the criteria for development is moving away from GNP growth to the distribution of wealth and income within those societies. While theories and definitions of development are in flux, OPIC-insured investments do not exhibit developmental impact in the categories that traditionally have been associated with development. Testimony revealed that aluminum company investment in Jamaica was capital intensive rather than labor intensive and provided foreign exchange earnings but not tax revenue to Jamaica. Both the Treasury Department and GAO testified that L. D. C. tax concessions usually prevent the L. D. C.'s from receiving the benefit of tax revenues for 5-10 years. The GAO study investigated a sample of OPIC-insured investment and rated 60% of them adverse in their impact on equity participation by local capital, 27% adverse in effects on local L. D. C. suppliers or downstream industries, and 27% adverse to local L. D. C. employment and skill creation.

The minority report took issued with the majority's version of the GAO report, pointing out that 17 old projects were subjected to OPIC's new development criteria; the early projects were awarded a total of 64 good or acceptable ratings on various development criteria. OPIC projects require host government approval and assessment of economic impact; over the two years OPIC had been in operation, 21 projects were rejected for lack of developmental effect - 8 by OPIC and 13 by host countries. The minority argued that they did not encourage replacing foreign aid with private investment; they did not believe that investment would aid the poorest sectors in the L. D. C.'s, overcome the problems of subsistence agriculture, or correct administrative misallocation. Rather, the minority viewed private investment as a useful complement to other forms of aid and OPIC as a vehicle to provide selectivity in the type of investment insured to protect the interests of both the L. D. C.'s and the U. S.

The direct and indirect economic and political costs of the investment guaranty program were divided by the majority into the political effects on foreign policy and the economic costs to the U. S. economy. The existence of the U. S. Government-backed investment guaranty program had led in three instances, the majority stated, to "deepening involvement" on the part of the U. S. in the internal affairs of the L. D. C.'s. Referring to the testimony pertaining to Jamaica, Chile, and Taiwan, the majority concluded that the existence of U. S. political risk could easily serve as a reason to intervene in the affairs of a recipient government. Given OPIC's dwindling reserves and the Treasury's ultimate liability, it was inherent in the program that the U. S. had a stake in host country policies towards investment; political pressures, such as those exerted in Jamaica, Chile, and Taiwan, would result. Further, the linkage of the U. S. government and private companies was likely to create complacency and a lack of sensitivity on the part of investing firms to the needs of the L. D. C.'s when a healthy relationship between host country and companies would require such a relationship.

The committee minority protested that OPIC's record in its two years of operation was one of depoliticizing disputes rather than becoming involved in host country politics: OPIC provided a business-like instrument through which negotiations could be conducted without involving government; uninsured rather than insured investment involved diplomatic representations by the U. S. government on behalf of investors; OPIC had paid 20 claims in Chile without confrontation whereas dramatic conflicts had arisen over the expropriation of the uninsured investments of Anaconda and Kennecott in Chile and of IPC in Peru. Minority members also objected to the conclusions drawn from the Jamaica case on the ground that the Ambassador misunderstood the actual terms of a pending OPIC insurance application and that the Ambassador, not a professional diplomat, made statements to a Jamaican political leader without the backing of OPIC or the State Department; the State Department repudiated his statements.

The majority and minority members of the committee disagreed on economic costs of the OPIC program to the U. S. with the majority claiming that OPIC contributed to a short run exacerbation of balance of payments problems by encouraging the outflow of capital and the minority stating that the U. S. derived net benefits from the long term inflow of capital according to analyses undertaken by the Tariff Commission, Harvard Business School, the GAO Report, and the Congressional Research Service. Majority member concerns about the loss of U. S.jobs through insufficient OPIC monitoring of runaway plants were countered by minority claims that the procedures to protect labor were adequate and that most insured investments were beneficial to U. S. labor. In response to the suggestion that the U. S. taxpayer was adversely affected if insurance claims outweighed reserves, the minority contended that OPIC reserves were adequate and that uncompensated expropriation resulted in a 50% tax loss borne by taxpayers; OPIC claims, in contrast, were paid out of premium income.[5]

Since OPIC's original legislation directed the agency to explore the feasibility of divesting part or all of its insurance functions to the private sector, testimony at the hearing from Prudential and Firemans' Fund insurance executives formed the basis of the final Senate Foreign Relations Committee bill requiring OPIC to phase into a re-insuror role by transferring its direct insurance underwriting to private companies by 1980 and relinquishing other activities to various agencies and institutions. Insurance company testimony revealed that private insurance capacity to underwrite political risk insurance was limited; expansion would depend on the ability to spread risk among developed and underdeveloped nations, the development of an actuarial base, the rating of risks by country and industry type, claims experience, and the demand for the insurance. Expansion would need to proceed on a trial basis with OPIC serving as the re-insuror and operating agent under a management contract until such time as a large national or worldwide pool of insurance companies could participate more fully in the total program.

The majority of the Senate subcommittee and full committee on Senate Foreign Relations accepted the premise that political risk should and could be managed as a private business, based on commercial risk considerations, in order to avoid U. S. government confrontation and involvement with nations that might become hostile to U. S. direct investment. The majority also agreed with the argument presented at the hearings that transfer to private companies would not actually proceed unless OPIC were mandated to undertake the negotiations to effect that transfer by a certain date.

The minority viewed the private insurance mandate as an "early death" for OPIC since insurance testimony gave no assurance that private insurance companies were anxious to insure political risks other than on a trial basis. Private companies were not willing to accept more than a fraction of OPIC's present risks, make commitments to investors for more than 2-3 years, forego the protection of stop-loss limits, insure against war risks, or proceed at any time without U. S. government re-insurance backing. Privatization, they maintained, was unworkable in that it attempted to force private insurance companies to accept Congressional formulas and timetables.[6]

During debate in the full Foreign Relations Committee, Senator Javits proposed two amendments which would have altered provisions requiring OPIC to cease writing insurance until given percentages of private participation were achieved by given dates in the transition from direct insuror to re-insuror. Both amendments were rejected. The committee vote of 9-7 to report the bill to the floor as written by the subcommittee without amendments was supported by Democratic members 7-2 and by Republican members 2-5. Voting for the phasing out of OPIC were Democrats Fulbright, Mansfield, Church, Symington, Pell, Muskie, and McGovern and Republicans Pearson and Percy. Opposed to the bill were Democrats McGee and Humphrey and Republicans Aiken, Case, Javits, Scott, and Griffin. In a separate appended statement of his views, Senator Clifford Case (R., N. J.) explained that he felt a gradual shift from OPIC to private industry was unrealistic and that OPIC should simply be terminated.[7]

Senator Church led the debate on the Senate floor in support of S 2957 by defining the argument in terms of whether the U. S. wants to continue public subsidy to private investment abroad, particularly that investment which has been made by the largest American corporations that are quite capable of insuring themselves or paying adequate premiums. Supporters of OPIC, led by Senator Javits, did not oppose the gradual phasing out of OPIC's insurance guaranty program but opposed the specific provisions in the bill pertaining to the transfer timetable.

Although the issues of economic development and raw material supplies were raised, debate on the floor of the Senate centered on two issues: the phase-out formula and Senator Church's contention that OPIC was insolvent. Senator Church maintained that OPIC had been subsidized by $106 million in Congressional appropriations since 1970 and maintained a reserve of only $143 million against outstanding claims and guarantees of $369 million. Senator Javits challenged the allegation of OPIC insolvency by pointing out that no insurance company maintains a 100% reserve. He further stated that OPIC reserves in recent months had risen to $184 million and that the net premium income of $162 million was steadily growing. Senator Javits argued that OPIC had done remarkably well financially and would become self sustaining.

The phase-out formula was amended. Senator Javits insisted that the formula of OPIC participation on a declining percentage basis in the writing of new insurance was a sentence of death on OPIC. Mandatory interim goals would weaken OPIC's bargaining position with private insurance companies and work against securing their participation. The reason for the requirements, according to committee sponsors, was that mandated private participation would preclude fiscally unsound policies and necessitate inclusion of more countries; the specific requirements were the minimum level needed to attract private participation. An amendment by Senator Javits to delete the mandatory interim goals by substituting target dates was accepted by the Senate in a 48-46 vote.

Five additional amendments to the bill were accepted; one amendment was defeated. An amendment by Senator Javits to modify the "unrealistic" 50% mandatory loss deductible to permit greater flexibility was defeated by a 45-47 vote. Both of the Javits' amendments pertaining to private insurance companies were based on the recognition that private participation could not be achieved on the terms outlined in the bill. If OPIC could not obtain private participation, the basis for total termination of OPIC was at hand.

An amendment by Senator Percy reduced the authorized time in which OPIC could continue to write insurance from Dec. 31, 1980 to Dec. 31, 1976; the Percy amendment was adopted 53-37. A Javits amendment to restore the authority, terminated in the bill, for OPIC to operate in Yugoslavia and Romania passed the Senate by a 54-37 vote. Two amendments by Senator Kennedy were adopted by voice vote: they required OPIC to give preferential consideration to underwriting projects involving small business and to projects located in the least developed of the L. D. C.'s. An amendment on behalf of Senator Baker to require OPIC to develop specific critieria to minimize adverse environmental impact of OPIC projects was also adopted by voice vote. The Senate passed S. 2957 as amended on February 25, 1974, by a vote of 56-35.[8]

The Senate vote on the floor was complicated by the fact that the bill emasculated OPIC and provided for its "sudden death". Senator Javits took defeat in the Senate Foreign Relations Committee to the floor and attempted, by amendment, to provide the flexibility necessary for OPIC's survival. He called on President Ford for assistance; two amendments went to the floor with the President's official support. The most critical amendment, to delete the mandated phase-out formula, succeeded by only two votes, 48-46. This amendment provided the margin of OPIC survival. The Senate, composed of 57 Democrats and 43 Republicans, voted for the Javits formula-deletion amendment as follows: Republicans: 33-7; Democrats: 15-39 with Southern Democrats split 7-7 and Northern Democrats opposed 8-32.

The ideological complexion of the Senate, viewed in terms of ADA categories, was as follows:

TABLE 7

IDEOLOGICAL COMPOSITION OF SENATE, 1973

Highly Liberal:	33	(27 D; 6 R)
Moderately Liberal	19	(12 D; 7 R)
Moderately Conservative	13	(9 D; 4 R)
Highly Conservative	35	(12 D; 23 R)

The combined Liberals held a margin of 4 votes. The analysis of two roll call votes on OPIC is instructive - the close vote to delete the mandated formula and the final reauthorization vote, as amended.

The vote on the Javits amendment to delete the mandated phase out formula was as follows:

TABLE 8

JAVITS AMENDMENT VOTE: SENATE

	For Deletion	Opposed Deletion	% Support
Highly Liberal	7	26	21%
Moderately Liberal	8	9	47%
Moderately Conservative	8	3	73%
Highly Conservative	25	8	76%

The vote was ideological in essence between highly conservative and highly liberal polar opposites. The middle swing vote consisted of a draw between moderate liberals; the scale was tipped by moderate conservatives.

The final vote to reauthorize OPIC, as amended, represented a realization that the phase-out was still operative, although ameliorated. It was supported by 14 highly Liberal Senators who had opposed the Javits amendment, five of whom participated in drafting the bill as members of the Senate Foreign Relations Committee. The final vote, 56-35, was composed of the Republican vote, 29-10, and the Democratic vote, 27-25 (Northern Democrats, 21-17, Southern Democrats, 6-8). The final vote margin represented a gain of the 14 high Liberals plus two moderate Liberals, one moderate Conservative, and two high Conservatives. Votes were also lost by switches in all groups except the high Liberals.[9]

DECISION-MAKING: THE HOUSE

Following the extensive oversight hearings on OPIC in 1973, the House Foreign Affairs Subcommittee on Foreign Economic Policy held an additional hearing in March, 1974, to draft House legislation for the reauthorization of OPIC in the form of HR 12057. The subcommittee invited testimony from Andrew Biemiller, AFL-CIO, on the effect of U. S. foreign investment on the domestic economy and from Marshall Mays, President of OPIC, on the implementation of the committee's 1973 recommended guidelines.

Andrew Biemiller, AFL-CIO, urged the complete termination of OPIC as a creator of unemployment in the U. S. OPIC, the AFL-CIO contended, cost American workers jobs both by insuring investments that generated imports competitive to U. S. industry and by insuring investments that displaced U. S. export industries. Citing the GAO report as a factual base, Biemiller asserted that OPIC-insured investments were an encouragement to the export of jobs overseas in the very industries in which U. S. joblessness was already severe. He argued that OPIC insured, and thereby encouraged, "runaway plants".[10]

The testimony of OPIC President Marshall Mays was initially directed to securing modification in the pending legislation. The modifications pertained to mandated percentages of private participation (OPIC preferred guidelines as a recognition of the experimental nature of the private participation goal), the 50% mandated deductible for re-insured projects (OPIC preferred flexibility), the two year extension (OPIC preferred three years to Dec. 31, 1977), and the regulations affecting Small Loan Guaranty program pilot projects. Accomplishments of OPIC between 1973-1974, highlighted by a strengthened financial position, were also cited in this portion of the testimony.

OPIC President Mays then addressed OPIC's implementation of House Subcommittee 1973 guidelines. Implementation discussed included:

1. Risk Management. OPIC increased the amount of expropriation reinsurance written by Lloyds' of London and adopted a refined system of controlling country exposure by weighting risk factors.

2. Small Business. Seminars and co-operative projects with the Small Business Administration and the Agribusiness Council were undertaken.

3. Development Impact. Increased and more sophisticated analysis and monitoring of development impact was initiated. The brokerage function, recommended by the subcommittee, was implemented by an intensive effort to identify investment opportunities in Central America, five African nations (Kenya, Ivory Coast, Zaire, Cameroons, and Botswana), and, with the coordinated efforts of the Agribusiness Council, in Jordan and Brazil.

4. Diversification of Countries and Projects. Bilateral negotiations were initiated with Papua, New Guinea, Bangladesh, and Fiji; OPIC sought to reopen programs in Nigeria, the Sudan, and the Andean Code countries; support for projects was extended in Malaysia, Chad, Afghanistan, Botswana, Nicaragua, Ethiopia, and Benin. OPIC's country concentration limits also served to force diversification of raw material investments.

5. U. S. Labor Impact. OPIC stated that both the GAO Report and AFL-CIO analyses of OPIC policies were based on predecessor AID guaranties; current OPIC policy was reflected in quarterly reports of accepted and rejected applications. OPIC rejected applications for four projects and numerous preliminary inquiries in the first two quarters of the year based on potential negative impact on the U. S. domestic economy.

6. Bilateral Agreements. During 1974 the Council on Internatinal Economic Policy permitted OPIC to experiment with the negotiation of bilateral agreements which would embody modification of the subrogation and arbitration principles.

7. Private Sector Insurance. OPIC worked out preliminary plans for increased private participation with an insurance industry working group.

8. Encouragement of Non-Equity Investment. OPIC established a premium differential for debt investment as opposed to equity investment and encouraged both new investment modes and multilateral financing for natural resource projects.

9. Code of Investment Behavior. OPIC participated in UN committees and regional groups; OPIC supported OECD efforts to establish multilateral codes of conduct.

10. OPIC Role In Uninsured Disputes. Although OPIC did not participate in the Greene mission to Peru (OPIC insures only for inconvertibility, not expropriation, in Peru), the agency served as a member of the Expropriation Group of the Council on International Economic Policy which met monthly to review appropriate U. S. government response to expropriations. Within this group, OPIC shared expertise gained from claims settlement experience.

11. Investors Out Front. New contracts had been developed to require investors to seek remedies directly from the host government.[11]

The Subcommittee formulated legislation providing for OPIC's reauthorization for presentation to the full House Foreign Affairs Committee. The legislation, later numbered HR 13973, provided for OPIC's phase-out but was less restrictive than the Senate legislation.

The legislation recommended by the House provided for a three year authorization of OPIC's programs and adopted the same phase-out formula and timetable established by the Senate. The termination dates were, however, target dates rather than the mandatory deadlines in the Senate bill. The House version also differed from the Senate on the question of mandatory deductibles by re-insurors; the House required a re-insured party to "retain for his own account specified portions of liability",[12] the language used by Senator Javits as a substitute for a mandatory deductible in an amendment rejected on the Senate floor. All other provisions of the Senate bill were incorporated without change into the House bill. Senate amendments incorporated were the Javits amendment to provide target rather than mandatory dates mentioned above, the environmental impact criteria amendment, and the preferential treatment for small business and least developed countries amendments.

The legislation drafted in the House added a significant provision that did not appear in the Senate bill for policy guidelines pertaining to runaway industries. The guidelines direct OPIC to deny insurance, re-insurance, or financing for a proposed investment if OPIC determined that (1) the investment was likely to cause a significant reduction in the number of the investor's employees in the U. S. or (2) that the investor was replacing his U. S. production from the overseas investment which involved substantially the same product for substantially the same market.[13]

HR 13973 was approved by a voice vote of the committee and reported to the House floor on May 2, 1974. The report was accompanied by two dissenting views and a supplementary view. The dissenters were Rep. Zablocki (D., Wis.) who favored termination of OPIC within a year or two and Rep. Ryan (D., Cal.) who favored immediate termination of OPIC. Three Republican members of the Committee (Rep. Frelinghuysen, R., N.J.; Rep. Broomfield, R., Mich.; Rep. Derwinski, R., Ill.) joined together in a supplementary statement that ". . .Congress intends OPIC to continue to fulfill its purpose of effectively and selectively encouraging U. S. private enterprise to invest in mutually beneficial projects in the developing countries", a re-affirmation of developmental goals.[14]

The ideological composition of the twelve-member House Subcommittee on Foreign Economic Policy comprised 3 High Liberals, 2 Moderate Liberals, 4 Moderate Conservatives, and 3 High Conservatives. Both highly influential Chairman Culver and Ranking Minority Member Whalen, cautious supporters of OPIC, were highly liberal. They picked up support for OPIC from one other liberal and four conservatives. Two liberals, articulate opponent Rep. Ryan (D., Cal.) and a non-participant in the hearings, Rep. Harrington (D., Mass.), plus moderate conservative Rep. Zablocki (D., Wis.) opposed OPIC. Two conservative members, including the only Southern Democrat, were not present at committee hearings and did not record votes on the final bill.[15] The bipartisan subcommittee leadership, by a balanced and thoughtful approach in the conduct of hearings, were able to influence conservative members to approve the continuance of OPIC on a conditional basis acceptable to liberals. Amendments were later added to appease labor.

The full House Committee on Foreign Affairs contained 14 liberals (9 Highly Liberal, 5 Moderately Liberal) and 26 Conservatives (12 Moderately Conservative; 14 Highly Conservative). The subcommittee bill was overwhelmingly supported by full committee members, 27-6, with seven not voting. The only opposition was expressed by liberals Harrington and Ryan and four moderate conservatives, including Zablocki. All highly conservative members, including southern Democrats, supported the bill. The vote represented support for the subcommittee, support for the Republican administration, and conservative approval; opposition in the full committee arose from members with highly individualized views on the issue.[16]

When HR 13973 reached the House floor, Subcommittee Chairman Culver led off the debate by supporting the bill; he indicated that the Executive Branch did not oppose the compromise OPIC phase-out. A number of committee members also voiced support; little debate was engendered in opposition to the legislation. Only three members argued against the bill: Rep. Gross (R., Iowa) could find no justification for an agency to protect U. S. investors; Rep. Dent (D., Penna.) opposed the exportation of U. S. jobs and expansion of multinational corporations; Rep. Vanik (D., Ohio) offered amendments. One Vanik amendment, rejected by voice vote, barred OPIC guaranties for investments in petroleum refineries and the petrochemical industry on the ground that these investments competed with U. S. industry. The other Vanik amendment, rejected by a standing vote of 18-33, prohibited OPIC programs in countries that refused to extradite U. S. citizens within a reasonable time.

Although little opposition to the bill surfaced in floor debate, 152 members of the House voted against it. On May 16 the bill passed the House by a vote of 225-152 (Democrats: 115-94; Republicans: 110-58). The language of the bill was inserted into Senate Bill 2957.[17] The Republican vote of 110-58, slightly under 2:1, was strong but the Democratic vote, 115-94, was much closer. Among the Democrats, the Northern Democratic vote was almost evenly divided at 69-68 but the Southern Democratic vote, 46-26, resembled the slightly less than 2:1 margin of the Republicans. Since the House bill provided for the phase-out of OPIC on flexible terms, there was nothing else for OPIC supporters to vote for. The vote against OPIC was for termination of the agency.

Although the Northern Democratic, Southern Democratic, and Republican classifications provide a rough approximation of liberal and conservative ideology, the vote on OPIC is clearly not a traditional confrontation of the conservative and liberal coalitions in Congress. The ideological component requires further inspection. The 93rd Congress, elected in 1972 along with President Nixon, was composed of a House of Representatives with 240 Democrats and 192 Republicans.

The House of Representatives in 1973-1974, on the basis of quartile ADA categories, divided ideologically as follows:

TABLE 9

IDEOLOGICAL COMPOSITION OF HOUSE, 1973

Highly Liberal	69	(64 D; 5 R)
Moderately Liberal	86	(67 D; 18 R)
Moderately Conservative	102	(61 D; 41 R)
Highly Conservative	177	(55 D; 122 R)

The combined conservatives had a margin of 124 votes. The reauthorization of OPIC, however, drew substantial support and also sizeable opposition from all ideological groups, as indicated by an analysis of the Roll Call Vote:

TABLE 10

OPIC REAUTHORIZATION VOTE: HOUSE

	For OPIC	Opposed OPIC	% Support
Highly Liberal	38	26	59%
Moderately Liberal	47	28	63%
Moderately Conservat.	54	30	64%
Highly Conservative	86	69	55%

The middle moderate groups were the most supportive; reservations were evident among High Liberals but greatest among the High Conservatives. Nonetheless, all groups were supportive. The Northern Democratic cleavage, 69-68, reported by the Congressional Quarterly, does not coincide with ADA ideological patterns because all Northern Democrats are not in ADA liberal categories. There were 26 Northern

Democrats who voted for OPIC in the Moderate Conservative category. The Southern Democratic vote, more supportive in both committee and on the floor than might be expected, bears further investigation.

By comparison, the vote in the House on the Gonzalez amendment, adopted 278-102, was a traditional ideological vote. It was supported by Republicans, 149-10, and Democrats, 129-92 (the southern Democrats were supportive by 62-11), but the Northern Democrats opposed the amendment 67-81.[18] The ideological split is further delineated by a roll call analysis based on ADA categories:

TABLE 11

GONZALEZ AMENDMENT VOTE: HOUSE

	For Gonzalez	Opposed Gonzalez	% Support
Highly Liberal	13	49	21%
Moderately Liberal	51	26	66%
Moderately Conservat.	72	17	81%
Highly Conservative	139	8	95%

The most liberal members of the House rejected the Gonzalez amendment with a certainty of more than 3:1; the Moderate Liberals supported it 2:1 and the Conservatives tendered overwhelming support.

Conference Report and Final Bill

Although the Conference Report and final legislation (S.2957) represented a compromise between the Senate and House on the question of termination, the Senate's input to the final version was largely symbolic. The less rigid position of the House prevailed. The Senate position was confirmed by adoption of the mandatory dates in

1979-1980 for the termination of OPIC's role as direct insuror. Target dates, recommended by the House, were set for required percentages of private participation in 1975-1976. The House extension of authority until 1977 was accepted; the mandatory cut-off desired by the Senate would thus come up for review when re-authorization of OPIC was required in 1977. The House also secured from the Conference its version of re-insurer liability rather than the Senate's mandatory deductible.

The Senate amendments incorporated into the House bill that survived in the conference report included more precise definitions. Preferential consideration was to be given to small business defined as business with $2.5 million net worth or $7.5 million total assets. Preferential consideration was also to be extended to investments in less developed countries, defined as countries with per capita income below $450. The House provision to prohibit OPIC assistance to "runaway industries" was retained in the final bill. All technical issues except the percentage of private participation in war risk insurance were resolved in favor of the House bill. A discussion in the Conference Committee clarified the conditions under which OPIC could resume operations in Indochina.[19] There was no opposition in either House to the conference report.

INVESTMENT POLICY DETERMINANTS

The investment guaranty program and the entire concept of political risk insurance, questioned for the first time since the initial trepidations of the business community in the 1950's, was reversed in 1973. The 1973 phase-out of the insurance program brought to a halt a policy that had developed incrementally since 1948. The policy reversal was provoked by politicization of the issue, activating a redefinition of the situation by labor and liberals. Their redefinition arose from both new realities and new perceptions. The aggregate quantity of U. S. direct foreign investment had grown from minimal to substantial proportions. The sheer magnitude of the investment led to new perceptions of its consequences for foreign policy and domestic employment. New foreign policy perceptions were heightened by events in the international environment and the countervailing force of organized demands by the less developed countries.

The redefinition of the situation influenced roles played by Congressional leadership. Although the Nixon administration opposed the dismantling of OPIC, the President and Secretary of State, in disarray over Watergate and Vietnam, exerted little influence over the emerging legislation. President Ford, however, lent assistance to rescue the final bill.

The Congressional leaders who emerged were Senator Javits, the initiator and defender of OPIC, Senator Church, and Rep. Culver. The volume of investment made it possible for Senator Church to lead an attack, for the first time, against the unregulated flow of U. S. corporate interests. If not regulated, foreign investment should at least not be supported, Senator Church believed, by government guaranties in the form of OPIC. Operating within the context of a liberal, restive Senate, Senator Church drew on concerns expressed by the L. D. C.'s and the Congressional foreign policy revolt to win support.

Having lost the fight in substantive committee debates, Senator Javits succeeded in organizing a salvage operation around amendments on the Senate floor. Assisted by a strong committee minority report and the Republican leadership, Javits won his key amendment through the votes of highly conservative Senators. Rep. Culver leaned to the middle position that an appropriate public policy could exert positive influence over the outcomes of foreign investment policy; a position reflected in the guidelines for OPIC drawn up by the House. The House, relatively conservative in composition, maintained its traditional role of supporting the investment guaranty program in the face of Senate opposition.

Interest group politics pertaining to investment guaranty policy in 1973 were marked by the emerging influence of labor. Labor testimony led to the inclusion of a provision in the final bill, added originally in the House, to prohibit OPIC assistance to "runaway plants." Neither labor nor business interests, however, lobbied extensively to influence final votes on OPIC. Business interests supported the continuance of OPIC in the initial hearings. Lobbying efforts by both business and labor were focused on the Burke-Hartke tax bill.

The ideological coalitions in Congress on the OPIC 1973 authorization differed in the House and Senate. In the House, both support and opposition to OPIC cut across ideological lines. The flexible phase-out formula compromise evoked contradictory reasons from ideological opponents for support of the bill. In contrast, the inflexible finality of the Senate bill produced a liberal-conservative split which reversed the historic trend of liberal support and mixed conservative opposition to the guaranty program.

INVESTMENT POLICY AS INDEPENDENT VARIABLE: POLICY EFFECTS THE EMPIRICAL DATA: 1970-1973

Investment Guaranty Policy

The close relationship between G.N.P. and the location of U. S. investment in 1973 was a reflection of the cumulation of a previous stock of U. S. investment. Increased growth in U. S. direct investment, 1970-1973, was no longer as highly related to G.N.P. as in previous years. Increased investment occurred in areas with prime raw material resources, in nations with industrial opportunities (Brazil, Mexico), in nations with commercial opportunities and growing G.N.P.'s such as Hong Kong and Singapore, and in nations providing inducements to invest, e.g., Panama. Decreased growth in investment was related to nationalizations, restrictive codes, and political stability in specific instances. Insurance continued to reflect risk in Africa and Latin America but accompanied most of the total investment in Asia.[20] Many Latin American nations were excluded from insurance coverage, reducing observed relationships between investment and insurance.

Latin America

The total investment figures for Latin America continued to show a high relationship to G.N.P. in Brazil, Mexico, Argentina, Peru, and Venezuela, and Chile. These totals, representing cumulated past investment, mask the process of change in the growth of investment in key countries. The acceleration of investment in Brazil by 89% accounted for half of the increased investment in the region. Investment increased by 24% in Mexico despite requirements in 1973 for Mexicanization of investment. Chile, by virtue of nationalizations, and Venezuela, through oil renegotiations, lost investment. Despite protracted nationalization disputes, Peru attracted 15% new investment while Argentina attracted 12%. In addition to Brazil and Mexico, growth in the region moved towards lower G.N.P. Central American and Caribbean nations with either oil refining capacity (Trinidad and Tobago, Netherlands Antilles) or banking laws which provided tax havens (Panama, Bahamas). Although Ecuador had joined the Andean Pact and nationalized U. S. property in 1968, the growth in investment of 1.09% can be explained by the discovery of oil. Two nations with investment levels not predicted by G.N.P. levels were Jamaica, a needed source of bauxite, and Honduras, host to United Fruit holdings. Nations with relatively high G.N.P.'s and relatively low investment were Columbia, a country with a restrictive investment code; Guatemala, besieged by terrorism; and Uruguay, a country in which U. S. investors have exhibited little interest.

The presence of U. S. investment within the host economy, measured as a per cent of G.N.P., was greater in Latin American L.D.C.'s than elsewhere. Excluding the small oil refining and banking nations that promote U. S. investment, six Latin American nations showed U. S. investment representing more than 10% of their G.N.P.; four more were in the 8 to 9% range. Elsewhere in the world, U. S. investment was more than 10% of the G.N.P. only in Bahrain and Liberia. The Andean Code nations took steps to reduce the degree of foreign owned equity; Jamaica had begun a Jamaicanization policy; Honduras, with a high level of U. S. presence, had not addressed the issue.

Insurance patterns demonstrated almost no increase in insurance outside of Brazil. Even so, only .07 of the phenomenal increase in investment in Brazil was insured. All of the Andean Pact nations were excluded from OPIC programs; Venezuela, joining the Pact later in 1973, increased insurance coverage by 12%. Nicaragua exemplified the influence of risk on both investment and insurance. Between 1972 and 1974 power was shared between pro and anti-Somoza forces, under martial law after the 1972 earthquake. Insurance increases accompanied investment increases during this period; 1.3% of new investment was insured; both investment and insurance ceased during the year 1972. Moderate investment increases occurred during the politically uncertain years of 1970-1972 in Argentina but slowed down to 1% in 1973 when the Perionistas resumed power. OPIC insurance programs were inoperative in Argentina from 1971-1972.

The U. S. aid program revealed no clear patterns. Aid was extended to Andean Pact nations; the largest aid transfer was to Colombia, a democratic nation with relatively small U. S. investment and a restrictive code. Brazil, with a right wing government and high investment, received substantial aid. Aid to Bolivia (Col. Banzer replaced left-wing Torres in 1970) as well as to the Dominican Republic, Guatemala, and Nicaragua might be construed as regime support. Aid continued, to some degree, to expropriating left-wing governments in Peru and Chile.

Asia

Total investment continued to be high in the Philippines, India, South Korea, and Thailand, nations with relatively high G.N.P. levels for the region, building on past investment. Increases occurred in Indonesia, a high G.N.P. nation, with the advent of the Suharto regime and in Taiwan and Malaysia, with moderate range G.N.P.'s. Large investment increases took place in Hong Kong and Singapore, city states with low G.N.P.'s. The 10% of the G.N.P. produced by U. S. investment in Hong Kong would not pose a problem to an economy based on foreign transactions. But the level of U. S. presence in the Philippines and Indonesia was relatively high and increasing in Indonesia.

The large increase in South Korea's insurance coverage with only a modest investment increase may be related to political developments in which opposition to President Park led to the imposition of martial law in 1972. The other large increase in insurance accompanied the investment flow into Indonesia. Only 24% of that investment was insured, however. The highest degree of new investment insured was in Thailand, the Philippines, South Korea, and Taiwan. Moderate insurance coverage was extended to Indonesia, India, Pakistan, and Singapore. Insurance coverage in Asia was high relative to other regions; in this period, however, the degree of coverage was not as directly related to the amount of investment as in previous years.

Yearly statistics for Pakistan, Thailand, India, and Indonesia as recipients of U. S. aid reveal that India and Pakistan received high levels of aid with moderate U. S. investment. Indonesia received both substantial aid and substantial investment.

Africa

Past investment is reflected in the high total investment located in South Africa, Libya, and Egypt. U. S. investment was minimal in the relatively high G.N.P. nations of

Algeria, Mozambique, and Angola because it was not welcomed. Nationalizations decreased the stock of U. S. direct investment in Libya. Despite nationalizations and insistence on a higher local government share of the equity, U. S. investment increased in Nigeria, Egypt, Zaire, and Ghana. Liberia and Zambia had high U. S. investment relative to their G. N. P.'s; there was no increase in the U. S. direct investment position in Zambia during this period, however.

With the exception of South Africa and Nigeria, investment increases in Africa were modest. The increase in insurance coverage was also modest. No insurance covered the investment increase in Nigeria. Of the new investment in Africa, the largest insurance coverage was written in Liberia and Zambia. Increases in insurance coverage did occur in Ghana, Botswana, and Zaire, all raw material producers. Ghana and Zaire had a nationalization history; Botswana was the site of new mineral discoveries.

AID yearly statistics were not obtained for Africa. They will be summarized at the end of 1977.

The Middle East

The few statistics available show that as investment decreased in Iran during this period, insurance coverage increased. U. S. investment increased only in the United Arab Emirates of the small number of nations reported. Bahrain, a Mideast financial center, had a GNP composed of 54% of U. S investment. AID figures were not obtained by country for the Middle East.

The content of investment guaranty policy in 1973 focused on the reduction of risk and the promotion of investment. OPIC's portfolio reduced risk against loss from claims. It promoted investment by protecting firms against future risk and serving as a precondition for investment only in Asian war zone, raw material resource, and high U. S. presence less developed countries. (the latter include Indonesia, Zambia, Liberia, Iran, Philippines). Elsewhere, particularly in Latin America, guaranty policy had little effect on investment promotion. Investment, sluggish but continuing to build to some degree on previous cumulated equity, increasingly responded to the most profitable new opportunities. The role of guaranties in facilitating these new opportunities varied by region, sector, and concentration.

Economic Growth

The contribution of investment guaranty policy to economic development, measured by growth rates, was potentially limited to three countries. Less developed countries with an increase in U. S. investment over $50 million and an economic growth rate of more than 3% were Brazil, Jamaica, Panama, South Korea, Taiwan, Malaysia, Singapore, Nigeria, Liberia, Mexico, and Hong Kong. The latter two countries did not participate in OPIC programs. The nature of U. S. investment in growing commerical centers, war zones supported by U. S. military aid, an oil producing nation, and a colonial tie reflected special conditions. Only Brazil, Jamaica, and Malaysia represent traditional L. D. C. economies in which the possibility of U. S. foreign-investment-induced growth might profitably be investigated. Economic growth unaccompanied by U. S. investment was spurred by European investment, multilateral lending, and host country policies. Three emerging economies with oil resources or refineries attracted high U. S. investment but low growth (Ecuador, Trinidad and Tobago, Netherland Antilles). In four countries either the increased U. S. investment itself, host country policies, oil import indebtedness, or other variables produced low growth rates (Argentina, Peru, Indonesia, South Korea).

Nationalizations

The content of expropriation policy, 1970-1073, consisted of increased protection through a Presidential statement of policy, decreased protection through Congressional mandates, increased protection through administration implementation committees, but decreased protection through U. S. intervention, sanctions, and diplomatic pressure. The combination of these policy tools did not deter nationalizations but facilitated the rapidity of compensation settlements between companies and host governments.

Nationalizations of U. S. property took place in 36 countries from 1970-1973.[21] Thirty-three involved nationalizations or the acquisition of additional equity in key industries and industrial sectors; three involved particularized disputes. The thirty-three nationalizations directed to greater national control can be broken down as follows:

TABLE 12

NATIONALIZATIONS BY NEW REGIMES 1970-1973

New Regimes		Oil	Other Sectors
Nationalizations:	17	4	13
Left Regimes	10		
High Magnitude	3		
Moderate Magnitude	4		
Low Magnitude	3		
Center Regimes	3		
High Magnitude	0		
Moderate Magnitude	1		
Low Magnitude	2		
Right Regimes	4		
High Magnitude	2		
Moderate Magnitude	1		
Low Magnitude	1		

Two right-wing regimes in the Middle East were responsible for the two high magnitude oil nationalizations. The other three high magnitude nationalizations were undertaken by new left-wing regimes in Latin America and Africa. The majority of new regimes were left-wing in orientation but most nationalizations by new regimes were of moderate or low magnitude.

TABLE 13

NATIONALIZATIONS BY EXISTING REGIMES 1970-1973

Existing Regimes		Oil	Other Sectors
Nationalizations:	16	8	8
Left Regimes	5		
High Magnitude	4		
Moderate Magnitude	1		
Low Magnitude	0		
Center Regimes	8		
High Magnitude	3		
Moderate Magnitude	4		
Low Magnitude	1		
Right Regimes	3		
High Magnitude	3		
Moderate Magnitude	0		
Low Magnitude	0		

All three right-wing nationalizations were high magnitude oil take-overs in the Middle East. Three high magnitude oil nationalizations were undertaken by Iraq, Libya, and Peru, existing left-wing governments, and one by Venezuela, a centrist regime. Syria's oil nationalization was of moderate magnitude. One-half of all nationalizations by existing regimes were in the oil sector.

Eleven of the 16 nationalizations (69%) by existing regimes were of high magnitude; eight of the eleven high magnitude nationalizations (72%) were in oil. Other high magnitude nationalizations involved copper (Guyana, Zambia) or the manufacturing/service sector (Morocco). Peru nationalized mining sectors as well as oil.

United States response to the nationalizations took the following form:

U. S. sanctions: 2

U. S. threatened sanctions: 1

Multilateral sanctions: 0

Special U. S. Emissary: 1

U. S. diplomatic representations: 4

Firms apply sanctions: 0

Insurance claims: 4

General OPEC negotiations with firms: 4

Companies negotiate directly: 18

Companies submit to L. D. C. national courts: 3

Companies protest: 1

Companies submit to international arbitration: 1

Settlement patterns were as follows:

Compensation within 1 year: 15

Compensation within 1-4 years: 7

Compensation within 5-6 years: 4

Compensation unsettled by 1977: 8

(Total includes unsettled disputes carried over from 1950-70)

Insurance claims paid: 4

Company sold out: 1

Returned to owners: 2

Two of the three sanctions or threatened sanctions involved denial of preferential treatment under the 1974 Trade Act; the Trade Act also induced two of the settlements. Although the Hickenlooper Amendment was not invoked, a series of financial sanctions were applied to Chile. In this period, sanctions and diplomatic representation by the U. S. government diminished in favor of direct company negotiations. President Nixon's Expropriation Policy statement of 1972 did not deter nationalizations. But behavioral change was exhibited by the increase in direct negotiations and the rapidity of dispute settlement. U. S. government pressure was exerted on Chile and Peru where major U. S. interests were at stake.

More detailed Commerce Department and World Bank statistics available for 1970-1973 permit a comparison of the degree of change in U. S. investment flows to nationalizing and non-nationalizing less developed countries and the relationship between the level of GNP and the incidence of nationalization.

A chart follows which relates U. S. investment flows to the presence or absence of nationalizations. The chart includes nations with over 15% increased U. S. investment and those with a decrease in U. S. investment or an increase of less than 1%. It excludes those with U. S. increased investment between 1-15%.

TABLE 14

RELATION OF INVESTMENT FLOWS TO NATIONALIZATIONS

Increased U. S. Direct Foreign Investment: 1970-1973. (15% increase)

	Total	Latin Amer.	Asia	Mid-East	Africa
Nationalizations	17	4	4	1	8
Insurance	11	1	4	-	6
No Nationalizations	27	6	6	0	15
Insurance	12	3	5	-	4
Decreased U. S. Direct Foreign Investment: 1970-1973. (1% or less).					
Nationalizations	13	5	3	1	4
Insurance	6	1	3	1	1
No Nationalizations	16	4	2	2	8
Insurance	9	3	2	-	4

U. S. investment increased 57% in nations where U. S. property had been nationalized and 63% where no nationalizations occurred. Declining U. S. investment took place in 43% and 37% respectively in nationalizing and non-nationalizing L. D. C.'s. The small 6% difference suggests that nationalizations do not substantially dampen investment flows. This appears to hold true for Latin America and Asia but not for Africa where 65% of those nations with a large inflow of U. S. investment had not undertaken nationalizations. Insurance coverage follows traditional patterns of low volume in Latin America (Andean Code) and high volume throughout Asia. The high level of insurance in African nationalizing nations that continue to attract U. S. investment suggests that the insurance covers nations in which U. S. interests have a significant stake.

TABLE 15

LEVEL OF GNP AND INCIDENCE OF NATIONALIZATION: 1970-1973

6 L. D. C.'s with Very High G. N. P. above $20 million: 50% nationalized U. S. property 1970-1073. 83% had nationalized property since 1959. Only one of six (South Africa) had never undertaken a nationalization. Propensity: High.

10 L. D. C.'s with High G. N. P. above $10 million: 40% nationalized U. S. property 1970-1973; 50% since 1950. Seven of the ten nations are conservative Asian or Middle Eastern countries. Propensity: Moderate but eschewed by country characteristics.

10 L. D. C.'s with Moderate G. N. P. above $5 million: 60% nationalized U. S. property 1970-1973; 80% since 1950. The only two nations that had never nationalized U. S. property were in Asia. Propensity: High.

37 L. D. C.'s with Low G. N. P. above $1 million: 32% had nationalized U. S. property 1970-1973; 40% since 1950. Propensity: Moderate.

30 L. D. C.'s with Very Low G. N. P. below $1 million: 17% nationalized U. S. property 1970-1973; 26% since 1950. Propensity: Low.

If the second high G. N. P. category, with an unrepresentative sample of traditional non-expropriating L. D. C.'s is excluded, the propensity to nationalize in 1970-1973 as well as over the entire period, 1950-1973, ascended in rank order from very low to very high G. N. P. nations, a finding consistent with rising expectations theory.[22]

CONCLUSIONS: 1970-1973

International environmental variables were the key determinants to the location and volume of U. S. direct foreign investment, 1970-1973. U. S. investment declined with the demise of U. S. international economic hegemony in 1971, the deterioration of U. S. power in 1973, the rise of oil shortages induced by OPEC, and the increased incidence of nationalizations. Investment guaranty policy was helpless in the promotion of overall investment but became innovative in the reduction of risk and the settlement of disputes.

International events in Chile, articulated demands by the L. D. C.'s, and domestic economic pressures politicized U. S. direct foreign investment and reversed the U. S. consensus for its unlimited encouragement.

Expropriation policy was marked by heavy-handed U. S. interference in Chile, strong Presidential rhetoric, and the development of more subtle devices to induce compensation settlements. Adaptive mechanisms by OPIC, the State Department, and business were evolving to cope with nationalizations as standard rather than unusual practice.

NOTES CHAPTER 7

1. Congressional Quarterly, Almanac, Vol. XXIX., (1973), p. 521.

2. The 93rd Congress, 2nd Session, Voting Record. Americans for Democratic Action, 1974.

3. The re-insured party was required to absorb in any one year a loss equal to at least 50% of the value of all insurance it had outstanding in the country in which it had the most insurance subject to OPIC re-insurance.

4. Congressional Quarterly, Almanac, Vol. XXIX., (1973), pp. 519-525.

5. U. S. Congress, Senate, Committee on Foreign Relations. Hearings before the Senate Subcommittee on Multinational Corporations on the Overseas Private Investment Corporation, part 3. 93rd Congress, 1st Session, 1973. See testimony of Stanford G. Ross, Former Assistant Tax Legislative Counsel, U. S. Treasury Department, p. 1-32. Since the corporate rate for corporations was 48% in 1973, an ordinary loss created by expropriation could produce tax benefits of up to 48% of the loss. Variations depended on the status of the corporation - a branch of a U. S. incorporated firm, a foreign incorporated subsidiary, or such special categories as less developed country corporations and Western Hempishere Trading Corporations. Mr. Ross reported the following: tax reform to close tax haven loopholes was underway in House Ways and Means; the current U. S. tax code was favorable towards establishment of direct foreign investment by U. S. firms; the foreign tax credit is equitable but tax deferral is a more complicated issue; corporations may need insurance for many reasons including inability to effectively utilize tax losses; political risk insurance saves the taxpayer money since insurance payments must be deducted from tax losses; economic development of particular countries cannot be fostered by a generalized tax code which must be neutral rather than selective.

6. U. S. Congress, Senate, Committee on Foreign Relations. Report on S. 2957. 93rd Congress, 1st Session, 1973, p. 52.

7. Ibid., p. 69.

8. Congressional Quarterly, Almanac, Vol. XXX., (1974), p. 85.

9. Ibid., Voting Records, Americans for Democratic Action, 1974.

10. U. S. Congress, House, Committee on Foreign Affairs, Subcommittee Hearing on Overseas Private Investment Corporation. 93rd Congress, 2nd Session. (March 20, 1974), p. 2. A number of Biemiller's specific arguments on behalf of the AFL-CIO are summarized in Chapter 6, Implementation.

11. Ibid., pp. 20-60.

12. Congressional Quarterly, Almanac, Vol. XXX., (1974), pp. 523-4.

13. Ibid., p. 524.

14. Ibid.

15. Derived from A.D.A. Voting Records, 1974.

16. Ibid.

17. Congressional Quarterly, Almanac, Vol. XXX., (1974), p. 58.

18. Congressional Quarterly, Almanac, Vol. XXIX., (1973), p. 90H. Ideological groupings derived from A.D.A. Voting Records, 1974.

19. Congressional Quarterly, Almanac, Vol. XXX., (1974), pp. 524-525.

20. See G.N.P., Investment, and Insurance and U. S. Aid statistics in the Appendix.

21. See Nationalization and country data sources in note 4, chapter 3; also Appendix.

22. All computations based on data in the Appendix. See James C. Davies, "Towards a Theory of Revolution," American Sociological Review 27 (1962), p. 7 for a version of rising expectations theory.

CHAPTER 8: INVESTMENT POLICY FORMULATION AND IMPLEMENTATION, 1974-1977: FORD AND CARTER ADMINISTRATIONS

Context: Presidential Priorities and Domestic Political Alignment

The foreign policy priorities of the Ford administration were to keep a watchful eye on political realignments in Asia following the Vietnam war and to continue diplomatic efforts to resolve conflicts in the Middle East. Congress prevented U. S. intervention in Africa to forestall take-overs by Marxist regimes. The less developed countries in UNCTAD and the non-aligned movement joined forces to demand that industrial nations acquiesce in a New International Economic Order which would redistribute world wealth in their favor. This demand launched a North-South dialogue on issues of trade, aid, technology transfer, and investment. The need to establish confidence after Watergate and avoid overseas involvement after Vietnam led the Ford administration to concentrate on domestic economic problems, exacerbated by oil prices.

During the first year of the Carter administration, two foreign policy priorities were emphasized. One priority was to secure passge of a Panama Canal treaty; the other was to promote human rights through U. S. sanctions and diplomatic pressures against human rights violators among the nations in the world. The focus of domestic policy was an attempt to secure passage of legislation to ameliorate the energy crisis.

As Ford assumed the Presidency, a post-Watergate Congress convened with large Democratic majorities in both the House (Democrats: 289, Republicans: 144) and the Senate (Democrats: 61, Republicans: 38). The House of Representatives contained the largest number of freshmen members in recent history. In the 1976 election, Democratic majorities of exactly the same magnitude as in 1974 were swept into office with President Carter. New Democratic Congressional leadership and an inexperienced President were not able to use these majorities, however, to provide support for Presidential policies.[1]

Investment and Investment Climate Patterns

U. S. direct investment increased from $20 billion to $34 billion in the less developed countries from 1974-1977, an increase of 70%. A dip in investment flows occurred in 1976: investment increased $6.4 billion (30%) in 1975, $2.6 billion (10%) in 1976, and $5.8 billion in 1977 (16%). U. S. direct investment world-wide rose 35% and in developed countries by 30%. At the end of 1977, 72% of all U. S. direct investment was located in developed countries compared to 28% in the L. D. C.'s, a ratio similar to the 1973 allocation.

U. S. direct investment increased over this period by 20% in Africa, 38% in Asia, and 41% in Latin America. The increase within most of Latin and Central America was, however, only 26%. The highest investment increase in the region (80%) took place in the Western Hemisphere group which includes Jamaica, Guyana, Surinam, and Caribbean island nations. Of this group, oil attracted investment in Trinidad and Tobago and tax havens accounted for a huge inflow of U. S. investment into Bermuda and the Bahamas. In the Middle East, U. S. disinvestment of-$6.4 billion declined to-$3.1 billion by 1977.[2]

The investment climate in the L. D. C.'s was only moderately favorable from 1974-1977. High magnitude nationalizations abated but attitudes towards foreign investment expressed in the North-South dialogue were not hospitable. Investment codes restricted new investment opportunities in key economic sectors in many L. D. C.'s. In addition, business prospects were adversely affected in those L. D. C. economies weakened by oil import indebtedness to the OPEC nations.[3]

POLICY TOWARDS UNINSURED INVESTMENT

No new policies towards the nationalization of uninsured U. S. direct investment were developed by the Executive branch or the Congress in 1974-1977. Sanctions against nations failing to negotiate compensation for nationalized U. S. property were on the books to be applied, at Presidential discretion, to U. S. aid, U. S. trade, and multilateral lending. Trade sanctions were implemented on only one occasion. Diplomatic pressure, at a lower level than in the previous administration, was applied to Peru through the dispatch of Treasury and State Department officials to assist in the negotiation of outstanding disputes. In all other reported cases, the State Department took no action and uninsured companies fended for themselves.

The United States made policy statements on two occasions, however, to reaffirm traditional U. S. attitudes towards compensation. During the Ford adminstration, the Secretary of State explicitly denied the removal of nationalization issues from the realm of international law, a position advanced by the L. D. C.'s in UNCTAD and international fora. After U. S. companies settled for less than book value in 1976 in Venezuela, the State Department issued a statement to reinforce U. S. [4] adherence to fair market value standards for compensation.

The new human rights policy direction of the Carter administration indirectly affected the degree of protection provided to firms investing overseas. Nations with human rights violations became ineligible for U. S. political risk insurance and by implication, for U. S. government assistance in the settlement of investment disputes.

INSURED INVESTMENT POLICY FORMULATION

Investment guaranty policy was not modified from 1974-1976 as it was scheduled for review in 1977 at the time of expiration of OPIC's authority. Foreign aid policy, was, however, revised by the liberal majorities that dominated Congress from 1974-1977. In response to demands from and problems within the L. D. C.'s, the foreign aid program was given "new Directions." The new foreign aid policy represented a commitment to the poor within the L. D. C.'s; U. S. foreign aid monies were earmarked for rural development, agricultural productivity, nutrition, and health needs.[5] New directions for investment guaranty policy were envisaged by the Carter administration as a complement to the new foreign aid priorities. These new directions were proposed in the recommendation of the new administration to reauthorize OPIC.

REAUTHORIZATION OF OPIC, 1977.

The 1976 election modified the political balance of opposing forces arrayed in conflict over the continuance of OPIC in 1973. The balance was modified within the committees, within the chambers of both Houses, between the two Houses, and in the relationship of a new President offering new policy proposals to large Democratic majorities.

President Carter's appointment of Fred Bergsten as Assistant Secretary for International Affairs in the Treasury Department signaled a concern to place an expert scholar on international economics in a key policy leadership position. Bergsten's published views as a Brookings scholar were influential within the administration. President Carter supported the extension of OPIC; the administration bill to reauthorize OPIC represented Bergsten's definition of the situation and his recommendations for the re-focusing of OPIC policy. Bergsten served as key persuader and spokesman in Congress for the investment policies that he had been instrumental in formulating. His role was facilitated by the fact that issues of foreign policy involvement, financial viability, and transfer to the private sector concerning OPIC in 1973 no longer existed in 1977.

The Carter election brought new Democrats into office in the House. Although these representatives enlarged the Democratic majority available to support administration policies; they were new to the issues and were either not brought under or were adverse to party discipline. OPIC officials found that the new representatives had no knowledge of the insurance guaranty program and thought OPIC represented support for the "nefarious" oil companies who were making windfall profits.[6] Unexpected opposition to OPIC arose in the House. The House Foreign Affairs Committee was chaired by Rep. Zablocki (D., Wis.), a long - time opponent of OPIC. The House Subcommittee on International Economic Policy was headed by Rep. Bingham (D., N.Y.) instead of Rep. Culver, who had moved to the Senate. Although Rep. Bingham supported OPIC, he did not possess by 1977 the depth of knowledge of his predecessor; the composition of Bingham's committee had also changed and included several Congressmen totally unfamiliar with previous investment policy.

While the House, historically the initiator and supporter of investment insurance, began to oppose the adminstration's policies for OPIC, the Senate reversed its historic opposition and acquiesced in the administration proposals. The actual composition of the Senate had not drastically changed. Senator Sparkman (D., Ala.), a moderate low-keyed Southern Democrat, was chairman of the Senate Foreign Relations Committee. The Sub-Committee on Multinational Corporations headed by Sen. Church (D., Idaho) had gone out of business. Investment policy fell under the aegis of the Subcommittee on Foreign Assistance, chaired by Sen. Humphrey (D., Minn.), an influential advocate of both foreign aid and OPIC as development tools. Republican Senators Javits and Percy on the committee supported Humphrey and, although minority members, pushed for acceptance of the Bergsten proposals. Sen. Church, also a member of the committee, stated his opposition to the administration bill.[7] The recommendations of the committee prevailed on the Senate floor. The issue was defined in the Senate as export promotion. In contrast, the issue was defined in the House, at the last minute, as loss of U. S. jobs.

Hearings on adminstration investment insurance policy differed in the House and the Senate. Neither committee engaged in extensive substantive exploration of the issues. The House hearings were the more thorough of the two, concentrating on implementation. The Senate hearings were desultory, composed of a re-stating of positions previously held by individual Senators and a discussion of the North-South dialogue; minimal interest was shown in implementation. The privatization mandate failure was reviewed in detail in both committees but served to edify and educate; it was a dead issue. The House was consumed by an anti-bribery amendment side issue;[8] the issue struck at the heart of the inability to regulate U. S. corporations once they were located overseas but legal complexities made it difficult to fully resolve the issue.

The approach of the Carter administration to foreign investment policy was outlined by Richard Cooper, Under-Secretary for Economic Affairs, Department of State, in a speech before the Council of Americas. Cooper stated that adminstration policy was to: (1) Advocate the free flow of investment under a liberal international economic system as the best means of international economic growth; hence the U. S. should be neutral, neither supporting nor inhibiting investment. (2) Respect the Third World desire for control over investment as non-threatening. The Third World need not opt for autarchy in order to maintain sovereignty since they are increasingly sophisticated in channeling investment, bargaining with firms, and sharing policy information with other L. D. C.'s. L. D. C.'s should regulate M. N. C.'s by increasing domestic competition through lower tariffs and through non-equity natural resource investment modes. (3) Support new anti-bribery laws and their enforcement. (4) Inaugurate a new human rights policy. As Under-Secretary Cooper phrased it: "In the short run, it might appear opportune to support or tolerate a repressive government that is willing to give favorable consideration to U. S. political and economic interests. But we believe that over the longer term a regime that relies upon force for its authority can be neither popular nor stable."[9]

With these broad policy goals in mind, the Administration proceeded to formulate an investment guaranty policy. The legislation to reauthorize OPIC in 1977, set forth in administration bill #H. R. 7854, was the product of a Carter administration policy review conducted by a Cabinet level Economic Policy Group and the Board of Directors of OPIC. Support for the adminstration's decision to extend the authority of OPIC through

1981 was provided by a team of executive officials, led by C. Fred Bergsten, who testified before the House Subcommittee on International Economic Policy and the Senate Subcommittee on Foreign Assistance. The policy was billed as OPIC's three "New Directions": mining, petroleum, and agribusiness.

Bergsten, author of a study of U. S. foreign direct investment policy, expressed the need to "fuse together" the variety of policies that pertain to investment to be certain that they promote U. S. national policy objectives and are consistent with each other. The coordinating mechanism devised by the Cabinet level Economic Policy Group was to form a deputies' level working group, co-chaired by the Treasury and State Departments, of all relevant government agencies to serve as a forum to discuss policy issues relating to investment. The administration proposals to guide the future of OPIC emerged from the discussions of this group of deputies.

The Administration policy review concluded that OPIC should be continued as an agent to promote U. S foreign economic development policy but should be modified to increase its effectiveness. The modifications recommended were to: (1) increase OPIC's focus on the poorer L. D. C.'s (2) develop innovative risk reducing coverage in the field of energy and raw materials (3) eliminate the 1974 mandate for OPIC to transfer its insurance portfolio to the private sector. The emphasis on lower income countries and energy-related coverage were to be new policy guidelines along with continuing policy guidelines to monitor against adverse U. S. employment effects and to achieve self sustaining status. Actual provisions of the bill extended OPIC authority to Sept. 30, 1981, encouraged OPIC to seek private and multilateral markets for insurance free from compulsory deadlines, granted OPIC authority to use the Direct Investment fund for mineral projects, and provided for inflation adjustment in war risk insurance policies.[10] Hearings on the bill took place in the House Subcommittee on International Economic Policy in June and July, 1977.

HOUSE SUBCOMMITTEE HEARINGS

Low Income Countries

In key testimony as chief administration spokesman, Secretary Bergsten emphasized administration policy to place highest priority on the development goals of low income countries. One-fourth of the 151% expansion in U. S. investment in the L. D. C.'s over the previous decade had concentrated in Brazil and Mexico. The executive branch felt that such advanced or upper middle income countries should be excluded from OPIC's programs since they were capable of attracting investment on their own. By concentrating on the poorer countries, OPIC would assist those nations which had received a small proportion of the increased flow of U. S. private direct investment. Exceptions to this policy could be granted by OPIC's Board of Directors for mineral and fuel projects and by the Secretary of State for national interest considerations.

Justification for emphasis on the poorer L. D. C.'s was outlined by Secretary Bergsten and OPIC officials, supported by testimony from key executives in the State Department, Commerce Department, and AID. OPIC officials stressed the heightened need of poorer L. D. C.'s for capital as an outgrowth of radical increases in oil prices and the world-wide recession of 1973-1974. The need to finance oil imports had increased L. D. C. total debt by 93% from 1973-1976, nearly half of it borrowed from private capital markets. The high debt servicing obligations deflected capital from internal investment, depressing L. D. C. economic growth rates. Increased private investment, particularly in agriculture and raw materials, was needed to re-stimulate economic growth.

In response to a question by Rep. Whalen, (R., Ohio), ranking subcommittee minority member, as to whether the financial risk to OPIC might be greater in low income L. D. C.'s, Sec. Bergsten drew attention to a substantial change in emphasis in administration policy. Although the requirement that OPIC be financially self-sustaining remained an operable guideline, it would not be a requirement equal to the central objectives of the OPIC program. The first priority in what was conceived to be a hierarchy of priorities would require OPIC to carry out its economic development mandate. OPIC's reserves had reached a magnitude permitting greater risks; the administration, however, was prepared to ask Congress for appropriations to cover losses if OPIC could not be sustained by confining operations to low income countries. The Carter administration thereby resolved the OPIC multiple mandate issue consistently raised in 1973 by Rep. Culver, the GAO, the Library of Congress, and participants in Congressional policy discussions. The issue was resolved in the direction suggested by Bergsten as a private citizen at Brookings - the development mandate would supersede the self-sustaining mandate even if Congressional subsidies were required. OPIC officials, however, restated their long standing position that both mandates could be fulfilled.

Actual implementation of the low income country policy would depend, Congressional subcommittee members pointed out, on the definition of a low income L. D. C. eligible for OPIC programs. The Assistant Secretary of Commerce (Frank Weil) maintained that the increased emphasis on poorer L. D. C.'s be either left to the administrators of OPIC within flexible boundaries or be legislated by a broad definition of a poor L. D. C. Assistant Secretary Bergsten, indicating that the inter-agency committee reviewed such variables as per capita income, growth rates, and structure of L. D. C. economies, admitted that over-valued exchange rates and the degree of dynamism in an economy were important factors outside the reach of arbitrary measures. Bergsten favored flexibility with judgment as to implementation to be placed with the OPIC Board.

Several members of Congress and private citizens' groups recommended that OPIC programs be limited to countries with less than $450 per capita income in 1973 dollars. Officials of OPIC were opposed to writing into the legislation that a given percentage of OPIC's programs, e.g. 75%, be offered only to countries with less than $450 per capita income even with exceptions for energy projects. OPIC executives pointed out that 60% of all projects covered by OPIC in 1976 were already located in countries with less than $450 per capita income; 47% of the dollar amount were so located. The new focus on lower income countries would mean that OPIC normally would not offer guaranties or financing to such high income countries as Saudi Arabia, Venezuela, Argentina, and Singapore. Acting President Poats stressed that a balanced portfolio was essential to avoid conflict between the development and self-sustaining objectives; OPIC must be flexible enough to underwrite safe investments in countries which may have a $550 rather than a $450 per capita income. He suggested that national policy would continue to be served by investment in middle income countries as they are still poor and in need of development assistance.

The Board of Directors of OPIC, in search of a guide to a dividing line between countries for inclusion in programs, agreed that one criterion should be whether an L. D. C. was developing at a dynamic pace that attracted investment or whether it was stagnant and needed a spur to accelerate growth. The tentative guideline chosen was to define upper income countries in which OPIC programs would be restricted to energy and raw materials as those with $1,000 per capita income and approximately five years of 5% G.N.P. per capita growth rates. This guideline would eliminate at least 12 countries from OPIC's country list.

AID Administrator Alexander Shakow suggested that OPIC might be guided by the definition of an L. D. C. applicable to the foreign aid program contained in the Foreign Assistance Act. Joseph Griffin of the American Bar Association indicated that restrictions on the program in middle-high income countries would place U. S. firms at a competitive disadvantage. He went on record as supporting an emphasis on low income countries but not to the exclusion of others.

Energy and Raw Material Coverage

The second new policy direction recommended by the Administration was to encourage the expansion of OPIC's programs to promote U. S. investment in raw material projects through new, innovative methods to reduce risk. The enabling legislation did not prohibit OPIC from issuing insurance and loan guaranties for mineral surveys, exploration, and extraction but did prohibit the promotion and financing of such projects. The administration sought to remove this prohibition. OPIC's perception of the need to address this issue was influenced by the GAO Report of January, 1977, "On U. S. Dependence On Imports of Five Critical Minerals," which advised Congress to investigate ways in which OPIC could help assure raw material supplies for the U. S. One new area would be in the field of oil exploration.

Diversification of supply and development of energy to meet internal L. D. C. needs would also be enhanced by the new policy emphasis. Those L. D. C.'s most seriously affected by oil price increases could begin to develop relatively small hydro-carbon reservoirs which were not previously justified commercially. These projects would yield domestic savings and foreign exchange earnings for the L. D. C.'s and contribute to a diversification of world petroleum supply. Since large international companies were not interested in small oil and gas reserves, OPIC officials believed that OPIC insurance could be the critical element in decisions of small and medium sized companies to undertake oil extraction projects in the L. D. C.'s.

Secretary Bergsten presented the view of the administration that a new emphasis on raw materials would serve three U. S. national objectives: redress of global misallocation of resources, diversification of resource supply to reduce "vulnerability to collusive price arrangements" and supply interruption, and the development of capability within the L. D. C.'s to supply their own energy needs.

Citing a recent World Bank survey, Bergsten warned that continued global misallocation could lead to substantially higher raw material prices in the future. Pointing out that 80% of all expenditures for exploration in 1970-1973 took place in the U. S. , Canada, Australia, and South Africa, Bergsten stated that many L. D. C.'s have undeveloped ore deposits which are not only twice as rich as those in industrial countries but bring double the rate of return. Global misallocation results when these potentially more productive resources remain idle. They remain idle, according to Bergsten, because of political risk factors in the L. D. C.'s.

The administration recommended that OPIC take the innovative step of working out a coordinating mechanism with the sixteen insurance guaranty agencies operative in other countries to encourage exploration and development of oil and other mineral resources. A coordinated effort would create a pool of capital for raw material projects that OPIC could not afford to guaranty or finance alone, would minimize the fears of other industrialized countries that the U. S. was attempting to monopolize raw material supply, and would both spread and reduce the risk of L. D. C. nationalizations and contract revocations by increasing the number of countries adversely affected. OPIC would also work in coordination with the World Bank and regional banks.

Since coordinating mechanisms take time to negotiate, members of the Subcommittee were uneasy with an increased focus on the natural resource sector with its history of nationalizations. OPIC officials and AID Administrator Shakow reassured the committee. OPIC executives suggested that the L. D. C.'s were no longer burdened with historical perceptions of exploitation but were able to launch new ventures under "modern rules of the game", including production sharing. Further, OPIC was in a position to submit concession agreements to sophisticated analysis, assuring mutual benefits to all participants. The Administrator of AID noted that many L. D. C.'s, such as Bolivia, Egypt, Mali, Peru, and the Sudan, had reversed earlier antagonisms towards foreign investment and were seeking to attract it. Confronted with higher oil prices, these nations realized that public sources of financing would be inadequate to meet their needs for development funds.

Privatization

The 1974 amendments mandating OPIC's phased withdrawal from expropriation and inconvertibility insurance by 1979-1980, premised on the belief that private industry would take over this function, were ineffective. The experience in seeking private participation resulted in only a few U. S. insurance company participants in expropriation and inconvertibility coverage, no participants in war risk insurance, unwillingness of private companies to insure for a longer term than three years, and insistence by private insurors that OPIC continue direct underwriting, retain a large share of first-loss liabilities, and re-insure "catastrophic losses."

The results obtained from the attempted transfer of OPIC's insurance guaranties to private insurors led the administration policy review group to conclude they were not willing to take over the business in the foreseeable future and might never do so without extensive U. S. Government support. The volume of insurance and commitment periods needed to induce significant amounts of investment for development purposes could not be made if OPIC were to withdraw by 1980. Since the 1980 deadline set up an unequal bargaining position between OPIC and the companies and diverted OPIC staff energies, the deadlines were counterproductive. Therefore the administration proposed that OPIC continue to experiment with private participation forms, retain the educational benefits from those joint undertakings already forged, and encourage the development of private markets for political risk insurance.

Testimony in support of the administration's position was presented by Joseph Griffin of the American Bar Association; the House of Delegates of ABA had voted to support H. R. 7854. The Bar Association opposed the privatization of political risk insurance on a number of grounds. Since the 1974 amendments did not embody an intent to achieve privatization at the expense of OPIC's developmental functions, the experience with private participation indicated that just such an emasculation of development purposes would occur unless OPIC remained as primary insuror. Private insurors, interested in high profits and low risk, would be required to narrow and limit the scope of insured projects. In addition, OPIC's withdrawal could lead L. D. C.'s to abrogate the existing 85 bilateral investment guaranty agreements, place U. S. firms at a disadvantage with government-insured firms of other developed countries, cause firms to lose the expertise of OPIC in claims settlements, and create hardship for small and medium sized firms through loss of available coverage they could not afford to self-insure.[11]

SENATE SUBCOMMITTEE HEARINGS

The Senate Subcommittee on Foreign Assistance held hearings on the Administration's bill to extend OPIC's authorization in July and August, 1977. Senator Humphrey (D., Minn.), Subcommittee Chairman, presided over the opening session in which testimony was presented by Assistant Secretary of the Treasury Fred Bergsten, AID Administrator John Gilligan, OPIC executives, GAO officials, and several witnesses who appeared before the House subcommittee. The testimony was exactly the same as that presented to the House but oral presentations by administration spokesman concentrated on the failure of privatization efforts. State and Commerce Department representatives did not appear; Assistant Secretary Bergsten was not questioned. A Subcommittee staff briefing paper provided an independent factual review of the issues raised by the proposed legislation. Two subsequent hearing sessions, devoted to questions and testimony by former Secretary of State Henry Kissinger, were attended by Subcommittee members Church (D., Idaho), Case (R., N.J.), and Javits (R., N.Y.).

Senators Percy (R., ILL.), Clark (D., Iowa), and Biden (D., Dela.), the remaining subcommittee members, did not attend any of the three hearing sessions.

Following presentation of the administration proposals to re-focus OPIC programs and summaries of OPIC implementation and policy actions, Senators Church, Case and Javits reaffirmed their perceptions of the issues. Senator Church argued that OPIC should be terminated because it insures company preferences instead of providing incentives, creates a loss of 105,000 U. S. jobs overseas, and does not benefit development. To illustrate the latter point, Senator Church described the case of Puerto Rico where sugar interests originally moved in but out when wage rates rose. Senator Case, who had voted to terminate OPIC in 1973, perceived the agency as a means of stimulating investment abroad in order to provide a place for Americans to "put their money, make a quick buck", and rely on insurance to cover problems created by their own insensitivity. Troubled by OPIC's multiple mandates and the effect of foreign investment on the U. S. economy, Senator Case felt that only possible justification for OPIC's continuance would be in terms of the foreign aid program.

Senator Javits defended OPIC as indispensable to the foreign aid program, a boon to U. S. exports, and a stimulus to U. S employment. By selected questions to Acting President Poats of OPIC, he elicited confirmation of beneficial effects of OPIC operations on small business participation, U. S. job creation, and raw material supply. President Poats listed OPIC achievements in transferring technology and fostering economic development but cautioned against exaggerated expectations as to what private enterprise could accomplish in a short time. Senator Javits introduced additional national interest justification by stating that the industrial world needed markets in the L. D. C.'s in order to sustain its standard of living and needed multinational corporations to hurdle what he termed the stupidities and parochialisms of the nationalisms of the world. He was critical of the U. N. Committee of Eminent Persons on Multinational Corporations on which he had recently served.

In response to an invitation to address the Subcommittee on OPIC's role in the North-South dialogue, Dr. Kissinger, former Secretary of State, stated that all of the multiple concerns represented by OPIC were valid; he urged that priorities not be chosen. Dr. Kissinger maintained that middle income nations should not be excluded from OPIC programs for three reasons: successful middle-tier nations provide a demonstration role-model effect, form a middle class of nations in North-South dialogue conferences, and are in a position to help construct ground rules for the international economic system.

Political risk in the L. D. C.'s was fostered by their rhetoric. The reality, Dr. Kissinger pointed out, was the L. D. C. need for investment-stimulated export earnings and the world's need for resources. Progress over the past decade had been greatest in Latin America where capital had shifted from Alliance funding to 80% financing from the private sector. The solution to the perceptions expressed in rhetoric and the reality of needs would not be found only in the relationship between private investors and host countries, Dr. Kissinger indicated. The industrial nations should bear major responsibility for devising new international institutions, such as the International Resources Bank proposed by the U. S. at UNCTAD's Nairobi meeting. OPIC must join with other industrial nations to undertake large mineral projects.

Explicitly rejecting laissez-faire economics to address the issues raised by development problems in Puerto Rico, Dr. Kissinger stated: "I am not saying that private industry, left to its own decisions, simply by the operation of the free market, is going to bring about the economic development of the least developed countries. . .(private industry) may pursue policies that are not in every respect compatible with the long term interests of the countries concerned."[12] Ground rules must be devised, he concluded, to assure both private firms and host countries that investment would be mutually beneficial. The lack of ground rules deterred investment; OPIC could play a useful role in providing mutual assurances.

The Senate Subcommittee staff report also assessed OPIC's role in the North-South dialogue favorably. Their report stated that the empirical work on the development effect of private investment was positive in the aggregate. Negative effects were being countered by the L. D. C.'s themselves through such mechanisms as the Andan Pact and performance requirements. The L. D. C.'s were greatly concerned, however, with achieving a mandatory transfer of technology. Within the context of the issues still in conflict between the North and the South, the Staff determined that OPIC, by rejecting non-developmental projects and encouraging new investment modes, was instrumental in creating conditions which dampen the atmosphere of conflict and confrontation.[13]

OPIC IMPLEMENTATION OF INVESTMENT GUARANTY POLICY

Members of OPIC's Board of Directors who were appointed by virtue of positions in the Departments of State, Commerce, and Treasury changed over this period as sub-Cabinet officials occupying those positions left for other government posts or the private sector. Charles Robinson, Under Secretary of State for Economic Affairs and former President of the Marcona Corporation, appointed in 1975, and William Rogers, Under-Secretary of State for Economic Affairs, appointed in 1976,[14] brought extensive backgrounds in investment and development policy to the OPIC Board. Members of the Board of Directors of OPIC and members of the OPIC executive staff under the Ford administration, as in previous Republican administrations, had received degrees from elite academic institutions and had been associated with prestigious law firms, business corporations, and banking institutions. There was high turnover on the OPIC executive staff with posts held for an average of approximately three years. A revolving door operated in which each departing executive was replaced by an executive with similar private sector background.

The election of President Carter brought a Democratic team of appointed sub-cabinet officials to serve on the Board of Directors of OPIC and John Gilligan, former Governor of Michigan and newly appointed AID Adminstrator, to Chairmanship of the Board. The new Democratic Board members were Julius Katz, Assistant Secretary of State, C. Fred Bergsten, Assistant Secretary of the Treasury, and Frank Weil, Assistant Secretary of Commerce. The executives who served as OPIC's management tendered their resignations. Rutherford Poats, a career Federal executive on OPIC's staff, was named Acting President of OPIC in 1977. Former Ambassador to the Ivory Coast, Robert Smith, was appointed Vice-President for Development. Other key executives of OPIC had not been chosen by the Carter adminstration by late 1977. In 1978 President Carter chose J. Bruce Llewellyn, a black New York business executive, to be President of OPIC. Three private sector appointments to the OPIC Board were awarded to attorneys from Ohio, Connecticut, and Florida.[15] Details of their backgrounds and details of staff changes were not provided in either the 1978 or 1979 OPIC Annual Reports.

Promotion

OPIC implemented its mandate to encourage investment by providing counseling and assistance to interested firms, through utilization of its finance program as seed capital, and by promotion and brokering efforts to match new firms with new opportunities.

Essential counseling and assistance rendered by OPIC was described to the House Subcommittee by Englehard Minerals, Seaboard Allied Milling, and the Filon Exploration Corporation. The concept of "additionality", instances in which investment would not have gone forward without the availability of insurance, was attested to by a list of 25 firms in which insurance was the decisive factor in their investment decisions. The investment decision theories of Dr. Franklin Root, Wharton School Professor of

International Business, and the theoretical models of Dr. Gerald West, OPIC economic development specialist, specifying hurdle rates of return and length of payback period needed by firms to recoup investment were affirmed by the anecdotal reports of companies indicating that insurance, by reducing the need to recover their money within three years through high rates of return, had, in fact, provided additionality. Acting OPIC President Rutherford Poats stated that field office managers of U. S. firms often contend that insurance is unnecessary in a particular country but are overruled by U. S. home office executives who need protection against stockholders' suits.[16] President Poats thus provided a different meaning to the term "additionality".

OPIC implemented investment promotion efforts by developing expertise on the structure of selected L. D. C. economies, conducting pre-investment studies, identifying potential investors through the World Bank, regional Banks, and U. S. government agencies (Chamber of Commerce, Small Business Administration), conducting group visits of U. S. business executives on OPIC missions to Central America, the Andean countries, West Africa, and the Middle East, and hosting seminars for U. S. business leaders in six American cities. A ten day mission to Haiti in conjunction with the Agribusiness Council for corporate executives in the food production industry was also undertaken. Promotion missions stimulated 8 new projects in Arab nations and Central America and 100 potential investments.[17]

OPIC Annual Reports were themselves used for promotion of investment. Fourteen L. D. C.'s advertised opportunities and described their policies towards investment in the 1974 Annual Report. Thirteen different nations announced in the 1976 Annual Report that they welcomed U. S. investment and had enacted legislation to provide a favorable investment climate and guarantee fair treatment to investors. Each country provided a profile designed to attract the attention of investors. The countries seeking investment were Afghanistan, Cameroons, Dominican Republic, Ghana, Malaysia, Tunisia, Korea, Costa Rica, Indonesia, Iran, Kenya, Pakistan, Philippines and Botswana, Ecuador, Egypt, Greece, Haiti, Israel, Ivory Coast, Jordan, Liberia, Nicaragua, and the Sudan. In 1977 OPIC set up a system for a nationwide regional bank calling program in which 50 U. S. banks with potential foreign investor clients were contacted by the agency.

The Finance Department of OPIC concentrated its project brokering efforts in Africa and Central America. Opportunities developed through requests from L. D. C. entrepreneurs and government agencies for U. S. investors to undertake specific projects or from OPIC officers on promotion teams or country "residence programs*" who identified investment opportunities.[18] After Finance Department evaluation and selection of an opportunity, U. S. companies in the relevant industry were alerted. OPIC worked with each company that responded to the alert through a series of steps (meeting local partners, conducting feasibility studies) leading to a joint venture. In 1974-1975 seven members of OPIC's staff spent two weeks in seven West African countries locating 100 potential projects; the Finance Department selected 27 of these to pursue. Investors were sought by contacting 350 U. S. companies, resulting in 10 matches between companies and opportunities. By 1977 five of the brokered projects continued to move forward but had not yet culminated in an investment decision.

In 1976-1977 OPIC revised its brokering approach in order to use staff time more effectively. Finance officers were assigned to spend enough time in a few targeted countries to develop relationships with local industry and government officials. The results from this approach were more successful: 11 matches developed from 14 selected projects, two investment decisions were made, and an overall success rate of 79% was obtained compared to the 39% success rate in the earlier 1974-1975 period. Indirect effects of OPIC brokering efforts were the identification of projects later financed by commercial banks, the accrual by the agency of a wealth of knowledge of business conditions in increasing numbers of countries, and the widening of contacts to serve as a source for future opportunities. Examples of increased knowledge were Finance Department published reports on investment potential in 8 African Francophone countries and surveys of Botswana, Leosotho, and Swaziland.[19]

The results of finance department efforts were as follows:[20]

1974: 6 projects in 5 nations and 1 African regional group.

1975: 12 projects in 8 countries. 10 located in countries with less than $450 income; 7 with small or medium sized U. S. companies, 6 in Agribusiness.

1976: 12 projects in 11 countries, 6 in countries with less than $450 income; 9 with small or medium sized U. S. firms.

1977: 4 projects in 4 countries, all with less than $450 income. (Cameroons, Honduras, El Salvador, St. Lucia).[20]

Despite promotion, brokering, and counseling, the amount of OPIC insurance written from 1974-1976 did not increase. OPIC insurance coverage in 1974 of $1,229 million increased in 1975 to $1,585 million. It then declined dramatically in 1976 to $537 million and to $660 million in 1977.

TABLE 16

OPIC INSURANCE COVERAGE[21]
1974-1977

1974	$1,229
1975	1,585
1976	537
1977	660

Explanations for the decline in insurance suggested by both OPIC and GAO included the following factors: world-wide economic recession, high premiums induced by the privatization mandate, insurance from other countries at lower rates available to foreign subsidiaries of U. S. multinational corporations, and self-insurance based on risk management experience undertaken by large corporations in response to restrictive underwriting practices by OPIC, e.g., Retrospective Premium and War Risk Reciprocal.

The insurance coverage rose and fell, however, with the rise and fall of U. S. investment reported by the Commerce Department.[22]

Risk Reduction

After reauthorization in 1974, OPIC attempted to implement the recommendations of the Culver subcommittee to reduce expropriation risk through stimulation of new investment modes, increased sensitivity to the natural resource sector, and the reduction of concentration in a few countries. By late 1977 OPIC planned to install a new system of rating risks based on the recommendations of private insurance companies and consulting firms. Risks would be rated by economic sector and by country, e.g., the probability of war risk in Korea rather than Morocco. OPIC did not indicate, however, how the ratings might translate into premium differentials.

OPIC encouraged firms applying for insurance to seek local partners, production-sharing agreements, and other risk-reducing investment modes. OPIC encouragement proved successful in terms of the number of projects: those with 50% or more local ownership increased from 21% to 44% in 1974-1976; two-thirds of the 1976 OPIC projects involved local partners.

Restrictions on large and sensitive projects were applied to OPIC insured investments greater than $25 million and those requiring extraordinary host-country concessions. The metal mining share of the OPIC protfolio declined from 32% in 1970 to 8% in 1976. OPIC reduced expropriation coverage of metal mining projects to $152 million compared to the $1,137 million underwritten by AID. GAO concluded that OPIC restrictions combined with host country policies had created "an international extractive industry structure more acceptable to the national interests of the host countries and, consequently, less susceptible to expropriation."[23]

As a response to the need to locate new sources of energy supply, OPIC modified its policies in 1976 to offer limited insurance coverage for investments and concessions in oil exploration and production in non-OPIC less developed countries; insurance of bank loans for oil production was also under consideration. The limitations of the new policies applied to both total exposure and the coverage risks in any one project. The first contract under the new coverage insured Filon Exploration Corporation for up to $20 million of their unrecovered costs in oil exploration undertaken in a production sharing agreement with Jordan.

The sensitivity of oil and natural resource sectors, given the historical record and contemporary political realities, led OPIC to develop elaborate procedures in addition to contract provisions to protect against risk. OPIC President Poat outlined the procedures by describing a concession to develop offshore oil resources obtained by U. S. agricultural co-operatives in a joint venture with a less developed country in Africa. Complying with host country laws, the concession provided for royalties, taxes, and an economic split dependent on the outcome of production. The process by which OPIC reviewed the concession included (a) consultation with the U. S. Embassy on the likelihood of changes in host country laws affecting the investment agreement (b) consultation with a private firm to discover whether the agreement was consonant with current trends in concessions or whether it might be found unfair by future governments (c) consultation with a private firm on standard L.D.C. practices with regard to renegotiating terms at early stages of oil resource development (d) a request for special host government cabinet-level approval of the concession.[24]

Although the 1974 re-authorization required OPIC to give preferential treatment to countries with less than $450 G.N.P. per capita and to seek reduction of concentration of coverage in a few countries, 66% of all new OPIC coverage was extended to seven countries (Brazil, Taiwan, Dominican Republic, Indonesia, Korea, Philippines, Trinidad and Tobago). OPIC, using eight countries as a yardstick and increasing the base, reported that the concentration in eight countries had decreased from 61% to 53% in dollar amount but to 40% in the number of projects insured or financed. Given the constrictions of an inherited portfolio from AID with 50% coverage located in seven countries, the concentration trend under OPIC after 1972 accelerated to 60% in a limited group of countries (these statistics depend on how many countries are included in the limited group). Insurance continued to grow in Brazil and Korea; Indonesia, the Philippines, and Taiwan replaced Chile and Jamaica in the high concentration group. Three nations in the concentration group had G.N.P. per capita of less than $450 - Indonesia, Korea, and the Philippines. Nonetheless, the under $450 nations as a whole received the following proportion of OPIC project coverage: 1974 - 36%; 1975 - 63%; 1976 - 28%.

Although more restrictive than AID, OPIC policies to limit the growth of coverage when concentration exceeds 10% of total coverage in a particular insurance category did not always prevent increases in high concentrated countries. Countries were monitored after they obtained 7% coverage of OPIC's total portfolio; the 10% guideline was supplemented on a case basis by consideration of the nature and size of the investments and the political-economic stability of the host country. A new Retrospective Premium Adjustment Program developed by OPIC for high exposure countries required certain large investors to share in all losses in excess of $100 million.

Continued concentration in Brazil arose from the vast flow of investment into Brazil. OPIC limitations were implemented by insuring projects exceeding $20 million in Brazil for only 50% and confining coverage to underexposed areas outside of San Paulo and Rio de Janiero. The inability to diffuse concentration, especially by increasing the portfolio of under $450 G.N.P. per capita countries, was accounted for by the relative lack of investment opportunities and refusal of investors to select less desirable alternatives. The guaranty program was broadened by the extension of the program to Egypt, Saudi Arabia, Oman, and Bangladesh and the re-opening of the program in

Nigeria. Only Bangladesh qualified as a low income country. The result of implementation from 1974-1977 was to increase concentration in a few countries but to reduce the risk of exposure within them. Secretary Bergsten contended that the concentration was a consequence of the mandated privatization effort.

Risk reduction principles yielded fewer claims in relation to OPIC income, permitting OPIC reserves to grow from $85 million to $205 million in 1971-1976. Over this period, all Chilean claims were settled and claims dropped from $400 million to $93 million. Loss from claims was also reduced by arrangements with private insurors to absorb 75% of the first $40 million of expropriation coverage in each country. The more secure OPIC financial position made possible additions to the Development Investment Fund, the Extended Guaranty Reserve Fund, and the insurance reserve fund.[26]

Finance Programs

Finance department contracts resulting from promotion efforts, previously outlined, followed the Congressional mandate to concentrate on projects involving small or medium sized U. S. business firms in low income countries. The finance portfolio contains the Investment Guaranty program for commercial risks, the Direct Investment fund for seed capital loans, and pre-investment surveys. OPIC's practice was to participate in 40% of costs through the guaranty program for projects over $1 million; the Direct Investment fund loans were often used for projects under $1 million. Despite concern expressed by Library of Congress analysts as to the viability of the finance portfolio inherited by OPIC from AID, the Investment Guaranty program was virtually self-sustaining by 1977. In addition, Direct Investment fund assets were increased by $10 million from the original Congressional authorization of $40 million by funds from OPIC's retained earnings.

TABLE 17

OPIC FINANCE PORTFOLIO
1974-1977

	Loans & Guaranties	Total Portfolio	Revenue	No. of Projects[27]
1974	8 m.	212 m.	4.1 m.	6
1975	36 m.	--	4.0 m.	12
1976	28 m.	231 m.	4.1 m.	12
1977	6 m.	198 m.	3.6 m.	4

The marked slow-down in activity in 1977 was attributed to a decline of 67% in U.S. direct investment flows to less developed nations. Financial viability of the program was strong: fees averaging $2.3 million a year were augmented by interest earnings; losses were small, and the Guaranty Reserve backing loan guaranties stood at $82 million, 22% over legal reserve requirements.[28]

Although the Library of Congress predicted that the Finance program could only be self-sustaining if OPIC avoided risky developmental projects, the mandated shift to lower income countries where projects were likely to have greater developmental impact did not affect financial viability. OPIC consistently maintained that all projects should be commercially feasible as well as developmental.

Dispute Settlement

In response to a question from a new House Foreign Affairs committee member as to OPIC's stand on "the flag versus business", OPIC Acting President Poats outlined the agency's philosophy as follows:

> The U. S. Government in 1977 is not committed to a "business first" orientation in foreign policy but is based on a plurality of interests which must be weighed in foreign policy issues - economic interests, security interests, human rights interests, political and ideological interests. It is precisely because U. S. investors understand that the U. S. will seek to balance a variety of interests that they no longer count on U. S. protection in expropriation cases. Investors can only count on U. S. Government assertion of international law standards. When OPIC

> handles expropriation claims of investors on a technical, non-political basis, OPIC does not blindly insist that U. S. business interest must prevail . . . OPIC takes the position that the world is a constantly changing evolving set of relationships which creates conditions of uncertainty for investors. OPIC attempts to reduce the uncertainties.[29]

In fact, Poats maintained, the existence of OPIC has served to reduce U. S. Government confrontations with other governments over investment disputes by restaining host government rash actions and redirecting nationalist passions into legal-financial technical determinations; it has also brought compensation agreements closer to the U. S. view of international law standards by being in a position to guarantee deferred compensation payments by host governments.

OPIC and GAO reviews of recent claims revealed that OPIC had denied two inconvertibility and five expropriation claims. The bulk of denied expropriation claims, originating in Chile, were settled by: (1) an agreement with Anaconda involving OPIC acceptance and guaranty of Chilean notes (2) forced payment of a claim to I.T.T. OPIC had denied the I.T.T. claim on the basis of C.I.A. involvement reported in Congressional testimony; lack of substantiation through State Department and C.I.A. sources led an arbitration panel to uphold the I.T.T. claim. In 1974-1976, four claims were routinely settled, two Vietnam claims were paid as there were no U. S. diplomatic representatives to request compensation, one claim (Revere in Jamaica) was sent to arbitration, and one claim (Reynold in Guyana) involved extensive negotiations with the Guyana Government.

The Guyanan case grew out of government criticism of the high profits made by Reynolds in its bauxite-alumina operations in Guyana. In 1973 the Guyana Government announced its intention to nationalize the bauxite industry; a bauxite production levy was imposed in 1974. When Reynolds refused to pay the levy, the Guyanan Government prevented the export of alumina. Reynolds then threatened legal action, laid off local employees, withdrew company officers because of alleged threats against them, and filed an expropriation claim with OPIC. The only role played by the State Deparment was to report information on the Guyanan political climate to OPIC. Although OPIC was not consulted in the initial stages of the dispute, OPIC advised Reynolds at the time of their claim to negotiate to sell the bauxite mines rather than pay the tax. After Guyana refused to buy the mines and Reynolds continued to refuse to pay the tax, tension increased. Reynolds asked OPIC to participate in negotiations; Guyana subsequently agreed to pay $10 million in compensation to Reynolds. In their review of this case, GAO found that not only was there no unreasonable involvement on the part of the State Department or OPIC in Guyanan affairs but that OPIC's mediation may have prevented diplomatic tensions between the two countries.[30]

OPIC implemented the dispute settlement process by requiring companies to put their shares to OPIC when claims were filed for compensation. This enabled OPIC to operate the company under a temporary management contract until shares could be disposed at maximum value.

The concept of creeping expropriation was covered by OPIC contracts written to include indirect host government actions with severe economic impact under the definition of expropriation. OPIC indicated that both the U. S. Embassy and the investor inform OPIC of developing situations within host countries that might constitute creeping expropriation and that several such claims had been honored. The Revere case in Jamaica represented an interpretation of this definition and was sent to arbitration.

The Culver subcommittee had recommended multilateral cooperation as a means of facilitating dispute settlements as well as reducing risk for OPIC. After the World Bank proposed International Investment Insurance Association Proposal failed, the OPIC proposed international association based on the Berne Union also failed. In addition, a proposal by Secretary of State Kissinger before the 1976 UNCTAD meeting in Nairobi to create multilateral investment insurance under the World Bank for mineral and energy projects as a form of investor-host country mutual protection met with resistance from the less developed countries who objected to credit access risk associated with the World

Bank. Discussions to develop an insurance pool for mineral investments were then initiated between OPIC and the E.E.C. OPIC did engage in joint efforts with the International Finance Corporation, a regional development bank in Asia (PICA), and national development banks.[31]

Economic Development

Very few specific measures were undertaken by OPIC to implement economic development goals. Efforts to induce investment in very low income countries through missions, resident programs, and seed capital from OPIC's finance program and Direct Investment Fund were designed to help launch a developmental process in those countries. A few showcase projects, such as the Rwanda tea plantation investment, led to U. S. purchases from 2,500 local farmers, with presumed developmental effects. The finance projects were limited; the short and long term development impact was difficult to measure.

Other developmental effects were by-products of the investment process and reported by OPIC after the fact. Agency officials estimated at 149,000 new jobs, $200 million in tax revenues, and $1.3 billion in net foreign exchange earnings were generated by OPIC-insured investments in less developed countries over the 1974-1977 period. Nine examples of transfer of U. S. technology and several cases of benefits to local markets and suppliers were cited in OPIC data covering the same period.[32]

OPIC continued to implement development objectives through the use of selective criteria to determine eligibility for investments under OPIC programs. Thirty-one proposed investments were rejected for either inadequate development or adverse local effects. When 10 rejections for location in Rio/San Paulo are excluded, more than half of the remaining 21 rejections pertained to proposals for luxury-style investments: condominiums, motion pictures, amusement parks, hotels, resorts, disposable diapers, and a self-service restaurant. The two rejections for adverse local effects would have created a monopolistic U. S. position or negative foreign exchange effects.[33] OPIC continued to rely, however, on two sources in determining eligibility under development impact criteria: information furnished by the firms on impact statement forms and assessments by the U. S. Embassy. Since host government approval of the investment was required, it was assumed that developmental impact would be a factor in that approval. OPIC indicated that a member of OPIC's staff may investigate by conferring with local officials and U. S. Embassy personnel in the host country.

In House oversight and reauthorization hearings, relatively little attention was paid to economic development effects on middle and upper income L.D.C.'s. The traditional statements were noted: benefits cited by OPIC, AID, and the State Department; doubts expressed by the AFL-CIO, ambivalent effects dependent on circumstances expressed by academic economists.

The critic of OPIC's developmental effects in the reauthorization hearings was a newcomer to the policy arena, William Goodfellow, Deputy Director of the Center for International Policy, a donation-supported private group concerned with human rights in L.D.C.'s. Goodfellow's extensive critique focused on his perception that unequal distribution of income within an L.D.C. caused human rights violations within the country. Substituting relative income equality for GNP as a development measure, Goodfellow found the six major recipients of OPIC programs to be countries with both skewed income distributions and documented human rights violations, i.e., Brazil, the Dominican Republic, the Philippines, Indonesia. Goodfellow, who researched OPIC files, also pointed to instances of OPIC support for luxury investments in hotels and hunting lodges in the L.D.C.'s. He cited two instances, one of which was a detailed case study of the Potlach Corporation in Western Samoa, in which OPIC-insured U. S. investment had undermined the basis of the local economy with disastrous economic effects. Goodfellow recommended that OPIC programs be discontinued.[34]

The developmental effects of U. S. investment in the L.D.C.'s continued to lack precise determination. The particular effect of OPIC investments has also not been determined.

Selective Reallocation

Implementation to broaden the number of countries covered by OPIC, reduce concentration, and increase programs in poor countries was not successful. The reallocation of investment from non-developmental to developmental projects was difficult to measure and was reduced to controversial arguments over luxury hotels. Reallocation of insured investment from the mining to the manufacturing sector continued to be effective; reallocation to joint venture arrangements also increased as a result of implementation efforts. The selective reallocation from multinational corporations to small business firms was not, as described in the following section, achieved.

Domestic Effects

OPIC implementation of policy relevant to U. S. domestic effects focused on the Whalen amendment to the 1974 OPIC authorization requiring OPIC to extend preference to projects undertaken by U. S. small business firms and Culver subcommittee recommendations to tighten monitoring procedures to prevent adverse U. S. employment effects.

Small business, defined by the Whalen amendment as U. S. business firms with less than $7.5. million in assets or $2.5 million net worth, increased its share of OPIC coverage only in the finance program; the small business share increased to 33% of total projects. Two-thirds of finance program projects were investments by firms smaller than the Fortune 500.

Despite extensive implementation efforts to attract small U. S. firms through nationwide seminars, bank telephone lines, and a network of governmental and private contacts, the multinational corporations continued to dominate OPIC insurance coverage. An analysis by GAO did demonstrate a decrease in the proportion of total insurance issued to Fortune 500 companies to 78% in 1976 compared to 84% and 85% in 1975 and 1974 respectively. The proportion issued to the top three companies, 29%, remained the same in 1974 and 1976.[35] The largest single OPIC insured investor was Kaiser Aluminum and Chemical Company, representing 4.18% of OPIC's portfolio.[36] OPIC did not reject investments strictly on the basis of firm size.

OPIC did reject applications for insurance coverage and finance program assistance based on domestic effect criteria. From 1974-1977, OPIC used this criteria to reject 34 applications including five from runaway plants. Commerce and Treasury Department officials testified before the House Subcommittee that OPIC criteria were so well known in the business community that few runaway industries would apply for insurance.[37] The AFL-CIO issued contrary written testimony which was rebutted by OPIC.

An analysis of OPIC-assisted firms listed in the 1976 OPIC Annual Report by labor union research staff identified two specific U. S. firms (General Instruments - electronics; Dana Corporation - auto parts) and two U. S. industries (T.V. bulbs; fishing) in which unemployed U. S. workers displaced by imports had applied for direct adjustment assistance payments - the International Trade Commission had approved benefits in two of these cases. The union also objected to OPIC coverage of nations that established export platforms to the U. S. Suggesting that a review of OPIC-assisted firms in 1970-1975 would yield additional cases of job-export insurance, the AFL-CIO concluded that OPIC's implementation of Congressional direction to protect against domestic injury was either non-existent or incompetent.[38]

OPIC rebuttal to charges of failure to implement against domestic injury was directed to employment issues in general and to the specific cited cases. OPIC referred to studies on the employment effects of foreign investment which have concluded that foreign investment over time results in a net increase in U. S. employment through export industry and other effects. Testimony before the Congressional subcommittee by Commerce Department Secretary Weil and Professors Root (Wharton School) and Kobrin (M.I.T.) supported the findings of these studies. In an analysis of the specific cases, OPIC stated that OPIC-assisted investments of Dana Corporation production of auto parts in Taiwan contributed to competition between local Taiwanese and Japan and ultimately assisted U. S. markets for U. S. precision parts; the outdated technology provided by a U. S. firm in Korea to manufacture T.V. bulbs to replace Korean imports from Japan was unrelated to problems in the U. S. T.V. bulb industry; fishing industry operations insured by OPIC have been those exported to Europe and Japan rather than the competitive imports from Mexico, Panama, India, and Ecuador in which the competition to the U. S. has not been insured. OPIC did admit that the AFL-CIO analysis had led the agency to re-examine the General Instrument Company's electronic operations in Taiwan. Since these operations had begun in 1964, the investor had been able to assure OPIC that all operations under consideration had long been transferred from the U. S. to Taiwan so that further expansion would not affect U. S. employment. OPIC felt that both the original representations of the company and their subsequent operations should be monitored in light of AFL-CIO concerns. OPIC also indicated that insurance to Citibank in Nicaragua was unrelated to the free trade zone and that the availability of OPIC insurance in Nicaragua did not imply that OPIC would insure a project with adverse U. S. domestic effects.[39]

Other domestic effects of U. S. investment and OPIC-insured investment were by-products of the investment process rather than the result of OPIC implementation procedures. These by-products included the long-term benefits to U. S. employment indicated by the economists, the positive effects on the U. S. balance of payments of repatriated profits cited by officials, the stimulation to U. S. exports cited by OPIC in a list of examples submitted to the House Foreign Affairs subcommittee, and U. S. procurement of assured essential raw material supply elucidated by OPIC and business executives.[40]

Privatization

The OPIC Reauthorization Act of 1974 provided that OPIC must transfer its political risk insurance programs to the private sector by December 31, 1980; the authority for OPIC to underwrite political risk insurance was scheduled to expire on December 31, 1977.

In order to implement this mandate in 1975, OPIC formed the Overseas Investment Insurance Group (OIIG) in conjunction with 13 private insurance companies. The Group refused to be involved in the insurance of investments in Jamaica, the Dominican Republic, and Ethiopia. Otherwise, the Group agreed to reinsure OPIC existing policies for inconvertibility and expropriation up to the first $40 million loss per country and $80 million loss on a worldwide basis per year. OPIC remained responsible for amounts exceeding the reinsurance. OPIC then re-negotiated previous contracts for re-insurance with Lloyds of London in order to bring Lloyd's into the Group. OPIC established a separate mutual-type association with its clients, the War Risk Insurance Reciprocal, as a means of privatizing was risk insurance.

By 1977 the Overseas Investment Insurance Group (OIIG) had expanded membership to 21 companies which enabled the OPIC share of Group risk to decline to 75%. The major factor in the decline was the participation of foreign companies in the Group, especially Lloyds of London. Further increases in membership by U. S. companies were difficult to obtain; firms interviewed by GAO reported unfamiliarity with the risks and an adverse domestic insurance climate.

Private sector participation, represented by OIIG and Lloyd's, developed into an 18% participation in inconvertibility and 75% participation in expropriation risks. The participation was limited, however, by ceilings on liabilities in any single year. A recent agreement between Lloyd's and OPIC, in 1977, renewed inconvertibility coverage and increased expropriation coverage by 26% on a reinsurance basis. However, the burning cost adjustments, additional premiums paid to Lloyd's when their losses exceeded premium income in a given year, increased by 96%. Lloyd's, receiving premium income as both OIIG group member and reinsurer, was only exposed to liabilities of $5 million worldwide and $2 million per country. If one highly concentrated country, e.g., the Philippines, were to expropriate all insured U. S. property, OPIC would be responsible for 85% of the claims payments. There were 15 countries in the OPIC portfolio, excluding non-OIIG covered Jamaica and the Dominican Republic, with expropriation coverage in excess of the $40 million OIIG maximum loss limits.

In the early 1970's, U. S. business firms had expressed a degree of interest in political risk insurance applied to inconvertibility and expropriation but not to war risk. In 1976, OPIC set up its own War Risk Insurance Reciprocal to directly insure all war risk policies written since January 1, 1976 and to reinsure 40% of the war risk policies that OPIC had written in the years between 1972 and 1975. Final implementation was delayed by licensing problems but the Reciprocal provided for OPIC reinsurance against excessive losses and an initial share of 60% of the risk. The Reciprocal liability was limited to $12.5 million per country and $25 million world-wide per year.

As a result of its review of the progress attained by OPIC in attaining the private participation mandate schedules set up by Congress, GAO concluded that: (a) The degree of private participation by 1977 was superficial. (b) Progress experienced resulted from the participation of foreign insurance companies. (c) One-half of the companies interviewed expressed a desire to participate in political risk insurance in the future;

most were reluctant to do so in the present. (d) An analysis of the cost-benefit ratio of private participation suggested that the premium income received by the private sector was not consonant with the liabilities assumed - OPIC as re-insurer was required to pick up ultimate losses. (e) the 1974 mandate placed OPIC in an unfavorable negotiating position vis-a-vis the private companies and affected total OPIC operations; OPIC could not afford to take risks. (f) In the final analysis, GAO concluded that the mandate to require schedules of private insurance participation and final control could not be met.

A survey of 20 private insurance companies and studies undertaken by Brookings Institution, the American Bar Association, and Tillinghast Co., consulting actuaries, all reached the same conclusion: complete privatization could not be attained by 1981. The Tillinghast Study, commissioned by OPIC, suggested that changes in rating practices to reflect actual risk would result in attracting 100% privatization. An additional change desired by private insurors interviewed was the reduction of long term insurance commitments from 20 years to 1 to 5 year short term contracts.[41] Current arrangements provided OPIC insurance for 20 year periods, OIIG members in the London market as co-insurors or re-insurers to make commitments for three years, and other OIIG members to participate one year at a time. Neither the American Bar Association, Brookings, or the Tillinghast Co. felt complete privatization to be as desirable as a joint OPIC private venture. They pointed to the increased cost of insurance and the reduction in covered costs and developmental emphasis that privatization would necessitate.[42]

In the Congressional oversight hearings, LeRoy Simon of Prudential Reinsurance Co., an OIIG member, stated that OIIG private insurors had never rejected a case proposed by OPIC for insurance coverage and in no way affected OPIC's willingness to underwrite risky cases. He suggested that greater private participation could be induced by modifying the Federal tax levy of 48% of the profits of catastrophic loss insurance firms and a greater spread of OPIC exposure to include developed countries; the lowest income country rates could be subsidized. He felt that the single country rate structure, essentially a no fault system, was acceptable as long as high risk countries, (Ethiopia, etc.) were excluded. In response to Congressional criticism that OPIC served to cushion all basic risk, Simon reported that all losses to date had fallen in the under $40 million range and thus had been partially absorbed by the OIIG group.[43] Nonetheless, several Congressional subcommittee members viewed the OPIC-OIIG arrangements as a "sweetheart deal" for the insurance companies.[44]

HOUSE SUBCOMMITTEE POLICY REFORMULATION

The House Subcommittee on International Economic Policy and Trade not only held more extensive hearings than its Senate counterpart but devoted substantial time to consideration of the Administration bill in mark-up sessions. Subcommittee chairman Bingham and ranking minority member Whalen organized subcommittee debate and provided leadership for the bill through the full committee and on the floor. Rep. Whalen opened discussion of the bill in final mark-up sessions by two guiding statements: No basic decision had ever been made by the Congress as to whether direct investment abroad was in the interest of the United States; in the absence of such a determination, the creation of OPIC was predicated on making a contribution to economic development of less developed countries.

In addition to several technical amendments, the six substantive features of the administration bill were examined in turn. The first, the extension of OPIC for four years, was compared to the Senate's preference for two years. The Subcommittee agreed to recommend a three year extension. An amendment by Rep. Whalen to remove the specific Small Business Administration definition from the legislative guideline for OPIC to give preference to small business was accepted.

The Administrative proposal to permit OPIC to utilize investment guaranties to facilitate the financing of small mining projects was supported by the Subcommittee. OPIC explained that the Direct Investment Fund and feasibility studies would not be used for mining projects and that no financing would be undertaken for oil and gas exploration. Some critical materials such as chromium and cobalt might be mined in less developed countries with a small degree of OPIC catalytic financing; minority position and production sharing modes would be emphasized.

The fourth proposal, to give preference to investment projects that would directly further OPIC's development objectives, was modified by the Subcommittee. Rep. Whalen reported that staff and committee field trips to Latin America and Africa had found OPIC to be marginal to investment decisions in Latin America and to the channeling of investment to low income countries in Africa. In response, OPIC Acting President Poats announced that the Executive branch had recently set a new policy to limit OPIC insurance to less developed countries with lower than $1,000 G.N.P. per capita, in 1975 dollars. President Poats pointed out that OPIC's self-sustaining capacity would not be affected since the record did not demonstrate higher risk in lower income countries. The Executive branch did not believe that it was necessary to write the policy decision into legislation.

Subcommittee members, however, felt that the demise of privatization made possible a return to development as OPIC's primary goal and sought to strengthen the development mandate. Committee members also preferred that OPIC focus on the same development objective of basic human needs encompassed by the "new directions" program of AID. To that end the Subcommittee proposed that OPIC prepare a Development Impact Profile for each project with data appropriate to measure its development effects and a summary yearly Development Impact Report to Congress.

Acting OPIC President Poats suggested that OPIC criteria could not be synonomous with AID criteria since OPIC assists growth related productive enterprises and the AID program concentrates on social welfare measures. He indicated that specific criteria to be performed by OPIC in development be spelled out in the bill, criteria which would conceptualize private investment as a supporting function which makes comprehensive development possible. President Poats objected to the individual project Development Impact profiles as a violation of business confidentiality and a requirement for increased staff. The final amendment to emerge from the Subcommittee took the agency's concerns into account. The amendment specified a list of 11 factors which OPIC was required to consider in the developmental impact of each proposed project; the list of factors included those appropriate specifically to productive enterprises and those congruent with AID "new directions" such as the effect of the project on the poor. The Development Impact Profile on each project would protect business confidentiality. But OPIC was directed to hire more staff and to seek co-operative arrangements with AID in order to implement the developmental impact mandate.

The fifth Administration proposal to delete the privatization deadlines of the 1974 legislation but continue the encouragement of private participation sparked lively debate. All members favored deletion of privatization deadlines but Rep. Cavanaugh (D., Neb.) proposed an amendment to remove all private participation from OPIC operations. Rep. Cavanaugh submitted a table to show that from 1975-1977 private insurance companies received premiums of $5.4 million, paid claims of $255 thousand, and held pending claims of $1.8 million. Rep. Cavanaugh argued that OPIC could not follow aggressive development policies and accommodate private insurors who drained OPIC potential reserves at a handsome profit with no risk and the freedom to withdraw from participation on one year's notice. The Cavanaugh amendment was immediately supported by Rep. Ireland (D., Fla.) and Rep Whalen, who pointed out that the privatization requirement was entirely sponsored in 1974 by the Senate and not by any of the House Committees.

President Poat of OPIC disagreed with Rep. Cavanaugh's assessment. Poat pointed to the language in the administration proposal that said OPIC should continue to pursue privatization "on equitable terms". He felt that continued private participation was useful. The 46% re-insurance from Lloyds was financially important to OPIC and was a three-year commitment. OPIC currently was negotiating with OIIG for an improved premium split and terms longer than one year. Futher, the private insurors could cover countries excluded by OPIC - those belonging to the Andean Pact and, in the future, those with over $1,000 per capita income. The earlier terms were dictated by the need for private insurors to obtain safety in a new venture - they could have lost money instead of making a profit. OPIC had to make the portfolio attractive to private insurors and thus tended to insure whatever was accepted by the host country and seemed marginally developmental. OPIC also went into new countries such as Saudi Arabia, Kuwait, the U.A.E., and Hong Kong where it was questionable that OPIC protection was needed. The marginal development projects and the marginally-needy countries, President Poat stated, had been set aside by Carter Administration policies to focus on countries with less than $1,000 G.N.P. per capita and to elimate mandated privatization. President Poat believed, however, that a further consideration should be introduced - OPIC had played and could continue to play a role in institution building through the educational nurturing of a private insurance capacity in the field of political risk. Rep. Ireland argued that the educative process notion was nonsense since the private insurance companies were not stupid; private participation was a "handout". President Poats stated that a private insurance company had gone into the political risk business on its own; since there was no actuarial base such a decision must have been based on the OPIC educative process. Although Chairman Bingham supported the position of the Administration, the majority of subcommittee members were sympathetic to the Cavanaugh amendment. The final amendment adopted by the Subcommittee was to (1) permit OPIC to buy or sell re-insurance (2) permit OPIC to joint underwrite with specific private companies or consortia on specific projects (3) preclude the joint underwriting or co-insurance between OPIC and OIIG. Immediately prior to the vote on the Subcommittee-agreed version of the Cavanaugh amendment, President Poats of OPIC raised tactical questions. He suggested that the Senate Subcommittee chairmanship might pass from Hubert Humphrey to Frank Church, author of the original privatization amendment, by the time the bill reached the Seante and that it might offend the private insurors and jeopardize re-insurance. Rep. Cavanaugh declared that the function of Congress was to formulate legislation on the basis of facts and not on the basis of potential misunderstandings. Rep. Cavanaugh's argument carried the day.

The sixth proposal, the bribery amendment by Rep. Solarz (D., NY), was opposed by the administration. A version of this amendment, applied to administrative agencies including OPIC and AID, had previously been approved by House Committees and the House floor but had not cleared the Senate. The amendment had been sparked by disclosures of bribery payments by Lockheed and other major multinational companies to foreign governments and had been the subject of exhaustive separate hearings in the House and the Senate. The wording of the Solarz amendment, as applied to the OPIC re-authorization bill, presented problems as it linked any bribery engaged in by a corporation (i.e., customs officials, building inspectors) at any given time, once exposed anywhere, to cancellation of the insurance of that corporation by OPIC. OPIC opposed the Solarz amendment as double jeopardy, post-hoc, and disproportionate to the offense. OPIC argued that there must be a direct link between the act of bribery and the expropriation of a U. S. firm and thus a rationale for the denial of the claim based on expropriation precipated by bribery. OPIC argued that it was out of proportion to take bribery of a customs official which may or may not be related to OPIC-insured operations as the basis for cancellation of long-paid for - OPIC insurance when expropriation of the firm may not be involved. Further, OPIC could not possibly perform investigative and judicial functions in connection with bribery associated with OPIC-covered firms. OPIC was willing to add bribery to the factors that might cause a firm to provoke expropriation and thus negate OPIC insurance claims coverage, although OPIC felt bribery was implied in the provocation clause. OPIC believed that general legislation covering bribery, previously stalled in the Senate, would be preferable to specific OPIC provisions. After extensive debate, the Subcommittee agreed on an amendment which provided that no claims payment by OPIC would be made for any project where a bribe was found to exist - this would not require the termination of OPIC policies but it also would not require that bribery be the causal factor for expropriation. The act of bribery by an OPIC insured firm would be determined by a Federal Agency, e.g., S.E.C. This decision was cognizant of the possibility that host governments could allege bribery as a reason for not paying legitimate claims and that OPIC should be relieved of investigative and judicial functions. The Subcommittee further agreed that the bribery amendment be limited to the insurance coverage of OPIC, cover all forms of OPIC-insured risk, and apply only to OPIC insurance written pursuant to the legislation. Although the Subcommittee members understood the legal basis for OPIC arguments that a linkage must be made between bribery and expropriation actions, the members felt that the moral condemnation of bribery required a connection between any Federal agency-determined act of bribery and disapproval of U. S. association with the firm, including denials of payments of claims on a project where any bribery had been discovered even if expropriation was not involved. On this basis and that of the specific provisions, the Solarz amendment was approved 3-2 by the Subcommittee.[45]

The Adminstration bill, as amended with reference to development, privatization, and bribery was reported favorably to the full House Committee on International Relations.

HOUSE AND SENATE COMMITTEE APPROVAL

The House Committee on International Relations debated the recommendations of the Subcommittee but the only spirited opposition came from Rep. Leo Ryan (D., Cal.). Even though the Chairman of the Committee, Rep. Zablocki, (D., Wisc.), had opposed OPIC since its creation, he was not willing to oppose the Carter Administration. Rep. Ryan, however, opposed OPIC in committee and vowed to take the fight to the House floor - he was opposed to the effects of OPIC on U. S. unemployment and the effects on the poor within the L.D.C.'s. Rep. Derwinski (D., Ill.), stating his support for Vandenberg bi-partisanship in foreign policy, was concerned to learn whether the Subcommittee bill was sufficiently in line with Administration proposals.[46] Other than the issues raised by Rep. Ryan, there was little substantive debate and the full committee of the House of Representatives voted to support the bill with minor changes.

The Senate Subcommittee on Foreign Assistance of the Senate Committee on Foreign Relations voted to support the Administration bill by 5-2. The deliberations, not extensive, included many of the same proponents and opponents who debated the 1973-1974 legislation. The administration-supported bill went from the Subcommittee to the full Senate Foreign Relations Committee, where slight modifications were made. The Senate Foreign Relations Committee placed a ceiling on the loans and grants that could be made for mineral projects by OPIC and stated that the bribery provisions enacted should only remain in effect until the passage of general bribery legislation. Although the Senate Committee required that OPIC enourage insurance coverage "not at the expense of development goals," the Committee rejected the House detailed listing of development criteria as not applicable to every project.

Comments appended to the Committee favorable report were made by opponents Church and Case. Church stated that 150,000 U. S. jobs were lost each year due to U. S. foreign investment. Both Church and Case wrote that there was "no convincing evidence that the type of investment which OPIC insures contributes significantly to balanced economic growth in the developing countries."[47] Investment guaranty policy moved to the floors of Congress for final decision.

NOTES CHAPTER 8

1. Congressional Quarterly, Almanac, Vol. XXX., (1974), p. 32.

2. U. S. Department of Commerce, Bureau of Economic Analysis, Direct Investment Position Abroad at Year End, 1974-1977. Supplement to "Revised Data Series on U. S. Direct Investment Abroad, 1966-1974." (computer print-out).

3. Joan Edelman Spero, The Politics of International Economic Relations (New York: St. Martin's Press, 1977), p. 150.

4. Paul E. Sigmund, Multinationals in Latin America (Madison: University of Wisconsin Press, 1980), p. 244.

5. U. S. Congress, Senate, Committee on Foreign Relations, Report on the International Development Assistance Act of 1978. S. 3074. 95th Congress, 2nd Session, 1978.

6. Interview, July 17, 1977, with Robert Jordan, Vice-President, Public Affairs, Overseas Private Investment Corporation.

7. Interview, December 3, 1980, with Dr. Jacques Gorlin, Senior Economist, Staff of Senator Javits (R., N.Y.).

8. U. S. Congress, House, Committee on International Relations, Hearings Before the Subcommittee on International Economic Policy to Require Certain Actions by the Overseas Private Investment Corporation Programs. 94th Congress, 2nd Session, 1976.

9. U. S. Congress, House, Committee on International Relations, Hearings and Markup before the Subcommittee on International Economic Policy and Trade on the Extension and Revision of Overseas Private Investment Corporation Programs. 95th Congress, 1st Session, 1977, p. 429.

10. Ibid., p. 438, p. 161.

11. Ibid., p. 101, 129, p. 125, p. 118, pp. 79-81, p. 64, p. 36, p. 34, p. 103, p. 85, p. 110, pp. 4-14, pp. 162-165.

12. U. S. Congress, Senate, Committee on Foreign Relations, Hearings before the Subcommittee on Foreign Assistance on OPIC Authorization. 95th Congress, 1st Session, 1977, pp. 66-81, p. 114, p. 154, p. 149, pp. 139-142, p. 144.

13. Ibid., p. 144, p. 147, p. 62.

14. Annual Reports, Overseas Private Investment Corporation (1975), pp. 11-12, (1976), p. 7.

15. Ibid. (1978), p. 8.

16. U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, pp. 175-183, 119-121, p. 229, p. 123, p. 79, pp. 393-428.

17. Ibid., p. 16, pp. 26-27, p. 77. Annual Reports, OPIC (1974), pp. 18-46; (1975), pp. 3-4; (1976), p. 4, pp. 16-31; (1977), p. 3.

18. Although some OPIC officials felt the promotion missions were effective, others felt the lack of annual premium return cast doubt on their cost effectiveness. Since the missions included a tour of both middle and low income L.D.C.'s, investors were unlikely to choose the less profitable low income nation alternative. (U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, p. 30.

19. Ibid., pp. 439-443.

20. Annual Reports, OPIC (1974), pp. 10-12, p. 56; (1975), pp. 10-11, pp. 48-49; (1976), p. 8, pp. 47-49; (1977), p. 11, p. 19.

21. U. S. General Accounting Office, Report to the Committee on Foreign Relations, U. S. Senate on the Investment Insurance Program Managed by the Overseas Private Investment Corporation by the Comptroller General of the U. S. (1977), p. 35.

22. See Investment and Insurance data in the Appendix.

23. U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, p. 258, U. S., GAO, Report on OPIC (1977), pp. 31-33.

24. U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, pp. 34-36, 84-85.

25. U. S. GAO, Report on OPIC, 1977, p. 25, p. 28.

26. Ibid., pp. 21-23.

27. Annual Reports, OPIC, (1974), p. 3, pp. 10-13; (1975), p. 3; (1976), p. 4; (1977), p. 4, p. 11.

28. U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, pp. 407-408.

29. Ibid., p. 85.

30. Ibid., pp. 19-21, U. S. GAO, Report on OPIC (1977), p. 41.

31. Ibid., pp. 95-97.

32. Ibid., p. 387.

33. Ibid., p. 124.

34. Ibid., p. 245, pp. 222-223, pp. 143-159.

35. U. S., GAO, Report on OPIC, 1977, p. 34.

36. U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, p. 96.

37. Ibid., p. 123.

38. Ibid., p. 355.

39. Ibid., p. 114, p. 239, pp. 370-371.

40. Ibid., p. 239, pp. 121-122, pp. 379-389, pp. 175-177.

41. U. S., GAO, Report on OPIC, 1977, pp. 111.-1.V., pp. 1-23, U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, p. 5.

42. U. S. Congress, House, Subcommittee Markup on OPIC Revision, 1977, p. 41, p. 206.

43. Ibid., pp. 193-204.

44. Ibid., p. 297.

45. Ibid., p. 257, p. 271, pp. 261-263, p. 265, p. 268, p. 270, pp. 296-298, p. 298, p. 301, p. 277, p. 315.

46. U. S. Congress, House, Committee on International Relations, Markup and Hearings on the Extension of the Overseas Private Investment Corporation. 95th Congress, 1st and 2nd Session, 1977.

47. Congressional Quarterly, Almanac, Vol. XXXIII., (1977), pp. 390-92.

CHAPTER 9: REAUTHORIZATION , 1977: DOMESTIC PRESSURES

INSURED INVESTMENT POLICY REFORMULATION

Senate deliberation of the reauthorization of OPIC generated little controversy in 1977. The debate was pro forma. Congressional staff reported that Senator Javits stood at the door of the Senate and summarized the rationale for OPIC reauthorization as "exports" to entering Senate members.[1] In debate, Senator Jabits defended OPIC as essential to efforts to include private enterprise in support of the foreign aid program.

In opposition, Senator Case quoted from the "Dear Colleague" letter that he and Senator Church had recently circulated. The letter criticised the type of projects insured by OPIC over the previous three years, i.e., Ralston Purina fast food chains in Brazil; I.T.T. and T.V.A. safari lodges in Kenya; and "art galleries, plush hotels, and secretarial schools" in Haiti. After this exchange, the administration bill, with minor wording changes, passed the Senate in October, 1977, by a vote of 69-12.[2]

H. Bill 9179 was debated in the House for two days, Nov. 1-2, before the House temporarily suspended action on the bill. During the two day House debate, three amendments were passed on the floor. One amendment, by Rep. Solarz, to prohibit OPIC assistance to any project likely to cause significant U. S. unemployment was adopted by voice vote. A second amendment, by Rep. Long, (D., MD), required OPIC to provide at least 50% of insurance, guaranty, and financing programs to U. S. small business as defined by the Small Business Administration. Rep. Long said that Congress should "end the monopoly which big business has on OPIC guaranties." The Long Amendment cleared the House by a 285 to 111 vote. The Long Amendment, later characterized by by Rep. Bingham as "utterly unworkable" and by OPIC Acting President Poats to mean the reduction of OPIC programs by 95%, was followed by the Harkin Amendment. The Harkin Amendment prohibited OPIC from assisting projects in countries with records of gross violations of human rights. Reports were required by OPIC as to whether each project was accepted or rejected on the basis of a country's human rights record. Subcommittee Chairman Bingham, floor manager of the bill, stated that the Long and Harkin amendments were proposed by opponents of OPIC who wanted to kill the whole program. The most vocal opposition to the bill was mounted by organized labor.[3] The bill was also opposed by the Americans for Democratic Action, alerted to anti-development OPIC projects by the Director of the Center for International Policy. Lobbyists for A.D.A. contacted liberal House members.[4]

Rep. Bingham pulled the bill from the House floor back to the International Relations Committee to consider tactical strategy. The strategy Rep. Bingham pursued was to offer four amendments to meet the objections of the AFL-CIO and other concerns expressed on the floor.

One amendment provided that OPIC allocate up to 50% of its annual net income to assist and facilitate the development of projects by small business which may have significant social or economic development impact. Although OPIC would remain self-sustaining as a whole, its profits (50%) would be devoted to small business assistance. Small business, therefore, would be subsidized by the profits generated by big business participation in OPIC. Designed to head off and supersede the Long Amendment, the new amendment received tacit consent by the Committee and was not discussed. A second amendment "to give preferential consideration to investment projects in low income countries which have per capita incomes of $520 or less in 1975 U. S. dollars and to restrict its (OPIC) activities with respect to investment projects in the more advanced less developed countries" was also accepted by consensus. This formal amendment ratified the recent Executive Department policy guidelines for OPIC and accorded with the sentiments of the House committee and subcommittee on the development purposes of OPIC.

A third amendment added a legislative sentence to read: "The Corporation (OPIC) shall undertake, consistent with its developmental objectives, to support the interests of the U. S. in the maintenance of adequate world production of mineral, energy resources, and other basic materials" and . . . "to give preferential consideration in its investment insurance, financing, and reinsurance activities to investment projects that would enhance the access of the U. S. to strategic and critical materials as such materials are determined pursuant to . . . the Strategic and Critical Materials Stock Piling Act . . . for which the U. S. is or may be expected to become dependent on foreign sources for more than 10% of its annual needs." Rep. Bingham, in consultation with James Grant, Director of the Overseas Development Council, decided that the crucial role of OPIC in facilitating U. S. acquisition of needed raw materials had not been sufficiently addressed by the House Committee on International Relations.[5] Timothy Stanley, an expert on raw materials policy, was invited to discuss U. S. access to raw materials in a committee hearing. Mr. Stanley offered the following observations to the committee: (1) U. S. national perceptions with regard to raw material policy range from panic to complacency, depending on perceived threat to supply. (2) The consumption of raw materials has historically paralleled G.N.P. growth. If the U. S. continues on the path of under 3% GNP growth, there will be no problem of raw material supply. Such a low G.N.P. growth means recession, unemployment, and low prosperity. But if G.N.P. growth can be accelerated to over 4%, serious raw material supply shortages will result. These will result because of the very long leadtimes involved in mineral investments and the lack of forecasting by Government and private sources. (3) A distinction can be made between dependency and vulnerability. The U. S. is not vulnerable if the material supply is manageable; i.e., if there are adequate, diversified, and reliable sources of supply. Research identified potential major supply problems for only five materials: bauxite/aluminum, chromium, copper, platinum group of metals, and oil. Nine other raw materials were seen to pose moderate problems while 12 others were of lesser concern. (4) Diversification and reliability of supply can be improved as a result of OPIC insurance to reduce risk and the foreign aid program to develop positive relationships with suppliers. (5) Both Mr. Stanley and The International Economic Policy Association he represented agreed that OPIC was critical for mineral investors. Although many firms had not qualified for OPIC coverage in the past for technical reasons, those interviewed by Stanley indicated that OPIC programs would be even more important to mineral investors in the future. Many firms expressed fear of expropriation via the abrogation of contracts such as occurred in Libya and Jamaica. During committee discussion Rep. Ryan objected that it is not possible to guarantee access to raw materials; the OPEC cartel demonstrated emphasis on raw material supply to be Yankee imperialism. Stanley pointed out that the Jamaican negotiations illustrated that bargaining power between investors and less developed nations has shifted; further the contemporary pattern of world resources was diffuse rather than concentrated in a few large deposits associated with the era of "imperialism". In the contemporary context, the U. S. was at a competitive disadvantage in developing mineral resources due to the government policies and more liberal investment guaranty programs of competing industrial nations.[6]

Several committee members questioned the raw materials amendment as self-serving and high-risk. The amendment was supported, with reservations, to strengthen Chairman Bingham's efforts to counter labor opposition to the bill; Bingham reasoned that raw materials abroad would increase jobs at home.

The final amendment directed OPIC to refuse to assist any project which would significantly injure domestic U. S. industry through the transfer of technology. Rudy Oswald, AFL-CIO Research Director, was asked by the subcommittee to testify on the impact of OPIC on U. S. employment. In late 1977 the AFL-CIO convention reaffirmed the position it had taken in 1974 calling for the termination of OPIC. In his testimony Oswald repeatedly accused OPIC of failing to implement previous Congressional mandates to diminsh insurance coverage of multinational corporations and banks, to emphasize development in the poorest countries, and to stop exporting U. S. jobs and technology. Organized labor also objected to OPIC assistance to firms in countries that abrogate human rights and deny effective trade union representation. Although the committee amendments designed to address the concerns of labor gave more explicit directions to OPIC, the AFL-CIO spokesman felt there was no assurance that the agency would comply with them to any greater degree than the past.

The specific cases of OPIC-assisted export of jobs cited in previous AFL-CIO written testimony were presented at the hearing and were answered again by Acting President Poats of OPIC. Poats reported that efforts to arrange a meeting between labor union and OPIC officials to examine OPIC projects had been unsuccessful but that he had forwarded to the AFL-CIO a detailed analysis of the relationship of OPIC to the steel, electronics, textile, shoe, and leather goods industries. The voting record of the labor representative on OPIC's Board was made available to the committee; the labor representative had only once failed to vote with the Board majority. The labor representative felt that organized labor needed better understanding of OPIC policies.[7]

Committee members characterized the four Bingham amendments as "band-aids", important clarifications, "cosmetics", not substantive, the work of "tactical genius under great stress" and "directly to the concerns of very major interest groups which have previously been opposed to the bill." The committee endorsed all amendments and supported Rep. Binghams's leadership role in directing strategy on the floor.[8]

Organized labor continued to oppose OPIC's reauthorization on the floor. The closing of a Goodyear plant in Akron, Ohio while Goodyear, with OPIC insurance, continued to operate in Morocco sparked further debate. An OPIC supporter stated that the Akron plant closing was caused by domestic competition. Senator Hubert Humphrey sent a letter to House members urging support of OPIC. Although a long time union supporter, Humphrey wrote that he felt labor was wrong on this issue.

DECISION-MAKING: THE SENATE AND THE HOUSE

The SENATE

The ideological composition of the Senate vote was not very revealing. OPIC reauthorization was supported by Republicans, 27-3, and by Democrats, 42-9 (Northern Democrats, 27-8; Southern Democrats, 15-1). The ideological complexion of the Senate, by ADA standards, had become more conservative.

TABLE 18
IDEOLOGICAL COMPOSITION OF SENATE, 1977

Highly Liberal	13	(D. 12; R. 1)
Moderately Liberal	32	(D. 23; R. 9)
Moderately Conservative	21	(D. 17; R. 4)
Hignly Conservative	34	(D. 10; R. 24)

The vote for the reathorization of OPIC was as follows:

TABLE 19
OPIC REAUTHORIZATION VOTE: SENATE

	For OPIC	Opposed OPIC
Highly Liberal	8	3
Moderately Liberal	21	3
Moderately Conservative	16	2
Highly Conservative	24	4

THE HOUSE

The degree of opposition which arose in the House to the extension of OPIC had not been anticipated. It can be charted by analyzing the roll call vote on the Long Amendment which led to the withdrawal of the bill from the floor and the final vote in 1978 for reauthorization.

The House in 1977-1978 was elected in 1976 and contained 289 Democrats and 146 Republicans, a significant Democratic gain. The ADA ideological composition was:

TABLE 20
IDEOLOGICAL COMPOSITION OF HOUSE, 1977

Highly Liberal	54
Moderately Liberal	97
Moderately Conservative	102
Highly Conservative	181

Although the House had increased its Democratic majority in 1977 over 1974, the ADA ratings show a decline in Highly Liberal members of the House in favor of an increase in Moderate Liberals. The conservative increase was marginal (4 members).

The Long Amendment compelling OPIC to conduct 50% of its operations with small business (as narrowly defined by S.B.A.) would have created another "sudden death" for the Agency. Passed by a vote of 285-111, the Long Amendment was supported by Repuiblicans 79-53, and Democrats, 206-58 (Northern Democrats, 136-51; Southern Democrats, 70-7). On an ADA ideological basis, roll call vote tabulation results are:

TABLE 21
LONG AMENDMENT VOTE: HOUSE

	For Long Amen.	Opposed Long Amen.	% Support
Highly Liberal	35	16	69%
Moderately Liberal	58	32	64%
Moderately Conservative	69	21	77%
Highly Conservative	123	41	75%

Votes for the Long Amendment were opposed to the position of the President and the sponsoring committees and would be in accord with the views of the AFL-CIO. The high conservative support would not normally be a labor vote and would seem to reflect opposition to OPIC on other grounds. When the bill was recalled to the House International Relations Committee because of the probability of defeat on the straight reauthorization, the committee discussed ways of meeting the opposition expressed by organized labor. Committee members disagreed as to whether House members actually knew what the Long Amendment represented and what, in fact, they were voting on.

After committee restructuring of the bill, it was submitted to the second session of the 95th Congress and won passage in 1978 by a 191-165 vote. The vote breakdown was: Republicans - 83-40; Democrats: 108-125 (Northern Democrats, 73-88; Southern Democrats, 35-37). Although the Congressional Quarterly viewed the Republican vote as the decisive factor, the high percentage of those who did not vote on the issue appears even more significant to the outcome.

The ideological patterns, measured by ADA scores, of the OPIC 1978 reauthorization vote were as follows:

TABLE 22

OPIC REAUTHORIZATION VOTE: HOUSE

	For OPIC	Opposed OPIC	% Support
Highly Liberal	19	21	48%
Moderately Liberal	47	34	58%
Moderately Conservative	44	44	50%
Highly Conservative	78	66	54%

The moderates carried the bill.[10] The trend, however, was for increasing conservative support and liberal disaffection.

CONFERENCE REPORT AND FINAL BILL

The Conference Report came up with a bill containing the repeal of privatization, the House committee provision for a three year extension, 50% OPIC profits to be spent for small business ventures, preferential consideration to countries with under $520 million per capita income, restriction of activities in countries above $10,000 in per capita income, OPIC preparation of development impact profiles and reports, and the

Senate committee ceiling on mineral project financing. House floor amendments to prohibit OPIC assistance likely to cause a substantial reduction in U. S. employment (Solarz) and to prohibit projects in countries that violate human rights (Harkin) were included. Two restrictive House amendments added at the final floor debate were also included: the prohibition of OPIC support to any project that would expand copper production to the injury of the U. S. copper industry or would expand production of palm oil, sugar, or citrus crops for export. An amendment to extend the prohibition on copper to include aluminum, lead, manganese, and zinc was defeated. The bribery amendment, agreed to by both Houses, contained language preferred by OPIC officials that linked the bribe to investment loss. The transfer of technology and raw materials amendments were not, in the end, presented to the floor. The small business amendment, critical to the survival of OPIC, reduced the Long Amendment requirement of 50% of OPIC business to 30% of OPIC projects, utilized the Subcommittee amendment for 50% of profits to assist small business, and mandated the direct loans program to be reserved exclusively for small business. Rep. Ryan attributed passage of the bill over the opposition of organized labor to lobbying by OPIC. He suggested that it is almost impossible to get rid of an agency once it has been created and gains its own momentum.[9]

INVESTMENT POLICY DETERMINANTS

International environmental conditions in the form of an energy crisis led to a redefinition of the situation confronting policy choices. Since the U. S. needed new energy sources, the L.D.C.'s needed credit and oil, and both were interdependent, moves towards accommodation developed in spite of perceived exorbitant demands by L.D.C.'s for a New International Economic Order. Within three years, the issue of U. S. involvement in the affairs of other nations that had tormented the neo-isolationists had receded, but the liberals (many of whom were among the neo-isolationists) were sympathetic to L.D.C. demands for justice, a component of their former concerns. The new realities and perceptions were translated by a moderately liberal Democratic President into a new formulation for investment guaranty policy focusing on justice (development, the poor) and energy.

The policy entrepreneur, Fred Bergsten, was Assistant Secretary of International Economic Affairs in the Treasury Department. The Treasury Department, emerging in assertiveness on investment policy in assymetrical contrapuntal moves in relation to the State Department, had traditionally taken conservative positions. Bergsten initiated liberal policy, which he helped shepherd through Congress, while the State Department was relatively inactive. President Carter envisioned human rights and international political issues for the State Department and international economic policy for Treasury under new bureaucratic organizational arrangements.

The Congressional subsystem in the policy network underwent changes in leadership and structure. Hubert Humphrey as Chairman of the Senate Subcommittee responsible for OPIC reauthorization guaranteed smooth passage. Rep. Bingham, as new House Subcommittee Chairman, proved remarkably adept in steering new conservative members of his committee and an obstreporous House to approval of his views on investment guaranty policy. An additional determining factor in the policy outcome was played by OPIC itself. The agency had made money, reduced risk, and settled disputes successfully. The private sector alternative had not proved viable according to every analysis undertaken.

Interest group politics was dominated by labor, joined by highly liberal groups. The ideological coalition opposing OPIC reauthorization mirrored those interests. Business groups did not forge a campaign in support of OPIC. An agency official lamented that OPIC had no constituency. The constituency, in fact, consisted of the leadership of Bergsten and the White House and the influential band of Congressional supporters led by Javits, Humphrey, and Bingham.

INVESTMENT POLICY AS INDEPENDENT VARIABLE: POLICY EFFECT. THE EMPIRICAL DATA: 1974-1977

INVESTMENT GUARANTY POLICY

The results of OPIC's implementation of the promotion, risk reduction, and selective reallocation content of the 1973-1974 Congressionally ordered investment guaranty policy have been detailed. The effects of impact of the policy are reflected in the relationship of actual insurance to actual investment patterns and the degree to which the policy goal of economic development in the L.D.C.'s was advanced.

The volume of investment as reported in the Commerce data reveals trends over time. The insurance data also reveals trends over time in the amount of original maximum insurance coverage. The insurance data does not show to what degree maximum coverage is utilized by firms; they may insure any amount less than and up to the original maximum. Insurance data also does not reveal business decisions to terminate the insurance. The amounts actually insured by firms less than the permissible maximum are classified data. The terminations, however, can be analyzed.

Generalized U. S. Investment and Insurance Patterns

The observable positive relationship between the flow of U. S. direct foreign investment and high G.N.P. and G.N.P. per capita less developed nations continued to be mediated in the 1974-1977 period by special inducements in the form of banking laws, city-state commercial opportunities, and the resources of oil production, oil refining, and mineral deposits. A negative mediating influence on investment flows was in many, but not all, instances precipitated by political events. The positive association between political events and investment varied by region.

The relationship between investment and insurance in 1974-1977 was not straight forward. Insurance was not a necessary condition for investment and was variably relatied to risk. U. S. aid policy continued to follow a mixed rationale; human rights dominated aid allocation in the early Carter Administration. Trade partnerships are introduced to the 1974-1977 empirical data to suggest an additional variable influential to the outcome of investment policy that needs to be explored. Investment, insurance, aid, and trade partner patterns by region follow:

Latin America

The total investment statistics for Latin America evidence a strong association between total investment and G.N.P. for Brazil, Mexico, Venezuela, Argentina, Peru, Colombia, the Dominican Republic, Guatemala, and Ecuador. Those nations with relatively low G.N.P.'s and a high degree of U. S. investment offer special attractions for banking, oil, bauxite, and fruit (Panama, Bahamas, Trinidad & Tobago, Netherlands Antilles, Jamaica, and Honduras). Increases in investment, with one exception, occurred in either the high G.N.P. or special attraction nations.[11] The exception was Venezuela which disinvested U. S. oil and iron ore interests in 1974-1976. U. S. investment in Peru accelerated after the Greene mission settled outstanding disputes but increased only marginally in Chile after the losses of the Allende period. In a review of the investment climate in Latin America in 1975, the U. S. Chamber of Commerce made the following judgments: Excellent - Nicaragua; Good - Brazil, Surinam, Trinidad and Tobago; Poor - Peru, Venezuela, Jamaica, Uruguay, Guyana, and Haiti. The judgments, based on political stability, economic opportunity, and local restrictions, noted a need to hedge ratings of Good extended to Panama, Costa Rica, Honduras, El Salvador, and the Dominican Republic because of opposition political parties within those countries that favored disinvestment of foreign equity holdings.[12]

Although the presence of U. S. investment as a per cent of G.N.P. in Latin American economies continued to be high in the banking and oil refining countries of the

Caribbean, it declined from previous high levels in Jamaica and Honduras. Both these nations acquired equity in key economic sectors through nationalizations in 1974-1977. During this period the small oil refining nations made moves to increase control over their industry, the bauxite producing nations gained control over their resources, and steps were taken to reduce United Fruit holdings in the Caribbean.

Insurance patterns in Latin America were skewed by restrictions on the insurance program. Only 11% of the $2 billion in new Brazilian investment was insured;[13] OPIC policy required limits on insurance in high concentration countries. These limits resulted in a refusal to guarantee further investment in Jamaica. Andean Pact nations continued to be excluded from OPIC insurance coverage. In 1977, additional countries came under the purview of human rights policy considerations in determining OPIC coverage.

Typical economic and political factors affected insurance patterns in those few countries not otherwise restricted. Insurance was primarily written in this period to cover 30-40% of the relatively modest increases in investment in Central America and the large increases in Panama and Trinidad and Tobago. The high level of total insurance, increased insurance, and proportion of new investment insured in the Dominican Republic is puzzling. Since nationalizations have not occurred in the Dominican Republic, one might speculate that either the high concentration of U. S. investment or threats to the Balaguer regime are the basis for risk.

There is little evidence of U. S. aid as a support for U. S. investment in this period except that the 75% military component of the large aid grant to Brazil could be construed as support for a right wing open market regime. The resumption of aid to Peru following the settlement of disputes could have served to protect the remaining high level of U. S. investment; the Velasco government, however, pursued an announced policy of state economic intervention. Aid to Bolivia, Colombia, Honduras, Nicaragua, Guatemala, and Haiti was related to strengthening economies and resistance to internal threat. In 1977 aid was suspended in Brazil, Argentina, and Guatemala pursuant to the Carter administration human rights policy.[14]

Latin American nations are dependent on trade with the U. S. All Latin American nations depend on U. S. imports. All nations, with the exception of Argentina, Paraguay, Uruguay, and Guyana, depend on exporting to the U. S. The latter three nations export to other Latin American countries. Two nations depend on oil imports from Venezuela and Saudi Arabia; Trinidad and Tobago and the Netherlands Antilles refine the imported oil for export to the United States.[15]

Asia

Investment remained high and increased in the high G.N.P. nations of Indonesia, the Phillippines, South Korea, and Taiwan. These nations also were the recipients of substantial amounts of U. S. military and economic aid. Investment soared in Hong Kong and increased significantly in Singapore. Investment also increased in Malaysia. Within the subcontinent, the volume of investment in India and Pakistan fluctuated and declined in proportion to overall U. S. investment in Asia. India, Pakistan, Bangladesh, and Sri Lanka operated under a state of emergency or martial law throughout the period. Moderate nationalizations were undertaken in India and Pakistan; a reversal of the nationalization policy in Pakistan is reflected by increased investment in 1977. Although the U. S. Chamber of Commerce rated the investment climate in the subcontinent as fair, they recommended investment in the rest of Asia. The Chamber noted restiveness in Indonesia and Malaysia and a move in both countries to acquire greater equity positions. The Chamber of Commerce pointed to potential political risk in the regime change in Thailand and uncertainties associated with the loss of U. S. favored status in the Philippines.[16]

From 1974-1977, the percent of new investment insured in Asia ranged from 16% to 73%. This range indicated that distinctions had developed as to degree of risk. The proportion of new investment insured was over 70% in India and Taiwan and more than

100% in South Korea. Slightly under 50% of new investment was insured in Thailand and the Philippines. A moderate level of 33% investment was insured in Malaysia and Pakistan whereas only 16% of the high level of new investment was covered by insurance in Indonesia. U. S. presence, measured by investment as a per cent of G.N.P., rose in the economies of Hong Kong and Singapore but receded in the Philippines and Indonesia.[17]

Unlike Latin America, there is a close relationship between U. S. aid, G.N.P. level, and U. S. investment in Asia with the exception of the Indian subcontinent and Malaysia. This close relationship suggests that U. S. military aid in South Korea, Taiwan, and Thailand have contributed to G.N.P. growth and the stimulation of U. S. direct investment. U. S. economic aid may have served as a stimulus to and protection for U. S. investment in the Philippines and Indonesia. Malaysia, a moderate G.N.P. nation that received some military but little U. S. economic aid, increasingly attracted U. S. investment in an uneven pattern. Within the subcontinent, Bangladesh received emergency U. S. aid; India received more U. S. economic aid than Pakistan. In all three countries, U. S. investment grew slowly.

Most Asian nations trade with Japan, each other, the United Kingdom, or the U.S.S.R. (India). India, however, was highly dependent on the U. S. for both imports and exports. Pakistan was dependent on U. S. imports. The U. S. served as the principal export market for Singapore, South Korea, Taiwan, and the Philippines.[18]

Africa

The level of G.N.P. served as a predictor of U. S. investment in the middle range G.N.P. nations; high level G.N.P. African countries experienced investment patterns in relation to political conditions.

Nationalizations produced a loss of U. S. investment in Libya. In addition to Libya, investment decreased in Senegal, Mauritania, and Togo as well as in the Marxist regimes of Ethiopia, Madagascar, Angola, and Benin. South Africa, Algeria, and Morocco attracted investment increases of nearly 30%. Egypt, after the Camp David agreements, received $2 million in U. S. aid, participated actively in the OPIC insurance program, and registered an increase of 170% in U. S. investment. Investment in Nigeria increased by 41% in 1975 but declined thereafter; Nigeria underwent two military coups and engaged in conflictual investment disputes. More than 100% of increased U. S. investment flowed into the relatively prosperous and stable nations of the Sudan, Ivory Coast, and the Camerons. But an increase of 160% occurred in Somalia, 53% in Gabon, and 32% in Liberia, low G.N.P. nations with natural resources or special U. S. ties. Substantial percentage increases occurred in Zaire, Kenya, and Tunisia but growth slowed in Zambia (economic crisis) and Ghana, locations of natural resources. Although actual investment was not reported, there are indications of significant increases in Sierra Leone and Botswana. Liberia and Zambia continued to encompass a high degree of U. S. presence within their economies; the percent of U. S. investment did decline slightly, however, in Zambia after the copper nationalizations.[19]

Ratings of excellent as an investment climate were awarded by the Chamber of Commerce to Botswana, Gabon, Nigeria (economic resources), and Tunisia (political stability). Good investment climates were offered by Zaire and Egypt. Rated as politically stable were the Cameroons, Gambia, the Ivory Coast, Kenya, Liberia, Malawi, Mali, Morocco, the Sudan, Swaziland, and Togo. Limited economic resources in Niger and Rwanda and political risk in Ghana and Tanzania made these countries only fair prospects for business investment. Also rated only fair, on both political and economic grounds, were Zambia, Sierra Leone, Chad, and the Central African Republic. The Chamber of Commerce considered the investment climate to be poor in Algeria, Benin, Guinea, Ethiopia, Madagascar, Somalia, and Mauritania.[20]

Insurance coverage of 300% accompanied new investment in Ghana, threatened by coups, and Swaziland, a small country with a low initial base. Both absolute levels of insurance and the percentage of insured new investment in Africa were high in countries with stable governments. Difficult to explain is the small degree of insurance coverage (.04%) of a 27% investment increase in Gabon and the lack of insurance of the 45% increased investment in Zaire.

U. S. aid to Morocco, with a high military component, appears to be regime support for the Spanish Sahara campaign; substantial aid to Zaire was needed to bolster the economy and repel invasion. Elsewhere in Africa, U. S. aid levels were related to G.N.P. level, with the exception of unfriendly nations (Libya, Marxist regimes), those nations excluded from aid programs by Congress (So. Africa, Rhodesia), and Nigeria, characterized by oil wealth, unstable government, and human rights violations.[21]

Although African nations have a variety of trade relationships, principal partners were most often former colonial ties. The United States was the principal trading partner only in Liberia, and before the regime coup, in Ethiopia. The U. S. was, however the principal supplier of imports to Egypt and a major supplier to Tanzania. The U. S. served as the major export outlet for both Angola and Nigeria and a major outlet for Libya.[22]

The Middle East

The only significant increase in U. S. investment reported in the Middle East was in the United Arab Emirates. Instability and eventual revolution in Iran effectively divested U. S. investors; a loss of approximately $12 billion was reported in 1977 but the exact total was unknown. A relatively small increase in insurance coverage in Iran preceded the eventual losses. The oil nationalizations were completed throughout the region; there were no statistics on other possible U. S. investment in the region.

Insurance coverage in the Middle East had traditionally only been extended to Iran and Jordan. Saudi Arabia entered the insurance program in 1976 and some proportion of new unreported investment was guaranteed. Jordan's insurance coverage increased as investment both rose and fell during this period.

U. S. aid to Egypt, discussed under Africa, was high. Two-thirds of the substantial aid to Jordan was military aid. A sizeable amount of aid was extended to Syria, presumably for political purposes, where U. S. investment was small and investment disputes remained unselttled.[23] Import partners of Middle Eastern nations are more fully reported than export partners. The information available reveals the U. S. to be one of the major importers to Jordan and Egypt and the major import supplier to Saudi Arabia.[24]

The U. S. Chamber of Commerce assessed the investment climate to be favorable in Bahrain, Saudi Arabia, Qatar, Iran, and Egypt in 1975. The investment climate was rated only fair in Kuwait because of restrictions and in Jordan, the Yemen Arab Republic, and the United Arab Emirates because of limited resources. A poor investment climate was considered to exist in Oman for lack of resources and in Libya, Iraq, and Lebanon for political risk.[25]

Insurance Contract Terminations

In order to examine the degree to which business firms retained OPIC insurance coverage over time, data on insurance terminations was obtained for all but three less developed countries.[26] The data, computed from lists of all firms issued insurance contracts from the time of initial guaranty program coverage in each country until 1977, is presented in the Appendix. To expire in 1977, a twenty year contract would have been written in 1957. Negotiations to operate the guaranty program had only been completed in seven countries prior to 1958. Most terminations, therefore, represented cancellations of coverage before the full policy term was completed.

The reasons for very high or low insurance retention can by identified in particular countries. Very few expropriation and war risk (includes civil insurrections) policy terminations occur where U. S. economic interests are high and the risk is high as in Jamaica and Panama. There are also few terminations in seven African nations with high U. S. natural resource investment and regimes of moderate or relatively low political risk. High termination rates were found in countries with radical regimes that had already nationalized both insured and uninsured U. S. property, e.g., Madagascar, Chile, and in conservative countries where firms had little need for insurance, e.g., Saudi Arabia, Costa Rica, Senegal. Both high and low rates of terminations occurred in countries with a low volume of U. S. investment and insurance. The data revealed regional variations. The termination rate was higher in Latin American than in Asia but both regions contained a sizeable group with termination rates in a middle range of 30-60%. In contrast, termination rates clustered at high and low rates in Africa; only four countries in Africa fell into a middle range. Only two countries in the Middle East participated in the insurance program prior to 1976.

The middle range termination rates in Asia and Latin America suggest that business calculations rather than political risk may be operable in those cases. OPIC's staff explained insurance cancellations as the ability of large corportions to provide self-insurance, the inability of small corporations to pay the premiums, and the recovery of the investment on the part of established firms. The 50% U. S. tax deduction for loss could also influence termination decisions by multinational firms with gains available as an offset. Several other explanations are possible. U. S. firms may gain a sense of security for stockholders, financial underwriters, and field managers by obtaining approval for the investment by the host government as OPIC requires. After gaining approval, becoming established, and learning the unwritten rules of local business and politics, corporations may feel free to relinquish expensive coverage.

A Chamber of Commerce Congressional witness pointed out that OPIC' s 1.5% annual fee, compounded over a 20 year insurance contract, equaled 50% of the total capital in an investment project. This would require a profit margin substantially in excess of 50% or conversely, cutting profit to the bone to prevent the confiscation of the investment. OPIC's implementation policies in the form of high premiums, in his view, reduce the volume of both investment and insurance.[27]

Data made available in 1977 shows rates of return by sector from 1967-1975.[28]

TABLE 23
RATES OF RETURN ON U. S. FOREIGN DIRECT INVESTMENT, 1967-1975

(Percent)

Rate of Return*	1967	1968	1969	1970	1971	1972	1973	1974	1975
All Countries	10.3	11.1	11.8	11.4	11.6	12.6	17.5	23.0	14.0
Developed Countries	7.7	8.3	9.4	9.3	9.8	11.1	15.0	13.4	11.2
mining & smelting	10.0	11.2	9.3	7.7	5.5	4.5	8.9	10.6	---
petroleum	2.4	2.2	2.4	NA	4.6	4.6	11.8	11.0	8.6
manufacturing	8.7	9.9	11.7	10.5	10.9	13.4	16.5	14.0	11.1
Less Developed Countries	17.3	18.5	17.9	15.9	16.3	17.7	26.2	53.6	23.6
mining & smelting	24.3	22.1	25.6	16.3	9.5	9.0	13.2	18.9	---
petroleum	27.3	29.1	26.9	24.6	28.7	29.5	49.9	133.3	40.2
manufacturing	7.7	10.7	11.1	10.8	9.6	11.3	13.3	13.9	13.4

*Adjusted earnings: Direct investment position (yearly average)

From 1971-1974, the rate of return from manufacturing in less developed countries, where OPIC has shifted its coverage, has been less than that anticipated in the U. S. From this perspective, terminations prior to fulfillment of the contract can be more readily understood.

Economic Growth

A United States increase in investment of over $50 million was accompanied by over 3% economic growth from 1974-1977 in all Asian countries. The $50 million U. S. investment flow was associated with a 3% growth rate, however, in only four Latin American countries - Colombia, Ecuador, Brazil, Guatemala ($47 million), and two African nations - Nigeria and Egypt. Although Botswana and six Middle Eastern countries grew by over 3%, U. S. investment statistics were not reported. In the four Latin American and two African nations, economic growth could be largely accounted for by U. S. investment and economic aid. U. S. economic presence could also have been influential in the growth of Indonesia, Thailand ($47 million), and Malaysia. Military aid, colonial ties, and city-state commercialism overshadow direct U. S. investment as a factor promoting growth in South Korea, Taiwan, the Philippines, Singapore, and Hong Kong. Insurance coverage was not a factor in promoting investment in Ecuador, Colombia, and Guatemala and was only a limited factor in Brazil. Insurance coverage was substantial in the five Asian and African nations with high U. S. investment and economic growth.

Economic growth rates were high in six African nations and five Latin American nations with relatively small U. S. investment increases. Despite substantial U. S. investment of over $50 million, seven Latin American and three African-Middle Eastern nations failed to grow by at least 3%. One-half of the latter group of nations were in high G.N.P. categories and experienced slower growth. Growth rates in this period were affected by oil import price increases.[29]

EXPROPRIATION POLICY

The content of expropriation policy, 1974-1977, consisted of diminshed U. S. government official protection. The number of nationalizing nations slightly decreased to 33 in the 1974-1977 period; of these, seven nationalizations involved particularized disputes over contracts or bribery allegations. Nationalizations aimed at achieving a greater degree of national control over key industries and sectors were undertaken by 26 nations. These 26 nations can be delineated as follows:

TABLE 24

NATIONALIZATIONS BY EXISTING REGIMES, 1974-1977

Existing Regimes	Total	Oil	Other
Nationalizations:	22	4	18
Left Regimes	9		
High Magnitude	3		
Moderate Magnitude	5		
Low Magnitude	1		
Center Regimes	9		
High Magnitude	3		
Moderate Magnitude	2		
Low Magnitude	4		
Right Regimes	4		
High Magnitude	0		
Moderate Magnitude	3		
Low Magnitude	1		

The Middle East oil nationalizations were virtually completed. Right wing existing governments conducted nationalizations of a low to moderate magnitude, however, of oil distribution facilities as well as banking, insurance, and mining sectors. An equal number of existing left and centrist regimes embarked on nationalizations, one-third of which were of high magnitude. All three existing left regimes with high magnitude nationalizations were located in Latin America; one involved oil as well as other sectors and two were in the bauxite industry. The nationalizations of centrist regimes were diverse in terms of region, magnitude, and sector.

TABLE 25

NATIONALIZATIONS BY REGIME

New Regimes	Total	Oil	Other
Nationalizations:	4	0	4
Left Regimes	4		
High Magnitude	2		
Moderate Magnitude	0		
Low Magnitude	2		
Center Regimes	0		
Right Regimes	0		

The number of nationalizations by new regimes declined. The four regimes above were Marxist and located in Africa. U. S. interests affected were high in Ethiopia and Benin. Although nationalized U. S. property was of low magnitude in Angola and Madagascar, European interests were adversely affected. There were no oil nationalizations; Angola nationalized one U. S. bank and left U. S. oil companies intact. Benin, Madagascar, and Ethiopia all entered into negotiations with U. S. companies for compensation.

The dramatic, high magnitude nationalizations abated in 1974-1977; 69% of the "national control" nationalizations and 76% of all nationalizations were of low or moderate magnitude. Further, the eight high magnitude nationalizations, with the exception of Ethiopia, were manageable. A new regime in Bangladesh returned U. S. property to former owners, Zambia sent their dispute over copper to arbitration, and Benin quickly acted on one U. S. claim. Venezuelan and Peruvian claims reached negotiated settlements. The Jamaican and Guyanan bauxite nationalizations had been expected.

The regional breakdown of nationalizing actions by nations in 1974-1977 was: Africa - 13; Latin America - 15; Middle East - 1; Asia - 4. The magnitude of nationalizations in Africa and Latin America was relatively balanced: three to four high magnitude nationalizations and the rest of low to moderate magnitude. The Indian subcontent of India, Pakistan, Bangladesh, and Sri Lanka consistently account for all the nationalizations in Asia. The Indian and Sri Lanka actions are always moderate. In 1974-1977, the South Asian group was joined by Afghanistan, with a low magnitude nationalization.

The data on nationalization incidence demonstrates the decline of nationalizations in the Middle East, the continued absence of nationalizations in East Asia, and the on-going process of nationalization in Africa and Latin America but at a lower level magnitude.

United States response to the 1974-1977 nationalizations took the following form:

U. S. sanctions	1	(Trade Act - Congo)
U. S. threatened sanctions	1	(Trade Act and Hickenlooper - Benin
U. S. policy statement	1	(Venezuela)
Multilateral sanctions	1	(Peru)
Special U. S. Emissary	1	(Peru)
U. S. diplomatic representation	1	(Peru)
Firms apply sanctions	1	(Ecuador)
Insurance claims	4	
Companies negotiate directly	27	
Companies submit L.D.C. national courts	2	
Companies submit to international arbitration	2	
Not known	1	

Settlement patterns were as follows:

Compensation within one year	17	
Compensation within two years	1	
OPIC paid claims	2	
Returned to owners	4	(Argentina, Pakistan, Bangladesh, Peru)
Unsettled by 1977	23	(Total includes 8 disputes carried forward from 1950 and 15 new disputes. Many of the new disputes developed in 1975-1977 and insufficient time had elapsed for settlement).[30]

New trends in dispute settlement emerged. These included: (1) an increase in the number of nations that rolled back nationalizations following regime changes (2) the influence of the U. S. trade act as the only sanction utilized to induce compensation (3) an increase in the number of companies and nations utilizing international arbitration and national courts (4) the increased use of technical and service contracts and guaranteed supply written into settlements (5) The issue of management control of the industry under new equity arrangements specifically addressed in negotiations (6) book value as the norm of compensation (7) the willingness of Marxist nations to enter negotiations and pay compensation.

Although President Nixon's Expropriation policy was a continued guideline under the Ford administration, the need to implement it decreased and the Inter-Agency Expropriation group waned. When U. S. companies in Venezuela acquiesced in the inevitable, accepting less than book value settlements, the State Department mounted a symbolic policy announcement that such settlements did not represent a retreat from U.S. international law standards of fair market value. The only U. S. diplomatic pressures were exerted against long standing disputes in Peru; these were settled with the advent of a new Peruvian regime in 1975. The Hickenlooper and Trade Act Amendments were only used or threatened against two small African nations. With the election of the Carter administration, expropriation policy was superseded in priority by a human rights policy implemented by the Christopher Committee.[31] This committee acted on all foreign aid and investment insurance proposals in terms of human rights considerations.

The reasons for diminished official protection of U. S. investment in 1974-1977 can be summarized. (1) Provocation had decreased. There were fewer nationalizations, more actions of low and moderate magnitude, and settlements were manageable. (2) Regional incidence. U. S. response to both nationalizations and radical left regimes in Latin-America, traditional U. S. sphere of influence, has historically been high. Threats in

Latin America diminished. U. S. response in the Middle East has been governed by political issues endemic to the region. U. S. response in Africa, where the only new radical left regimes emerged to threaten U. S. property of high magnitude, is not predictable. (3) Attacks on U. S. investment and economic policy were generalized by the L.D.C.'s into organized rhetorical demands for a New International Economic Order. These demands were brought to international fora rather than acted out by expropriatory actions within host countries. (4) A three-pronged learning curve based on the North-South dialogue, OPEC-exposed vulnerability and past experience led to accomodation by U. S. investors, low-key response by the U. S. Executive and legislative branches, and behavior to retain credit worthiness on the part of the L.D.C.'s All three learned to avoid counter productive behavior.

The pattern of U. S. investment flows to nationalizing and non-nationalizing nations exhibited changes in 1974-1977 compared to the 1970-1973 period.

TABLE 26

INCREASED U. S. DIRECT FOREIGN INVESTMENT: 1974-1977
(15% increase)

	Total	Latin Amer.	Asia	Mid-East	Africa
Nationalizations	11	5	1	--	5
Insurance	6	2	1	--	3
No Nationalizations	35	7	10	2	16
Insurance	22	4	7	1	10

DECREASED U. S. DIRECT FOREIGN INVESTMENT
(1% or less increase)

	Total	Latin Amer.	Asia	Mid-East	Africa
Nationalizations	13	6	2	--	5
Insurance	6	3	2	--	1
No Nationalizations	7	2	0	1	4
Insurance	0	0	0	0	0

U. S. investment increases of over 15% took place in 46% of the L.D.C.'s where U.S. property had been nationalized and 83% in nations with no nationalizations. U. S. investment declined in 54% of the nationalizing and 16% of the non-nationalizing nations. The 37% difference in the location of increased U. S. investment volume reveals movement towards non-nationalizing L.D.C.'s; an inspection of the data also shows that nine of the ten Latin American and African nations that undertook nationalizations had negotiated compensation. Declining U. S. investment in this period was associated with either negotiated divestiture (e.g., Venezuela, Jamaica) or closed door Marxist regimes in Africa. While insurance coverage patterns remained the same in Latin America and Asia, insurance coverage increased in Africa while nationalizations in general decreased.

The incidence of nationalization in relation to the G.N.P. level of an L.D.C. also changed in 1974-1977 as L.D.C.'s moved into higher G.N.P. ranks through either inflation or economic growth.

TABLE 27

LEVEL OF G.N.P. AND INCIDENCE OF NATIONALIZATION: 1974-1977

11 L.D.C.'s with Very High G.N.P. above $20 million: 33% nationalized U. S. property 1974-1977. 59% had nationalized property since 1950. Propensity: Moderate.

14 L.D.C.'s with High G.N.P. above $10 million: 43% had nationalized U. S. property 1974-1977. 79% had nationalized property since 1950. Propensity: Moderate.

9 L.D.C.'s with Moderate G.N.P. above $5 million: 33% nationalized U. S. property 1974-1977. 67% had nationalized property since 1950. Propensity: Moderate.

33 L.D.C.'s with Low G.N.P. above $1 million: 36% nationalized U. S. property 1974-1977. 61% had nationalized property since 1950. Propensity: Moderate.

20 L.D.C.'s with Very Low G.N.P. below $1 million: 35% nationalized U. S. property 1974-1977. 55% had nationalized property since 1950. Propensity: Moderate.

The ascending ladder of increasing incidence of nationalization with higher G.N.P. levels does not appear in 1974-1977. The conservative Asian and Middle Eastern nations moved up into the Very High G.N.P. level. Nations moving from Medium to High Level G.N.P. were a mixed group but included a number of Middle Eastern nations that had completed oil nationalizations. Only a small group of nations moved out of the Low G.N.P. category into Medium G.N.P.; five of those nine had no nationalization history and three were conservative African L.D.C.'s. Most notable was the increased incidence of nationalizations among nations in the Low and Very Low G.N.P. groups. Among the low G.N.P. group, one-third were Marxist nations in Africa and one-third were located in Central America, an indication of rising dissatisfaction in those regions. Among the Very Low G.N.P. nations, one-third of the entire group and 71% of those nationalizing U. S. property in this period were Marxist regimes.[32]

Concentration on the lowest income countries by Congressional policy was a decision justified by the data.

NOTES CHAPTER 9

1. Interview, Senior Staff Economist to Senator Javits, Dec., 1980.

2. Congressional Quarterly, Almanac, Vol. XXXIII., (1977), p. 311.

3. Ibid., p. 392; Congressional Quarterly, Almanac, Vol. XXXIV., (1978), p. 268; U. S. Congress, House, Committee on International Relations, Markup and Hearings on the Extension of the Overseas Private Investment Corporation, 95th Congress, 1st and 2nd Sessions, H. R. 9197. (Sept. 27, 1977, Jan. 24, 27 and Feb. 8, 1979), p. 105.

4. Interview, Bruce Cameron, lobbyist for the Americans for Democratic Action, June, 1979. Letter to members of Congress by A.D.A. Urging Opposition to OPIC, Oct. 31, 1977.

5. U. S. Congress, House, Committee on International Relations, Hearings and Markup before Subcommittee on International Economic Policy and Trade on Extension and Revision of the Overseas Private Investment Corporation. 95th Congress, 1st Session, pp. 18-19, p. 25.

6. Ibid., p. 20-24; pp. 26-45; pp. 50-53.

7. Ibid., p. 62, pp. 79-80, p. 83, p. 105, pp. 109-110, p. 115. The analysis forwarded by OPIC to the AFL-CIO was inserted in the record, pp. 93-98. See also Labor Looks at Congress, An AFL-CIO Legislative Report, AFL-CIO Department of Legislation (1977), Publication No. 77S, p. 25-26 (1978), publication No. 77T, pp. 55-56.

8. U. S. Congress, House, Markup and Hearings, Subcommittee, OPIC, 1977, 1978, p. 105, p. 110, pp. 112-115.

9. Congressional Quarterly, Almanac, Vol. XXIV., (1978), p. 267.

10. Congressional Quarterly, Almanac, Vol. XXXIII., (1977) p. 194 H; Vol. XXIV., (1978), p. 18 H.

11. See investment statistics in the Appendix.

12. The Climate for Investment Abroad, Chamber of Commerce of the United States (Washington, D. C.: September, 1976) pp. 99-109.

13. See insurance data in the Appendix.

14. See U. S. aid statistics in the Appendix.

15. The Europa Yearbook. Vol. 1, 2 (London: Europa Publications, Ltd., 1979).

16. Investment Climate, C. of C., 1976, pp. 32-50.

17. Computed from investment, insurance, and G.N.P. data located in the Appendix.

18. The Europa Yearbook, 1979, Vol. 1 and 2.

19. See Nationalization and Country Data Sources in Note 4, Chapter 3.

20. Investment Climate, C. of C., 1976, pp. 1-31.

21. See U. S. aid data in the Appendix and sources of Country Data in Note 4, Chapter 3.

22. Europa Yearbook, 1979, Vol. 1 and 2.

23. See U. S. aid data in the Appendix and sources of Country Data in Note 4, Chapter 3.

24. Europa Yearbook, 1979, Vol. 1 and 2.

25. Investment Climate, C. of C., 1976, pp. 57-70.

26. Contracts issued to firms by OPIC in each country are on file in the offices of the Overseas Private Investment Corporation. See Appendix for termination percentages.

27. U. S. Congress, House, Hearings of Subcommittee on Foreign Economic Policy, Committee on Foreign Affairs, Oversight of OPIC in Preparation for Reauthorization; 93rd Congress, 1st Session, 1973, p. 236.

28. U. S. Congress, House, Committee on International Relations. Hearings and Markup on OPIC Revision, 1977, p. 106.

29. See Growth Rate data from World Bank sources in the Appendix.

30. See Nationalization and Country Data Sources in Note 4, Chapter 3 and Nationalization data in the Appendix.

31. Ibid. The Carter administration human rights policy is discussed in the 1977 House hearings, particularly in a reprint inserted into the record of a speech given by Under-Secretary for Economic Affairs Richard N. Cooper before the Council of the Americas, U. S. Congress, House, Markup and Hearings, OPIC, 1977, 1978, pp. 431-432. The Christopher Committee to implement the policy with respect to U. S. aid and OPIC programs was discussed in interviews with OPIC officials.

32. Computations based on investment, insurance, and G.N.P. data in the Appendix, the Nationalization and Country Data Sources in Note 4, Chapter 3, and the Nationalization data in the Appendix.

CHAPTER 10: CONCLUSIONS

Variations in the variables introduced in the original schemata of the U. S. foreign direct investment policy process will be examined in turn before final conclusions are outlined.

INVESTMENT POLICY AS DEPENDENT VARIABLE: POLICY DETERMINATION

Environmental conditions

International events and environmental conditions triggered perceptions of need for the initiation, expansion, and modification of investment policy. International conditions from 1948-1973 inspired foreign aid policy as an instrument of containment. Investment policy emerged as a component of development strategy - an alternative, complement, or a supplement - and became symbiotically entwined with the foreign aid program. The governmental instrument to implement investment policy, the investment guaranty program, provided the focus for investment as development and the protection of investment in place. Unprotected investment was supported by expropriation policy which developed in direct response to international events and conditions. Consensus on the promotion of investment, investment guaranties, and expropriation developed from 1948-1958. It was necessary for the less developed nations to call attention through dramatic events and organized demands to the adverse effects of investment and aid policy in order for proposed redirections of policy to enter the U. S. policy network agenda.

The perception of the meaning of environmental conditions and the subjective evaluation of the effect of alternative policy on foreign policy goals on the part of policy network participants determined content decisions. Although the stimulus provided by the international environment was usually a necessary condition for the initiation of investment policy change, there was one significant exception. A substantial change in investment policy content, the creation of the Overseas Private Investment Corporation in 1969, was independently effected by the policy entrepreneurship of Senator Javits who utilized prevailing environmental conditions and political alignments as the right timing to win approval of a policy proposal he had formulated.

Although investment policy was consistently determined by foreign policy goals, it was tempered and modified by domestic economic conditions during the 1960's. In the 1970's, domestic determinants became competitive to foreign policy determinants of policy. Domestic pressures coincided with a re-examination of foreign policy needs, culminating in the policy reorientation of 1973. In the late 1970's foreign policy and domestic policy needs continued to compete over the content of investment policy.

Presidential Priorities

The promotion of investment was a priority only in the Eisenhower administration. All other Presidents viewed investment promotion as an adjunct to foreign aid policy. Expropriation policy was also not a Presidential priority except in the Nixon administration when events and pressures forced an official response. Presidential response to expropriations was ad hoc, a policy preferred by the State Department. Expropriation policy was a priority of the Congress, business interests, and the Treasury Department.

Investment Guaranty Policy: Ideology and Content

Promotion of investment for development purposes was an agreed consensus from 1948 to 1973. In the context of the 1950's, support for foreign aid and foreign investment was an ideological internationalist and liberal position. Conservatives were non-internationalists who favored a diminished role of government in all economic activities. Differences in content developed over whether investment guaranties were an appropriate mechanism for promoting investment and the proper relationship of investment to foreign aid to achieve development. Liberal ideology perceived the need for foreign aid to serve a pump-priming function to build requisite infrastructure in order that private investment could take over the development process. This statement of the liberal position was supported by every President except Eisenhower. There were variations in the application of liberal ideology. The Truman administration felt pump-priming only necessary to rebuild Europe and that technical assistance and private investment would develop the L. D. C.'s.

Application of liberal ideology in the Kennedy administration was based on new perceptions arising from the threat posed by Cuban Marxists and Latin nationalism. Judging the conservative ideology of the Eisenhower administration in which private investment expansion was viewed as an end in itself to be the cause of protests and revolution in Latin America, the Kennedy adminstration reversed the emphasis on private investment. Liberals appointed as officials in the Kennedy administration also perceived the grievances of less developed nations to be legitimate, adopted their definition of the situation, and enacted a program of aid to Latin America of substantial magnitude to foster both economic progress and social reform. Questions were raised in the Kennedy administration for the first time about the wisdom of promoting direct foreign investment abroad at the potential expense of domestic investment. By 1962 direct investment in Europe had grown to substantial proportions while the U. S. economy was experiencing recession and unemployment.

Although the Johnson administration initially appeared to be committed to the liberal proposition that foreign aid, supplemented by private investment, would foster devlopment, the Kennedy Alliance for Progress program was scuttled. As the war in Vietnam progressed, foreign aid was used for political and military rather than developmental purposes. Investment policy was used to secure foreign aid funds.

Although the Nixon administration was committed to foreign aid for development, the need to continue the war in the face of a Congressional revolt which had expanded from foreign aid to a revolt against Presidential determination of foreign policy necessitated a return to private foreign investment as the only available development tool. Since the timing was fortuitous, Senator Javits moved forward with a proposal to create an Overseas Private Investment Corporation. The creation of OPIC modified investment policy content by the separation of private investment from foreign aid and the introduction of the principle of risk management. A combination of neo-isolationist and conservative members of Congress opposed the new policy. Liberals expressed fear of subsidizing business interests and the unknown consequences of the policy for the L.D.C.'s.

Rapidly changing international conditions between 1969 and 1973, culminating in the downfall of Allende in Chile through the alleged complicity of business investors and the C.I.A., politicized investment policy issues in 1973. While the Executive branch concentrated on Watergate, Congress took on full responsibility for investment policy. Now lodged in a separate agency, the need to re-authorize the Overseas Private Investment Corporation provided the occasion for a full scale examination of investment policy itself. The promotion content of investment policy for development of the L. D. C.'s was questioned in extensive Congressional hearings, 1973-1974. New perceptions of the consequences of foreign direct investment on politics, income redistribution, host-investor relations, and natural resources within the L. D. C.'s emerged. The growth of multinational corporations as a result of previous policy to promote unrestricted investment was analyzed. The effect of overseas investment on the U. S. economy began to take on new dimensions as data on unemployment, balance of payments, stimulation of exports, and raw material supplies were reviewed. Liberal critics, concerned with the effects of increasing nationalization disputes, suggested that the Overseas Private Investment Corporation's guaranty function served to draw the U. S. government into a "deepening involvement" in the internal affairs of less developed nations and contributed to confrontations between the U. S. and other nations. A coalition of highly liberal members of Congress joined with conservatives to defeat the President's proposal to re-authorize OPIC and mandated the agency to adhere to a timetable for withdrawal from the guaranty program, turning it over to the private sector. Moderate liberals, forced to acquiesce in the policy reversal were able to obtain flexibility in the formula and to devise guidelines for the implementation of investment guaranty policy in the interim period. The guidelines introduced the principle of selective reallocation into the content of policy - investment guaranties were to be selectively reallocated to low G. N. P. countries, to business firms proposing strictly developmental projects, and to small business in contrast to multinational corporations.

By 1977, the date of the next reauthorization of the Overseas Private Investment Corporation, the phaseout formula had proved impossible to implement. International conditions caused the fear of government involvement and confrontations with less developed nations to subside. The implementation by OPIC of investment guaranty policy had been successful in terms of risk management and the achievement of financial viability. President Carter's request to reauthorize OPIC, to strengthen the selective reallocation content by limiting the program to low income countries, and to utilize investment policy to develop and secure energy and raw material supplies was supported by most of the liberal members of the foreign policy - investment policy network. The neo-isolationist wing of the liberal coalition had diminished in power with the end of the Vietnam War. With foreign policy imperatives in eclipse, domestic pressures ascended.

Expropriation Policy: Ideology and Content

Expropriation policy specifically relates to policy responses by the U. S. government when U. S. business property interests are nationalized or threatened. It is distinguished from U. S. military interventions or C. I. A. operations to remove alleged Communist security-threat leaders from power.

During the 1950's nationalizations were few; the response to nationalizations was to rely on the principles of international law. The Cuban nationalizations in which Castro refused to recognize international law or the principle of compensation strained the repertoire of U. S. responses. When the American ambassador made no progress in negotiations, the Congress enacted a series of economic sanctions. From 1959 forward, Congress legislated an expropriation policy of economic sanctions through the generalized Hickenlooper (1962, 1963) and Gonzalez (1972, 1973) Amendments and specific amendments directed to nations (Indonesia, Peru), trade preferences and sugar quotas. The protection content of Congressional expropriation policy was based on an ideology that conceived property and contracts as sacred; violations should be punished with a view to forcing compensation and deterring future expropriations. The President and the State Department did not share this ideology, maintaining that nationalization disputes should be settled on a case by case basis through the flexibility of negotiations. The liberal coalition included moderate members who either shared a concern with the principles of international law with the conservative coalition or agreed that the State Department should be free to act with flexibility. Highly liberal members of the coalition subscribed to an ideological position in which the nationalizations were viewed as provoked by business interests and likely to be justified. The pattern in the 1950's and 1960's in which relatively few nationalizing actions occurred was for the business community to look to the State Department for protection and for the U. S. Government to assume responsibility or be forced to assume responsibility by Congress. The U. S. government began to withdraw from that responsibility in the 1970's as the number of nationalizations increased; the politicization of a few substantial and highly publicized cases (Peru, Chile) necessitated government response, an explicit expropriation policy, and an Inter-Agency Expropriation group in 1972-1973. After 1974, U. S. Government withdrawal resumed.

Investment Guaranty and Expropriation Policy: The Policy Network

Process

As environmental conditions stimulated the need for a policy response on investment issues, the content of policy preferred by the ideological predispositions of participants was modified by competing interests, the relationship of the President to Congress, the political alignment within Congress, and the effectiveness of leaders.

Business corporations did not determine investment guaranty policy. Business corporations were solicited by the Executive Branch and Congress to help draft legislation for the original guaranty program and the creation of OPIC in order to assist political officials in the achievement of foreign policy goals. Business was asked to support the programs and to serve on numerous commissions to review foreign economic policy.

Business preference was for the freedom to invest anywhere with U. S. government protection against expropriation. Since investment guaranty policy proved to be of assistance in providing protection if needed and did not restrict decisions on investment flows, there was no need to manipulate the policy. Business corporations were active, however, in preventing changes in tax laws pertaining to investment and in persuading Congress to legislate sanctions and force action in nationalization cases.

The State Department supported the investment guaranty program for purposes of development and as a means to escape from responding to nationalization cases. Nationalizations jeopardized the larger fabric of foreign policy relationships with offending nations; these larger concerns explain State Department insistence on a "soft line" and flexibility. Bureaucratic politics within the State Department arose over policy actions; intra-departmental differences surfaced in the last years of the Eisenhower administration over Latin American hostility and in the Nixon administration over response to the I. P. C. nationalization case in Peru.

The Treasury Department functioned on investment issues in coordination with the policy of the President and played a role defined by the President. Unless the policy position of the President was definitive as in the Kennedy and Carter adminstrations, the Treasury Department either deferred to the State Department on investment issues or opposed it. The Treasury opposed the expansion of guaranties in the 1950's as a potential drain on the U. S. Treasury and has, on balance, over the period advocated a hard line in expropriation cases. Responsibility for the balance of payments led the Treasury Department to insist on investment controls in 1968. Secretary of the Treasury Connally in the Nixon adminstration openly attempted to increase the power of Treasury on investment issues at the expense of State.[1] The outcome of the failure to expand the guaranty program in the 1950's and the tilt to a hard line on expropriation policy were policy outcomes influenced by bureaucratic battles between Treasury and State. An Assistant Secretary of the Treasury, Fred Bergsten, initiated the content of investment policy changes proposed by the Carter adminstration. Bergsten's position at Treasury was, however, a matter of reorganization of domains. Bergsten's recommendations were more liberal in ideological orientation than those which could be expected from the State Department, much less the Treasury.

Labor unions first began to suggest that the mounting level of overseas direct investment diminished domestic investment and created unemployment during the Kennedy administration in 1962. As the export-import balance of the U. S. became negative and as increasing overseas investment fueled the growth of multinational corporations, the AFL-CIO prepared legislation to mount a direct attack on multinational corporate investment through tax disincentives. The interests of labor were perceived to be directly threatened; the AFL-CIO opposed the Overseas Private Investment Corporation after 1970 and exerted substantial countervailing power to the policy network supporters. As investment policy issues became politicized in the 1970's, other interests were activated. Because labor's views were considered protectionist, the liberal trade groups came forward to support the status quo tax policy on foreign investment. The League of Women voters supported the Overseas Private Investment Corporation out of concern for development. Human rights groups and the Americans for Democratic Action opposed the Overseas Private Investment Corporation on the grounds argued by highly liberal members of Congress. The Council of the Americas and peak business groups, such as the U. S. Chamber of Commerce took a stand. Among the groups activated by the politicization of the issues in 1972-1974, only the highly liberal groups and the AFL-CIO continued to exert pressure on policy content revision in 1977.

Foreign direct investment policy can be most adequately explained by ideological coalitions within Congress, the role of Congressional committees, and the relationship of the President to Congress. Investment policy initiatives were formulated by Presidents Truman, Kennedy, and Carter. The Truman initiatives were limited to the scope that would be permitted by a conservative Congress. The Kennedy initiatives proved to be a greater departure from past policy than the Congress could sustain. The Carter initiatives were threatened by the supporters of labor in Congress. Eisenhower's conception of the role of private investment was challenged when liberals came to control Congress. Liberals opposed foreign aid to which investment policy was tied in the Johnson administration. Nixon's new initiatves were not even considered by Congress. These point and counterpoint relationships were straightforward in the Truman, Eisenhower, and Kennedy administrations. Liberal-conservative positions were well defined so that a liberal or conservative President was simply constrained and opposed by the size of the ideological coalition different from his own. In the Johnson administration, liberals in the President's party revolted and consensus on foreign policy was impossible to reach. A neo-isolationist wing of the liberal coalition arose to oppose foreign aid and later to oppose investment guaranties as conducive to unwarranted intrusion by the U. S. in the affairs of other nations. The highly liberal members opposed the content of investment policy throughout the Nixon administration and to some degree in the Carter adminstration.

Investment policy content was determined entirely by Congressional initiative from 1969-1974. Senator Javits originated the proposal to establish the Overseas Private Investment Corporation. The Senate Subcommittee on Multinational Corporations wrote legislation to kill OPIC and to reverse the policy of investment promotion. The House Foreign Affairs Committee introduced the principle of selective reallocation to investment policy content in 1974. The House Foreign Affairs Committee played a key role, however, prior to 1969 by initiating investment policy proposals of its own, by modifying proposals of appointed commissions and the executive branch, and persisting in efforts to secure stronger implementation of the investment guaranty program.

The foreign affairs committees of Congress attract members with liberal views on foreign policy who are non-constituency oriented.[2] Since the House Foreign Affairs Committee takes responsibility for foreign aid, it assumed responsibility for investment policy. Until the mid-1960's, the House of Representatives was more liberal than the Senate. The Senate in that period opposed investment policy initiatives unless they were accompanied by strong leadership by the President of the same party (Kennedy). The Senate grew more liberal in the late 1960's and 1970's but liberals by that time no longer agreed on investment policy, and refused to support it in the Senate in 1973. The House, a more moderately conservative body in the late 1960's and 1970's, continued to be the locus of support for investment policy since the policy by then appealed to moderates and began to attract some conservatives. By 1977 conservatives and southern Democrats were responsible for the margin moderates needed to obtain continuance of investment guaranties.

Congressional committees developed expertise on investment policy. Committee leaders arose from whom other Congresspersons took cues. Agreements forged within the committee subsystems began to unravel, however, when Congress adopted subcommittee government in the 1970's. Since subcommittee specialists were often not representative of the larger body, the full foreign relations committees could not reach consensus. The result was amendments on the floor. This occurred with the Senate subcommittee recommendations in 1973 and the House subcommittee recommendations in 1977.

A review of the variables determining investment policy content suggests that a variable was omitted from the introductory design of the policy process. Significant influence on the outcome of investment policy determination was exerted by the force of character and personality of particular leaders. Sociological theory suggests that leaders merely play the role into which they are thrust, e.g., committee chairman, and that roles can be played in a variety of styles.[3] The concepts of style and role fail to capture the influence that was brought to bear, for example, by Senator Humphrey's presence as subcommittee chairman in 1977 or the dogged persistence of Senator Javits.

Although Congress played a passive role as recipient of Presidential initiatives in some periods on investment policy, it shaped the final policy and actively led the initiatives over the past decade. The conclusion seems clear that Congress is the primary determinant of both investment policy and expropriation policy. Within the Congress, leaders on the foreign affairs committees determine policy. These leaders are not captives of business interests but turn to them for assistance when needed. They incorporate domestic interests into policy when they are forced to. They are influenced by the positions towards investment taken by the L. D. C.'s but are mindful of the content of legislation a less internationally oriented Congress as a whole will accept. Leaders concerned with foreign policy will leave the committee and sell policy recommendations to the Congress with self-interest arguments (the policy will cost the taxpayers less money, increase exports, increase energy supplies, etc.). Expropriation policy, however, does not arise from the foreign affairs committees as they fully support the State Department's desire for flexibility. Expropriation policy is formulated by amendments on the floor presented by conservative Congresspersons who serve as spokesmen for business interests.

Implementation. Implementation of investment guaranty policy and expropriation policy affects outcomes and influences the next round of policy determination. The implementation of the guaranty program within AID was ineffective. The Overseas Private Investment Corporation as implementing agency was more successful in the achievement of some policy goals than others. The Corporation reduced the risk of expropriation of insured investment by shifting coverage from the mining to the manufacturing sector, limiting coverage in U. S. high concentration countries, and encouraging new investment modes. Risk reduction and increased fees resulted in fewer accepted applications and a lower volume of coverage. OPIC settled all expropriation and other claims creatively and expeditiously. Attempts to achieve selective reallocation of investment from High GNP to low GNP per capita nations and from multinational corporate to small business investors was ineffective. The Corporation, despite losses from Chilean expropriations underwritten by AID, became financially self sufficient. Labor was protected by the screening out of runaway plants - evidence to the contrary could not be corroborated. In the reauthorization debates of 1973 and 1977, the interests and ideologies of Congress members predetermined whether implementation failures or successes would be emphasized. By 1977, however, the financial viability and dispute management achievements of OPIC were influential in the determination of policy continuance and new policy content.

The implementation of expropriation policy was a source of tension between the Executive Branch and Congress. The Congress knew from experience that the State Department's flexibility resulted in little real pressure on behalf of U. S. expropriated firms. Congress thus mandated expropriation policy, permitting Presidential discretion through a waiver in 1973 only after the President had promulgated a strong policy position in 1972.[3]

Policy Determinants: Summary Conclusions

Foreign policy goals determined by a foreign policy elite (President, State or Treasury, Congressional Specialists) dominated the formulation of investment policy promotion in the L. D. C.'s from 1948-1973. Domestic private enterprise ideology projected as a foeign policy goal was the dominating force in the Eisenhower administration; domestic pressures from labor competed in policy formulation from 1973-1977. Investment Guaranty policy was liberalized incrementally until 1973 when politicization of investment issues forced a temporary policy reversal. Expropriation policy formulation and implementation was dominated by business corporations until 1960; after 1960 foreign policy goals and business interests no longer consistently coincided; foreign policy concerns in response to L. D. C. nationalism dominated expropriation policy in the 1970's. Investment guaranty policy is formulated by an Executive-Congressional network in which the House Foreign Affairs Committee and Congressional specialists are dominant rather than by a business corporate elite. The content of investment policy is determined by liberal and conservative subjective evaluations of the relationship of given international conditions to perceived policy outcomes. The structure of the implementation of investment guaranty policy is directly related to policy results.

U. S. DIRECT FOREIGN INVESTMENT POLICY AS INDEPENDENT VARIABLE: POLICY EFFECTS

U. S. policy towards U. S. direct foreign investment has been consciously and consistently designed to foster unrestricted neutral investment flows governed by market forces. This policy has been mediated by the brief investment controls of 1968-1969, only partially applicable to the L. D. C.'s, and perceived political risk on the part of investors, ameliorated by (1) the support provided by investment guaranty program insuance available only to L. D. C.'s and (2) expropriation policy. The L. D. C.'s have received a degree of preferential treatment in the form of investment guaranties and investment control exclusion, but, as a rule, have not received special tax preferences. The investment guaranty program, therefore, serves as the only operable mechanism to encourage foreign direct investment in less developed nations. A positive effect of stated public policy would be increased investment in the L. D. C.'s.

Investment Flows

The table which follows demonstrates that market forces and business decisions have resulted in an increasing flow of U. S. direct foreign investment over the period 1950-1977 to developed in contrast to underdeveloped countries.

TABLE 28

VOLUME OF U. S. DIRECT FOREIGN INVESTMENT
LESS DEVELOPED COUNTRIES, 1950-1977

	Developed Countries	Less Developed Countries	Asia	Mid-East	Less Developed Africa	Latin America	South America	Central America & Other Western Hemispheres
1950	5,696	5,736	321	692	146	4,577	2,871	1,706
1955	10,686	8,043	530	1,021	251	6,242	4,052	2,191
1959	16,961	11,508	898	1,213	509	8,887	5,442	3,447
1964	28,637	13,960	1,199	1,286	1,220	10,255	6,470	3,783
1969	46,658	17,627	1,973	1,583	2,031	12,039	6,859	5,082
1973	72,214	22,904	3,818	226	2,376	16,484	8,598	7,663
1977 TOTAL	108,047	33,706	6,267 15,006	-3,083	2,783 9,316	27,739 86,223	12,347	15,391 (58% from other Western Hemisphere)
1950-1959	11,265 (198%)	5,772 (101%)	577 (180%)	521 (75%)	363 (249%)	4,310 (94%)	2,571 (90%)	1,741 (102%)
1959-1969	29,697 (175%)	6,119 (53%)	1,075 (120%)	370 (31%)	1,522 (299%)	3,152 (35%)	1,417 (26%)	1,635 (47%)
1969-1977	61,389 (132%)	16,079 (91%)	4.294 (220%)	0	752 (37%)	15,700 (130%)	3749 (55%)	10,309 (203%)
1969-1973	25,556 (55%)	5,277 (30%)	1,840 (93%)	0	345 (17%)	4,445 (37%)	1,739 (25%)	2,581 (51%)
1973-1977	35,833 (50%)	10,802 (47%)	2,449 (64%)	0	407 (17%)	11,255 (68%)	3,749 (44%)	7,728 (101%) (91% of this increase is Western Hemisphere)

Does not total because of Commerce Department
unallocated international category

Table developed from data in the appendix

The aggregated investment totals in the table obscure the trends between and within regions. Among the L.D.C.'s, U. S. investment growth exhibited a brief spurt in Africa from 1964-1969, primarily in oil, but declined as oil and other natural resource nationalizations occurred. Increased U.S. direct foreign investment in Latin America after 1964 was almost entirely composed of investment in Brazil and the tax haven or oil refinery nations of the Caribbean. Sustained growth rates after 1964 took place only in Asia. Much of the growth of direct foreign investment in Asia, however, occurred in nations supported by U. S. military aid or in commercial city states.

U. S. direct investment flow patterns were most closely related to: (1) previous colonial tie (Philippines, Liberia) (2) level of G.N.P. in a developing nation (3) previous stock of U. S. direct foreign investment (4) trade relationships (5) regional patterns (Latin-America as sphere of influence) (6) oil (7) U. S. military presence (8) tax havens and internatioal money markets. U. S. investment patterns appear to be variable and marginally related to the level of U. S. economic aid. Thus public policy through the guaranty program has no effect on the location of investment and an indirect effect on the volume of investment by reducing risk and and enhancing the potential volume of new investment.

The highest total of U. S. direct foreign investment in the L.D.C.'sis located in Latin America, a close geographic sphere of influence with almost total trade dependence and an accumulated stock of investment. The second and most rapidly growing location of U. S. direct foreign investment is in Asia, a region with substantial trade ties and a military presence. The U. S. position in the Middle East and Africa has been determined by oil. The relatively low volume of U. S. investment in less developed Africa (exclusive of South Africa) has been attracted by the potential of natural resources.

The generalized investment flow patterns exhibited some change over the period under study. The close relationship of direct foreign investment to G.N.P. began to decline after 1970. Investment in the 1970's responded to specific opportunities - raw materials, oil, oil refining, and commercial opportunities. A high volume of manufacturing investment was attracted only to Mexico, Brazil, and the cheap labor nations in Asia, e.g., Taiwan. By the middle 1970's, U. S. direct foreign investment flowed to African nations with either stable governments or essential resources.

A positive effect of investment policy on the international environment would be to dampen the impact of nationalizations on investment flows by treating the desire of host governments for national control as natural, handling disputes dispassionately, and facilitating compensation.

Using a modest increase in U. S. direct investment of 15% to represent U. S. increased investment and an increase of 1% or less to represent declining investment, the rate of flow of investment to nationalizing and non-nationalizing nations was as follows:

TABLE 29

RELATION OF INVESTMENT TO NATIONALIZATIONS

Investment Increase	1970-1973	1974-1977
Nationalizing Nations	57%	46%
Non-nationalizing Nations	63%	83%
Declining Investment		
Nationalizing Nations	43%	54%
Non-Nationalizing Nations	37%	16%

Table developed from data in the appendix.

From 1970-1973, the .06 difference in increased investment flows between nationalizing and non-nationalizing nations suggests that nationalizations, in fact, had little effect on investment patterns. The generalization held true in 1970-1973 for Latin America and Asia (nationalizations are low-moderate in Asia) but not for Africa where a greater proportion of investment flowed to non-nationalizing nations. Increased investment flows which persisted in spite of nationalizations in Africa carried a relatively high level of insurance. From 1974-1977, a .37 difference in the direction of increased flows indicated that investment increasingly began to move to non-nationalizing nations and those nationalizing nations in which compensation disputes had been settled. In Africa, where the 1974-1977 trend was most pronounced, insurance coverage increased while nationalizations decreased. In Africa, nationalizations of closed door Marxist regimes shut out increased flows to those nations.

The 1974-1977 period was, however, a period of relative quietude in which the magnitude and incidence of nationalizations decreased in general. The impact of nationalizations had, therefore, a delayed effect and was not directly dampened by public policy. In the mid-1970's, environmental conditions of oil debt and recession dominated market decisions and the advent of right wing regimes dampened nationalizing ardor. Investment guaranties and post-1973 low-keyed expropriation policy, nonetheless, contributed to the non-conflictural environment.

Insurance

A positive effect of the instrument of investment policy, the guaranty program, would be achievement of its purpose to promote and protect development oriented investment under conditions of risk management. The data shows that insurance coverage from 1960-1969 served as a pre-condition for investment flows to Asia and Africa while it protected the expansion of existing investment in Latin America and the Middle East. In the 1960's investment in Asia was accompanied by insurance covering the total amount of the investment. By the 1970's insurance in Asia and Africa continued to function as a precondition for new investment but insurance in Asia began to be written for partial coverage and exhibit a relationship to relative risk. The tables below show the volume of insurance coverage and increases in the per cent of new investment insured from 1950-1977. The tables do not fully reflect the degree to which insurance may function to promote investment. A higher degree of insurance coverage would be shown if the tables were corrected to exclude all investment prohibited from the guaranty program (Andean Code countries in Latin America), suspended from the program (Nigeria), and politically secure nations (Hong Kong). An indication of the effect of two such corrections can be found in footnotes to Table 31. The table showing total investment insured in 1977 not only fails to account for the above considerations but fails to distinguish investment in place before the insurance program, limited to new investment, was established. Although the volume of new insurance contracts issued each year declined after OPIC assumed management of the program from AID, the premiums increased and applications were approved selectively. It cannot be assumed that the total volume of insurance contracts is a measure of a positive policy effect.

TABLE 30
VOLUME OF INSURANCE, 1959-1977

	1959	1969	1973	1977
Latin America	48	2,680	3,189.9	3,898.9
South America	29.3	1,796	1,908.0	2,417.0
Other*	19.1	884	1,281.9	1,481.0
Africa	78	576.1	672.0	906.6
Asia	20.1	1,223.0	2,036	2,616
Middle East	19	103.0	181	294
TOTAL	165.1	4,583.0	6,079.8	7,715.5

TABLE 30 (Continued)
VOLUME OF INSURANCE, 1959-1977

	Increased Insurance 1959-1969	Increased Insurance 1969-1977	Increased Insurance 1969-1973	Increased Insurance 1973-1977
Latin America	2,632 (548%)	1,219 (45%)	509.9 (19%)	709 (22%)
Asia	498.1 (640%)	330.5 (57%)	96.8 (17%)	233.7 (35%)
Middle East	84 (440%)	191 190%)	78 (76%)	113 (62%)
Africa	1,203.8 (638.6%)	1,392 (57.4%)	812.1 (16.6%)	580 (34.9%)
TOTAL	4,417.9 (268%)	3,132.5 (68%)	1,496.8 (33%)	1,635.7 (27%)

*Other refers to Mexico, Panama, Jamaica, Guyana, Surinam, Bermuda, Bahamas, Trinidad and Tobago, Netherlands Antilles, and other Western Hemisphere nations included in Commerce Department data.

Table derived from data in the appendix.

TABLE 31
INCREASE IN PER CENT OF NEW INVESTMENT INSURED

	1950-1959	1960-1969	1970-1977	1970-1973	1973-1977
Latin America	1	72	6	37	7
Asia	3	140	27	29	25*
**Mid-East	4	32	47	55	45
Africa	23	38	22	18*	24*

*If Hong Kong is excluded, the percent insured in Asia is .40. If Nigeria is excluded, the per cent insured in Africa is .25 from 1970-1973, .28 from 1974-1977, and .27 from 1970-1977.

**Computations from the Middle East are meaningless because of lack of accurate statistical base.

Table derived from data in the appendix.

The proportion of total investment insured in 1977 stood as follows: Latin America: 14%; Africa: 33%; Asia: 42%.

A curve of insurance coverage from zero new contracts written under conditions of absolute political risk (Indonesia under Sukarno) to zero contracts written under conditions of no risk (Hong Kong) with coverage rising and falling with relative perceived risk between the two poles can be observed in the individual country data located in the Appendix. This curve was operable for insurance contract terminations as well with high and low terminations related to the extremes of political risk and middle range terminations governed by the relation of risk to a firm's recoupment position.

Economic Development

A positive effect of promoting direct foreign investment in the L.D.C.'s as a substitute or complement to foreign aid would be increased growth and development in the L.D.C.'s. The developmental effect, however, appeared to be marginal. If economic growth rates of at least 3% are used as a measure of potential development, only a fraction of the L.D.C.'s with a total of U. S. direct investment of $50 million achieved a 3% rate in the absence of exceptional growth-producing conditions, e.g., oil, U. S. military aid. At some interval from 1960-1977, this fraction included Jamaica, Mexico, Brazil, Colombia, Guatemala, Malaysia, Zambia, Egypt, Liberia. From 1960-1969, all but one Latin American nation with high U. S. investment experienced low growth rates; such contrary relationships between growth and investment occurred in all regions from1974-1977. The U. S. aid program also appears to have exerted a marginal effect on economic growth; inconsistencies abound in the relationship of the volume of U. S. aid to economic growth. The L.D.C.'s need to be disaggregated into functionally equivalent groups for purposes of both quantitative and qualitative analysis of growth patterns. The country data presented here is not powerful enough to measure or estimate the effect of U. S. investment policy on economic growth.

The data also cannot measure economic development if development is defined by relative income equality. Whether foreign direct investment should be curtailed because it concentrates economic and political power in L.D.C. export enclaves, as the dependencia theorists maintain, or whether it should be promoted because it leads to rising expectations and ultimate revolutions which may redistribute wealth is a question that needs to be addressed. Neither foreign aid nor foreign direct investment have directly led to development defined as relative income equality. If the expansion of foreign direct investment continues to be endorsed, however, the investment guaranty policy exerts an influence in the direction of growth and development and thus has a positive effect.

Provocation and Deterrence of Nationalizations

A positive effect of investment guaranty policy would be the promotion of investment without incurring the risk of nationalization. Nationalizations of U. S. property grew from isolated actions in the 1950's to a norm in the less developed world by the early 1970's. Of 91 less developed countries, 65% have nationalized U. S. property. Nations undertaking nationalizations include democratic (90% of the 20 democratic regimes undertook nationalizations) and authoritarian (60% of the 75 authoritarian regimes undertook nationalizations) regimes; new (49%) and existing regimes (51%); left wing (53%), centrist (33%), and right wing regimes (14%), and oil (24%) and non-oil (76%) economies. Until the mid-1970's nationalizing nations were characterized by higher G.N.P. levels than non-nationalizing countries. Nations which did not nationalize U. S. property were U. S. clients, financial centers, tax havens, and those with a low level of U. S. investment.

The context of nationalizations of U. S. property varied by region. In the Middle East and Africa, newly independent socialist regimes nationalized previous European colonial investment; U. S. oil and raw material investment associated with European investment was nationalized as a part of the historical process. Nationalizations of U. S. property have been deterred in Asia by the large number of U. S. client states and city-state commerical centers located there.

U. S. investment policy does, however, have an effect on nationalizations in Latin America and particular countries in other regions where U. S. investment represents a high percentage of the host country's G.N.P.

The effect of unrestricted promotion of U. S. foreign investment was the location of investment governed by the market; market choices created concentrated U. S. investment in particular countries, often under monopolistic or oligopolistic conditions. Over 70% of U. S. direct foreign investment to the L. D. C.'s flowed to Latin America;

U. S. economic concentration by country occurred with the greatest frequency in that region. The tables below show the percentage of G.N.P. and G.N.P. per capita represented in L.D.C. economies which reached a level of either .10 G.N.P. or 1.00 G.N.P. per capita.

TABLE 32
INVESTMENT AS PER CENT OF G.N.P.
Less Developed Countries

U. S. Investment over 10% of G.N.P.

1960-1969		1970-1973		1974-1977	
99	Panama	107	Panama	104	Panama
36	Liberia	46	Liberia	46	Liberia
30	Jamaica	32	Jamaica	26	Jamaica
21	Trinidad & Tob.	31	Trinidad & Tob.	32	Trinidad & Tob.
22	Venezuela	11	Venezuela		----
20	Honduras	18	Honduras	14	Honduras
20	Togo		----		----
19	Libya		----		----
14	Guyana	11	Guyana		----
14	Bolivia		----		----
13	Peru		----		----
12	Chile		----		----
12	Costa Rica	10	Costa Rica		----
11	Zambia	10	Zambia		----
		144	Bahamas	174	Bahamas
		105	Nether. Ant.	36	Nether. Ant.
		54	Bahrain		----
		12	Ecuador		----
				12	Hong Kong
				10	Singapore

All countries except Panama listed as over 10% in 1960-1969 undertook nationalizations.

All countries above reduced the proportion of U. S. presence in their economies through nationalizations except: Panama, Bahamas, Hong Kong, and Singapore (no nationalizations), Liberia and Trinidad and Tobago (nationalizations but no net reduction in U. S. presence), and Netherland Antilles and Bahrain (reduced U. S. presence without nationalization).

Table derived from data in appendix.

Although other variables are related to nationalizations, the level of U. S. presence in the host economy of manufacturing and natural resource L.D.C.'s bears the most forthright relationship. Within five to ten years, one could predict nationalizations or contract renegotiations in Honduras, Trinidad and Tobago, an the Netherlands Antilles. Even lower levels of 5% to 9% G.N.P. may also prove to be valid indicators.

When the free flow of investment results in a high proportion of U. S. presence in L.D.C. economies, the concentration effect induces nationalizations. Investment guaranty policy can function to deter nationalizations only to the degree that it refuses to insure and thereby prevents a high concentration of U. S. investment within a country. Contrary to suggestions in Congressional testimony, there is no evidence that the investment guaranty program under OPIC had an effect on provoking nationalizations.

Expropriation Policy

Neither an official "hard line" nor sanctions deterred nationalizations; in some cases (Indonesia, Cuba), sanctions provoked further nationalizations. Sanctions were also counter-productive to swift dispute settlement and compensation payments. The table below summarizes the effect of expropriation policy responses.

TABLE 33

NATIONALIZATION DISPUTE SETTLEMENT PATTERNS

Response to Nationalizations	1960-1969	1970-1973	1974-1977
U. S. applied or threatened sanctions	9	3	3
U. S. diplomatic representations	14	5	2
Direct Company negotiations	5	18	27
Other responses	11	13	11
Settlement Patterns			
Settlement within one year	2	15	17
Settlement with 1-4 years	2	7	1
Other settlement patterns	13	19	8
Number of nationalizing nations*	20	33	26

*The N differs due to multiple nationalizations within certain countries producing multiple response and settlement patterns. Details can be found in Chapters 3, 7, and 9.

Table derived from data in the appendix.

The official announcement of an Expropriation Policy by the President in 1972, sanctions available for use at discretion, and the subtle, unannounced use of sanctions proved effective to settlements in 1972-1974 of the Nixon administration. Leaving business firms to negotiate their own settlements was also effective from 1974-1977. The claims settlement process of the Overseas Private Investment Corporation program was a highly effective mechanism for dispute settlement.

United States Domestic Effects

The counter productive effects of expropriation policy prior to 1972 decreased U.S. access to raw material supplies through acrimonious disputes. After 1972, the trend to co-production, service contracts, and negotiated transfer of majority equity fostered both by OPIC and low-keyed expropriation policy facilitated continuing access to all but a few African and Middle Eastern natural resource countries.

Repatriated earnings from overseas investment had a positive effect on the U. S. balance of payments. The effect of direct foreign investment on domestic investment and employment is not clear. The guaranty program, through analysis, monitoring, and screening, had a positive effect by assuming responsibility for prevention of adverse U. S. employment conditions for the investment it insured. Investment had only a minor effect in the promotion of overseas investment by small business and no effect on the dimunition of the pre-eminence of multinational corporations.

Policy Effects: Summary Conclusions

The foreign policy effects on less developed countries of an investment policy which led to concentration and subsequent nationalizations were unintended policy consequences. Concentration arises from unrestrained capitalism in an international environment without institutions to regulate business conduct or correct the maldistribution of business investment location. U. S. Investment Guaranty policy served as a pre-condition for investment in two regions and exerted a positive effect on dispute settlement. Expropriation policy sanctions proved to be counterproductive. The U. S. domestic policy impact was neutral or positive.

POLICY STRATEGY

1. Although investment guaranty policy is programmatic with adequate time for policy formulation and deliberation, major changes in content occurred in response to international crisis events - Kennedy's response to Latin American events; Nixon's response to Chilean expropriations; Sen. Church's response to the fall of Allende. In 1977, policy recommendations were influenced by the energy crisis and the North-South dialogue. Fashionable concerns of the moment are written into policy, e.g., human rights, bribery, the environment. This pattern could be interpreted as a proper response to arising needs but the arising needs shift rapidly, the crisis events recede, the attention span moves on. The government agencies are ahistorical, unable to recall the crisis and burning issues of yesterday. Expropriation policy focuses on publicized disputes. In the absence of crisis, inattention to issues prepares the ground for future crises. Knowledgable State Department officials are rotated and Congressional leaders retire. To counteract these effects, consistent attention to investment issues could be fostered by elevating investment in the Special Office of Trade with particular emphasis on the preparation of issues for international fora. The President should be sensitized to investment issues through upgrading investment experts in the executive branch and OPIC; these experts should be assigned to the development of long range proposals. Since the content of investment guaranty policy has been dependent on Congressional investment policy specialists, the foundations and research organizations in the private sector need to develop policy specialists who can exert influence in Congress when Congressional leadership vaccuums develop. The institution of appointed Presidential Commissions to formulate recommendations for U. S. foreign economic policy should be revived. In short, better organization to address policy issues should be developed in the Executive Branch and the private sector.

2. The Overseas Private Investment Corporation should be retained as presently constituted. Investment guaranty policy has been better administered than conceived. The formulation of policy under conditions of uncertainty as to the effects of foreign direct investment created multiple mandates, conflicting guidelines, and content emphasis that shifted with changes in ideological perceptions within Congress. Even though Congress addressed the issue of the relation of foreign investment to foreign policy goals in a full policy debate in 1973, the issue was ultimately avoided. Congress held OPIC as an agency rather than foreign investment itself as responsible for foreign investment adverse effects.

OPIC's operation of the insurance guaranty program developed an independent utility unrelated to the uncertain effects of foreign investment. The need to devise premiums and coverage terms for sensitive investments enabled the degree of risk in alternate arrangements to be pinpointed. Understanding of risk-producing factors was enlarged among investors, host governments, and policy participants. Expertise in negotiating disputes, evaluating claims, and devising innovative settlements was established. As an agency, OPIC has been efficiently managed, responds to all Congressional demands, and has been able to transform ideological issues into technical solutions without sacrificing sensitivity to political implications.

Although OPIC has been termed a "moving target"[4] as it has accommodated each concern expressed by Congress, this very flexibility avoids bureaucratic inertia and permits new policy emphases of new adminstrations and dominant Congressional groups to be implemented quickly. Even OPIC's failures elucidate the issues. The failure to attract small business and to redirect investment to low income L. D. C.'s signaled a need for subsidies, a proposal of the Carter administration.

Specific recommendations for investment guaranty policy would be to devise an OPIC premium scale related to size of firm, regional OPIC offices to monitor investment in the field, and refusal to issue insurance based on investment exposure as well as insurance exposure within each country.

3. The House Foreign Affairs Committee has consistently performed the task of investment policy formulation and oversight conscientously. House oversight forced OPIC high performance and the Culver committee recommendation for selective reallocation as a response to oversight findings was a valuable addition to experiments in public policy. Detailed oversight hearings should be conducted in the House every two years.

4. Expropriation policy should continue to lie dormant while international solutions are explored. Steps should immediately be taken to abandon subrogation and open Andean Code nations to insurance coverage. Policy network participants should not be lulled; nationalization incidence will be affected in the future by conditions that proved influential in the past: concentration, new regimes, and socialist regimes.

5. Three issues need to engage the attention of policy makers through the creation of independant task forces or institutes to focus on them. The first issue, the identification of how economic development can be promoted and the dependence of less developed nations reduced, suffers from a proliferation of research. Although the research has already been sifted and organized by consultants into alternative development strategies, few of them work. Effort should be intensified and the scope expanded to include international mechanisms and new U. S. government strategies of contracting - out, tax incentives, and penalties for lack of L. D. C. redistribution results.

The second issue, the question of whether U. S. direct foreign investment should be promoted, requires the same intensity of study and the incorporation of foreign policy concerns into decisions of House Ways and Means on tax incentives. The third issue, the control of multinational corporations, should be explored with the business community and is likely to require as an initial step an executive branch decision to require disclosure and licensing of U. S. foreign investors. Since premature proposals to regulate direct foreign investment might simply cause incorporation of firms in other countries, data on firms presently available to the Treasury Department could be protected for confidentiality but made available to the Commerce Department, the Special Office on Trade, or other agency to be charged with monitoring both levels of direct foreign investment and the extent of the operations of individual firms. Proposals for national regulation could be worked out now in order to be put forward for debate when the timing is fortuitous.

RESEARCH AGENDA

In addition to the pressing need for economic development and private investment research focused on policy needs, additional basic research should be conducted in the field. Data on the role of private investment in Asia and Africa needs to be interpreted in context; case studies ought to be undertaken in those regions. A request should be made to the State Department to continue to update published nationalization studies and to provide financial settlement data. O.E.C.D. should be requested to update studies of comparative investment flows by industrial nations to the L. D. C.'s.

Research already conducted on private investment, foreign economic policy, and economic development by scholars in business adminstration, economics, and political science should be synthesized and data shared. Public policy is frequently interdisciplinary; the academic community needs operating procedures to facilitate public policy research.

The research undertaken in this study should be brought forward. The fact that increased insurance applications occurred after the Iranian nationalizations could have been predicted. But developments between 1977 and 1982 will lend additional understanding of both policy process and effect. The volume of OPIC insurance applications soared in 1981-1982 despite a world-wide recession due to the relaxation of some restrictions imposed by Congress in 1973-1981, a marketing effort, and an increase in authority. It is important to analyze the content of OPIC's current portfolio with a view to the effect of increased volume on risk, development, and corporate power.

NOTES CHAPTER 10

[1] See Stephen D. Cohen, The Making of United States International Economic Policy (New York: Praeger, 1977).

[2] Richard F. Fenno, Congressmen in Committees (Boston: Little, Brown, 1973).

[3] This conclusion is drawn by Robert A. Pastor, Congress and the Politics of U. S. Foreign Economic Policy, 1929-1976 (Berkeley: University of California Press, 1980).

[4] This term was used by Paul E. Sigmund, Multinationals in Latin America (Madison: University of Wisconsin Press, 1980).

APPENDIX

Appendix group Tables I, II, III, IV, and V are based on data from the U. S. Department of Commerce and the Overseas Private Investment Corporation.

NOTES:

1. Investment data from the U. S. Commerce Department is understated, according to OPIC internal memorandum, June, 1978.
2. Insurance data is overstated due to use of original maximum coverage statistics.
3. All data Millions of Dollars.
4. Regional totals may differ from Commerce Department regional totals that include unallocated investment.

TABLES I.1

INVESTMENT AND INSURANCE DATA, 1948-1959: Latin America

1970 G.N.P.			1943	1950	1955	1956	1957	1958	1959	Increase from 1955-1959
	BRAZIL	Investment	233	644	1052	1143	1202	795	824	-224
		% Increase				9	5	-34	4	27
38,470		No Insurance								
	MEXICO	Investment	286	415	577	667	746	745	758	181
		% Increase				16	12	-.1	17	31
33,830		No Insurance								
	ARGENTINA	Investment	380	356	418	429	458	330	366	-52
		% Increase				3	7	-30	11	-12
26,820		No Insurance								
	VENEZUELA	Investment	373	993	1331	1676	2557	2658	2690	1379
		% Increase				28	.3	40	1	105
10,210		No Insurance								
	COLUMBIA	Investment	117	193	336	371	398	383	401	54
		% Increase				10	7	-4	05	19
7,350		No Insurance								
	CHILE	Investment	328	540	643	682	716	687	729	86
		% Increase				6	5	-4	6	13
7,050		No Insurance								
	PERU	Investment	71	145	292	332	392	409	428	136
		% Increase				14	18	4	5	47
6,110		Insurance				5	8	8	11	11
		% Increase					13	0	4	91
					(8% of New Investment Insured)					
	CUBA	Investment	526	642	711	761	874	879	956	245
		% Increase				7	15	6	9	34
4,440		No Insurance								
	URUGUAY	Investment	6	55	72	74	75	51	45	-27
		% Increase				3	1	32	-12	-38
2,370		No Insurance								
	GUATEMALA	Investment	87	106	107	114	129	116	132	25
		% Increase				7	13	-10	14	23
1,860		Insurance				.2	.5	.5	3	3
		% Increase					150	0	5	200
					(13% of New Investment Insured)					
	ECUADOR	Investment	11	14	No Investment Reported					
1,740		Insurance					.5			

1970 G.N.P.			1943	1950	1955	1956	1957	1958	1959	Increase from 1955-1959
	DOMINICAN REPUBLIC	Investment	71	106	129	135	93	111	104	-25
		% Increase				05	-31	10	-06	-19
1,430		No Insurance								
	JAMAICA	Insurance							.06	
1,270		No Investment Reported								
	EL SALVADOR	No Investment Reported;								
1,070		No Insurance								
	PANAMA	Investment	110	58	109	157	210	268	327	218
		% Increase				44	34	28	22	200
1,060		No Insurance								
	COSTA	No Insurance	30	60		No Investment Reported				
970	RICA									
	TRINIDAD	Investment	No Investment Reported					18		
880	& T.	Insurance								
	BOLIVIA	No Investment Reported								
870		Insurance						3	17	21
	NICARAGUA	No Investment Reported								
860		No Insurance								
	HONDURAS	Investment	37	62	116	117	108	114	110	-6
		% Increase				.9	08	-06	04	-05
710		No Insurance								
	PARAGUAY	No Investment Reported								
630		No Insurance								
	HAITI	Investment	14	13						
520		Insurance							.3	
	TOTAL INVESTMENT								7,870	2,106

Investment Reported for the Following:

		1943	1950	1955	1956	1957	1958	1959	Increase from 1955-1959
390	BAHAMAS	0							
310	NETHERLANDS ANTIL.	2							
280	GUYANA	0							
210	SURINAM	0							
190	BERMUDA	0							
150	BARBADOS	0							
Western Hemisphere Dependencies		2	.1	.2	.4	.6	.9	.8	
Commerce Department Total								8,128	2,095

TABLES I.2

LATIN AMERICA

Total Investment	1959	GNP Rank
Venezuela	2690	4
Cuba	956	8
Brazil	824	1
Mexico	758	2
Chile	729	6
Peru	428	7
Columbia	401	5
Argentina	366	3
Panama	327	15
Guatemala	132	10
Honduras	110	20
Dominican Republic	104	12
Uruguay	45	9
TOTAL	$7,870	

TABLES I.3

LATIN AMERICA
Investment Increase: 1955-59

Venezula	1379
Cuba	245
Panama	218
Mexico	181
Peru	136
Chile	86
Columbia	65
Guatemala	25
TOTAL	$2335
Decrease	
Honduras	-6
Dominican Republic	-25
Uruguay	-27
Argentina	-52
Brazil	-224
	-$328

TABLES I.4

U. S. AID, 1953-1961

	U. S. Aid, 1953-1961		Military Aid	
1.	Brazil	534	215	
2.	Chile	232	59	
3.	Bolivia	197	--	
4.	Peru	179	71	
5.	Columbia	155	47	
6.	Guatemala	129	--	
7.	Mexico	95	--	
8.	Ecuador	82	30	
9.	Uruguay	62	27	
10.	Haiti	66	--	
11.	Panama	57	--	
12.	Costa Rica	56	--	
13.	Argentina	54	--	
14.	Venezuela	48	32	
15.	Paraguay	39	--	
16.	Nicaragua	38	--	
17.	Honduras	37	--	
18.	Cuba	20	16	
19.	El Salvador	12	--	
20.	Dominican Republic	10	8	
21.	Trinidad and Tobago	8	--	
22.	Jamaica	7	--	
23.	Surinam	3	--	
24.	Guyana	2	--	
	TOTAL	$2,2122	$505	.24%

AID figures recomputed for 1958-1959, the last two years of Eisenhower administration to remove 1960-1961 of Kennedy administration show: Chile received the most aid. Brazil received relatively smaller per cent, especially in 1958. Argentina would move to 6th place; Panama and Costa Rica would drop to 16 and 17; Venezuela would move up slightly.

The rank order would thus be as follows: Chile, Brazil, Bolivia, Peru, Columbia, Argentina, Guatemala, Mexico, Ecuador, Uruguay, Haiti, Venezuela, Paraguay, Nicaragua, Honduras, Panama, Costa Rica, Cuba, El Salvador, Dominican Republic, Trinidad & Tobago, Jamaica, Surinam, Guyana.

U. S. Aid: 1949-1952

In 1949-1952, total U. S.aid to Latin America was $97.9. Only 12 countries received economic aid, none received military aid. Only Mexico received substantial aid: $51. The remaining eleven countries received aid allocations of less than $6 million. (Haiti, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Bolivia, Uruguay, Venezuela.)

TABLES I.5

INSURANCE DATA: 1948-1959: LATIN AMERICA

The following nations signed agreements to participate in AID's investment guaranty program from 1948 to 1959 in Latin America.

Guatemala	1956	Trinidad/Tobago	1958
Peru	1956	Haiti	1959
Bolivia	1958	Jamaica	1959
Ecuador	1958	Paraguay	1959

The investment guaranty program did not begin to focus on the L.D.C.'s until 1959. The location of insurance is related to the countries where early negotiation of guaranty agreements had been completed.

Investment statistics are reported for only two of the countries with guaranty programs: Guatemala and Peru. Both of these countries show increased investment during this period but Guatemalan investment declined in 1958. The guaranties may have prevented the declines that occurred elsewhere in Latin America.

Total insurance written by AID in Latin-America from 1955-1959 was $48 million, an amount representing 29% of all insurance written in the L.D.C.'s.

The insurance was written in two phases: an initial phase after the country had entered the program and again in 1959, at the time of the Cuban expropriations.

Trinidad/Tobago	$18	Written in 1958	Inconvertibility
Bolivia	17	Written in 1958, 1959	Expropriation
Peru	11	Written in 1956, 1957, 1959	Inconvertibility
Guatemala	.8	Written in 1956,1957,1959	Inconvertibility & Expropriation
Paraguay	.4	Written in 1959	Expropriation
Haiti	.3	Written in 1959	Both Inconvertibility & Expropriation
Ecuador	.3	Written in 1958	Inconvertibility
Jamaica	1.6	Written in 1959	Inconvertibility

TABLES I.6

TOTAL INSURANCE: 1959
Millions of Dollars

Trinidad/Tobago	$18
Bolivia	17
Peru	11
Guatemala	.8
Paraguay	.4
Haiti	.3
Ecuador	.3
Jamaica	.06
TOTAL	$ 48

TABLES I.7

INVESTMENT AND INSURANCE DATA, 1948-1959
ASIA

1970 GNP			1943	1950	1955	1956	1957	1958	1959	Increase from 1955-1959
	INDIA	Investment	41	39	94	105	116	120	134	140
		% Increase				12	10	03	12	43
		Insurance						1	6	5
57,290		% Increase			(13% of New Investment Insured)				500	500
	PAKISTAN	Investment not reported								
		Insurance				.5	.5	.5	.8	.3
12,820		% Increase					0	0	60	60
	INDONESIA	Investment	80	58	75	100	169	196	163	88
		% Increase				33	69	16	-17	17
8,800		No Insurance								
	PHILIPPINES	Investment	95	149	231	270	314	341	387	156
		% Increase				17	16	9	13	68
		Insurance			.25	2	4	5	5	5
7,660		% Increase				400	100	30	0	400
							(3% of New Investment Insured)			
	THAILAND	No Investment Reported								
		Insurance				.15	.15	.15	.3	.15
7,050		% Increase					0	0	15	100
	TAIWAN	No Investment Reported								
		Insurance			2	3	3	8	8	6
5,490		% Increase				5	0	170	0	300
	MALAYSIA	Investment	24	18			No Further Investment Reported			
4,120		No Insurance								
	TOTAL		240	272	400	475	599	657	684	284
Commerce Dep't. Total			317	309	603	713	881	954	1,024	421

TABLES I.8

GNP Rank	Total Investment, 1959	
4	Philipines	387
3	Indonesia	163
1	India	134
	TOTAL	$684

TABLES I.9

Investment Increase 1955-1959	
Philippines	156
Indonesia	88
India	40
TOTAL	$284

TABLES I.10

Total Insurance, 1959	
Taiwan	8.0
India	6.0
Philippines	5.0
Pakistan	.8
Thailand	.3
TOTAL	$20.1

TABLES I.11

Insurance Increase, 1955-1959	
Taiwan	6.00
India	5.00
Phillippines	5.00
Pakistan	. 3
Thailand	.15
TOTAL	$16.75

TABLE I.12

UNITED STATES AID: 1953-1961
Selected Countries: India, Pakistan, Thailand, Indonesia

		Total Aid	Military Aid	1960	1961	Total 1960-1961	Total 1960-1961 Military
1.	Korea	4,138.7	1,560.7				
2.	Taiwan	3,123.6	2,144.8				
3.	India	2,387.5	0	695.5	489.1	1168.6	.1
4.	Pakistan	1,925.8	507.1	323.6	213.6	537.2	83.3
5.	Vietnam	1,544.9	571.7				
6.	Thailand	575.8	318.6	67.5	86.3	152.0	101.3
7.	Philippines	532.8	246.8				
8.	Cambodia	293.3	73.4				
9.	Indonesia	248.1	27.4	32.6	35.1	67.7	30.1
10.	Afghanistan	130.1	0.9				
11.	Burma	97.3	25.4				
12.	Sri Lanka	74.1	0				
13.	HongKong	27.0	0				
14.	Malaysia	23.3	0				
15.	Singapore	0.7	0				
	TOTAL	15,124.0	5,477	1,101.4	824.1	1,925.5	2,148
			36%				

TABLES I.13

INVESTMENT AND INSURANCE DATA, 1948-1959
The Middle East

			1943	1950	1955	1956	1957	1958	1959	1955-1959
	Total Middle East Investment		61	692	1021	1086	1196	1124	1213	191
		%Increase				6	10	-6	8	19
1970 GNP										
6,870	EGYPT*	Investment	17	39						
N. A.	IRAN	Investment No investment reported								
		Insurance			0	0	0	11	11	11
		%Increase			0	0	0	10	0	10
N. A.	JORDAN	Investment No investment reported								
		Insurance				0	8	8	8	8
		% Increase				0	13	0	0	13

*AID considered Egypt to be in the Middle East whereas the Commerce Department listed Egypt as part of Africa

TABLES I.14

TOTAL INSURANCE, 1959: MIDDLE EAST

Jordan	8 million insurance written in 1957
Iran	11 million insurance written in 1958
TOTAL	19 million

TABLES I.15

UNITED STATES AID, 1953-1961
The Middle East

		TOTAL AID		MILITARY AID	
1.	Iran	1,030.1		482.0	
2.	Egypt	302.3		0	
3.	Jordan	291.8		16.2	
4.	Lebanon	103.7		8.4	
5.	Saudi Arabia	90.9		63.0	
6.	Iraq	71.1		49.4	
7.	Syria	44.8		0	
8.	Yemen Arab Republic	16.0		0	
9.	Yemen Peoples Rep.	0	TOTAL	619	32%
10.	Bahrain	0			
11.	Oman	0			
12.	Kuwait	0			
	TOTAL	$1,950.7			

TABLES I.16

INVESTMENT AND INSURANCE DATA: 1948-1959
Africa

1970 GNP		1943	1950	1955	1956	1957	1958	1959	Increase from 1955-1959
	UNION SO. AFRICA								
	Investment	50	56	260	287	290	321	323	63
16,850	% Increase				10	1	11	.6	24
	EGYPT								
	Investment	17	39	--	--	--	--	--	--
6,870	% Increase								--
	NIGERIA AND GHANA								
9,380	Investment	5	11	--	--	--	--	--	--
(6,740-Nig;	% Increase								
2,640-Ghana									
	ALGERIA								
	Investment	5	6	--	--	--	--	--	--
4,270	% Investment								
	RHODESIA & MALAWI								
1,800	Investment	18		52	59	55	65	72	20
(1,470-Rhod;	% Increase				13	-7	18	11	38
330-Nyasaland)									
(Malawi)	TOTAL	95	112	312	345	345	385	395	85
	TOTAL AFRICA	129	287	511	603	664	746	843	332
	(Commerce Department)								

TABLES I.17

Total Investment

Union South Africa	323
Rhodesia and Malawi	72
TOTAL	$395

TABLES I.18

Investment Increase: 1955-1959

Union South Africa	63
Rhodesia and Malawi	20
TOTAL	$83

TABLES I.19

UNITED STATES AID; 1953-1961
Africa

		TOTAL AID	MILITARY AID	
1.	Morocco	292.7	2.4	
2.	Tunisia	246.3	5.3	
3.	Libya	176.5	3.4	
4.	Ethiopia	132.2	47.8	
5.	Zaire	75.7		
6.	Sudan	53.6		
7.	Liberia	31.0	1.8	
8.	Zambia	27.7		
9.	Ghana	26.4		
10.	Nigeria	18.1		
11.	Somalia	13.4		
12.	Malawi	10.8		
13.	Kenya	7.2		
14.	Rhodesia	5.6		
15.	Algeria	4.5		
16.	Tanzania	4.4		
17.	Guinea	4.0		
18.	Senegal	3.6		
19.	Benin	3.1		
20.	Mali	2.6		
21.	Cameroon	2.2		
22.	Ivory Coast	2.1		
23.	Upper Volta	2.0		
24.	Niger	2.0		
25.	Togo	1.9		
26.	Mauritania	1.6		
27.	Uganda	1.3		
28.	Sierra Leone	1.1		
29.	Malagasy Republic	0.5		
30.	Gambia	0.3		
31.	Chad	0.1		
32.	Congo Republic	0.1		
33.	Gabon	0.1		
	TOTAL	$1,155.0	$60.8	5%

No United States Foreign Aid, 1953-1961, in the following countries:
Union of South Africa, Swaziland, Botswana, Mozambique, Angola, Central
African Empire, Rwanda, Leosotho, Guinea-Bisseau.

TABLES II. 1

*Growth Rate,
1960-1969

INVESTMENT AND INSURANCE DATA, 1960-1969; LATIN AMERICA

1970 GNP		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
38,470	BRAZIL											
	INVESTMENT	953	1006	1084	1132	997	1074	882	961	1122	1290	337
	%INCREASE	15	6	8	4	-12	8	-18	9	17	15	35
	INSURANCE						2	24	81	161	214	213
	%INCREASE							110	238	98	33	106
*1.4												
		(63% of new investment insured)										
33,830	MEXICO											
	INVESTMENT	795	830	867	907	1034	1182	1329	1426	1566	1756	961
	%INCREASE	5	4	4	5	30	14	4	7	10	12	121
	NO INSURANCE											
*3.4												
26,820	ARGENTINA											
	INVESTMENT	472	660	799	829	882	992	758	803	870	973	501
	%INCREASE	29	40	21	4	6	13	-24	6	8	12	106
	INSURANCE			161	259	314	369	434	437	438	444	283
	%INCREASE				61	20	35	18	.7	.2	01	76
*2.6												
		(56% of new investment insured)										
10,210	VENEZUELA											
	INVESTMENT	2569	3007	2816	2808	2780	2705	2136	2081	2158	2196	-627
	%INCREASE	-4	17	-6	-3	-1	-3	-21	-3	4	2	-240
	INSURANCE				17	22	26	37	47	66	76	59
	%INCREASE					29	18	42	27	40	14	347
*2.5		(N. A. of new investment insured)										
7,350	COLUMBIA											
	INVESTMENT	424	425	455	465	508	526	459	482	520	574	150
	%INCREASE	06	.2	7	2	9	4	13	5	8	10	35
	INSURANCE				.5	14	63	98	103	118	123	122
	%INCREASE					13	350	57	4	15	5	12,200
*1.5												
		(81% of new investment insured)										

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
7,050 CHILE											
INVESTMENT	738	735	755	768	789	829	765	820	916	817	79
%INCREASE	1	.4	3	2	3	5	8	7	12	-11	11
INSURANCE					3	115	118	683	718	722	719
%INCREASE						373	2	480	5	.6	23,970
*1.7											
	(91% of new investment insured)										
6,110 PERU											
INVESTMENT	446	486	503	498	514	565	651	712	749	771	325
%INCREASE	4	9	3	-1	3	10	15	09	05	03	73
INSURANCE	11	12	13	13	15	25	37	45	72	95	84
%INCREASE	0	9	8	0	15	67	48	22	6	31	764
*1.4											
	(26$ of new investment insured)										
4,440 CUBA											
INVESTMENT	956						4	4	4	4	-952
%INCREASE											-99
NO INSURANCE											
*-32											
2,370 URUGUAY											
INVESTMENT	47						62	58	55	(D)	8
%INCREASE								-6	-5		17
NO INSURANCE											
*-.08											
1,860 GUATEMALA											
INVESTMENT	131						149	150	158	164	33
%INCREASE								.7	5	38	25
INSURANCE	3	3	3	3	3	3	3	3	3	3	0
%INCREASE											0
	(No new investment insured)										
*1.9											
1,740 ECUADOR											
INVESTMENT							40	51	71	103	63
%INCREASE								30	40	50	160
INSURANCE			2	4	5	18	21	27	35	39	37
%INCREASE								28	39	45	1,850
	(59% of new investment insured)										
*1.2											

1970 GNP		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
1,430	DOMINICAN REPUBLIC											
	INVESTMENT	105						105	114	118	134	29
	%INCREASE								9	4	14	28
	INSURANCE					5	33	37	41	47	374	369
	%INCREASE						560	12	11	15	6,960	7,380
	(1,272% of new investment insured)											
*0.4												
1,270	JAMAICA											
	INVESTMENT	398	412	445	538	491	502	163	204	295	392	-6
	%INCREASE		35	8	21	-9	2	-68	25	45	33	-2
	INSURANCE	.2	.2	.2	.2	.2	.3	.5	4	251	251	251
	%INCREASE	230	0	0	0	0	50	67	300	6,180	0	2,510
	(109% of new investment insured from 1966-1969)											
*3.0												
1,070	EL SALVADOR											
	INVESTMENT							41	45	48	53	12
	%INCREASE								98	67	10	29
	INSURANCE				1	2	5	6	6	6	7	6
	%INCREASE					100	150	20	0	0	17	6
	(50% of new investment insured)											
*1.9												
1,060	PANAMA											
	INVESTMENT	405	486	537	616	663	724	847	872	971	1055	650
	%INCREASE	24	20	10	15	8	9	17	3	11	9	160
	INSURANCE					9	11	11	12	12	12	2
	%INCREASE						22	0	9	0	0	22
	(.3% of new investment insured)											
*4.8												
970	COSTA RICA											
	INVESTMENT							79	105	99	114	35
	%INCREASE								33	-6	15	44
	INSURANCE	.2	.9	.9	1	8	9	17	25	32	38	38
	%INCREASE		350	0	10	700	13	89	47	28	19	3800
	(108% of new investment insured)											
*2.9												

1970 GNP		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
880	TRINIDAD & TOBAGO											
	INVESTMENT							207	217	215	185	-22
	%INCREASE								5	- 9	-14	-11
	INSURANCE	18	18	18	18	56	57	57	79	93	93	75
	%INCREASE	0	0	0	0	210	2	0	40	18	0	420
	(220% of new investment insured from 1966-1967)											
*3.8												
870	BOLIVIA											
	INVESTMENT							82	92	104	118	36
	%INCREASE								12	13	13	44
	INSURANCE	17	19	20	20	20	28	33	73	75	76	59
	%INCREASE	0	12	5	0	0	40	18	120	27	1	350
	(160% of new investment insured)											
*2.4												
860	NICARAGUA											
	INVESTMENT							58	61	67	69	11
	%INCREASE								5	10	3	19
	INSURANCE					3	5	7	8	10	11	8
	%INCREASE						67	40	14	25	10	38
	(73% of new investment insured)											
*2.8												
710	HONDURAS											
	INVESTMENT	100						93	114	130	142	42
	%INCREASE								23	14	9	42
	INSURANCE		3	3	10	28	30	34	34	57	61	58
	%INCREASE			0	230	80	7	13	0	68	7	1,930
	(140% of new investment insured)											
*1.1												
630	PARAGUAY											
	INVESTMENT							12	15	17	17	5
	%INCREASE								25	13	0	42
	INSURANCE	4	4	4	4	4	4	7	7	7	7	3
	%INCREASE	0	0	0	0	0	0	75	0	0	0	75
	(60% of new investment insured)											
*1.0												

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
520 HAITI											
INVESTMENT							19	19	19	14	-5
%INCREASE								0	0	-26	-26
INSURANCE	1	3	3	3	11	11	12	12	12	12	11
%INCREASE	0	200	0	0	270	0	9	0	0	0	1,100
*-1.0											
390 BAHAMAS											
INVESTMENT							290	270	377	364	74
%INCREASE								-7	40	-3	26
NO INSURANCE											
*8.2											
310 NETHERLANDS ANTILLES											
INVESTMENT							(D)	121	155	132	11
%INCREASE									28	-15	9
NO INSURANCE											
*-1.5											
280 GUYANA											
INVESTMENT							(D)	(D)	40	40	-
%INCREASE											-
NO INCREASE											
210 SURINAM											
INVESTMENT							(D)	(D)	(D)	(D)	-
INSURANCE									30	30	-
*3.3											
190 BERMUDA											
INVESTMENT	387	431	476	546	635	707	143	188	195	202	-185
%INCREASE		11	10	15	16	11	-80	31	37	36	-48
INSURANCE								2	19	22	20
% INCREASE									850	16	10
*4.9											
150 BARBADOS											
INVESTMENT							3	3	6	6	3
%INCREASE								0	50	0	50
NO INSURANCE											
*3.2											
TOTAL INVESTMENT:										11,687	1,797
COMMERCE DEPT. TOTAL:										12,039	2,800

1960-1969 LATIN AMERICA

TABLES II. 2

TOTAL INVESTMENT,
1969

Venezuela	2,196
Mexico	1,756
Brazil	1,290
Panama	1,055
Argentina	923
Chile	817
Peru	771
Columbia	574
Jamaica	392
Bahamas	364
Bermuda	202
Trin. & Tob.	185
Guatemala	164
Honduras	142
Dom. Rep.	134
Neth. Antil.	132
Bolivia	118
Costa Rica	114
Ecuador	103
Nicaragua	69
El Salvador	50
Guyana	40
Paraguay	17
Haiti	14
Barbados	6
Cuba	4
Uruguay 55	(D)
TOTAL	$11,687

TABLES II. 3

INCREASE IN INVESTMENT,
1960-1969

Mexico	961
Panama	650
Argentina	501
Brazil	337
Peru	325
Columbia	150
Chile	79
Bahamas	74
Ecuador	63
Honduras	42
Bolivia	36
Costa Rica	35
Guatemala	33
Dom. Rep.	29
El Salvador	12
Neth. Antil.	11
Nicaragua	11
Uruguay	8
Paraguay	5
Barbados	3
Surinam	-
Guyana	-
TOTAL	$3,365

Decreased Investment	
Haiti	0
Jamaica	-6
Trin. & Tob.	-22
Bermuda	-185
Venezuela	-627
Cuba	-952
TOTAL	$-1,797

TABLES II. 4

TOTAL INSURANCE,
1969

Chile	722
Argentina	444
Dom. Rep.	374
Jamaica	251
Brazil	214
Columbia	123
Peru	95
Trin. & Tob.	93
Venezuela	76
Bolivia	76
Honduras	61
Ecuador	39
Costa Rica	38
Bermuda	22
Panama	12
Haiti	12
Nicaragua	11
Paraguay	7
El Salvador	7
Guatemala	3
Bahamas	0
Barbados	0
Cuba	0
Guyana	0
Mexico	0
Neth. Antil	0
Uruguay	0
Surinam	0
TOTAL	$2,680

TABLES II. 5

INCREASE IN INSURANC
1960-1969

Chile	719
Dom. Rep.	369
Argentina	283
Jamaica	251
Brazil	212
Columbia	122
Peru	84
Trin. & Tob.	75
Venezuela	59
Bolivia	59
Honduras	58
Costa Rica	38
Ecuador	37
Bermuda	20
Haiti	11
Nicaragua	8
El Salvador	6
Paraguay	3
Panama	2
Bahamas	0
Barbados	0
Cuba	0
Guatemala	0
Guyana	0
Mexico	0
Neth. Antil.	0
Uruguay	0
Surinam	0
TOTAL	$2,416

TABLES II. 6

U. S. DIRECT INVESTMENT AS PERCENT GNP; GNP AND PER CAP; LATIN AMERICA, 1969

1970 GNP		1969 Investment a % of GNP		1969 GNP Per Cap	
Brazil	38,470	Panama	99	Argentina	1,060
Mexico	33,830	Jamaica	30	Venezuela	1,000
Argentina	26,820	Venezuela	22	Trin & Tob	890
Venezuela	10,210	Trin & Tob	21	Panama	660
Columbia	7,350	Honduras	20	Mexico	580
Chile	7,050	Guyana	14	Uruguay	560
Peru	6,110	Bolivia	14	Jamaica	550
Cuba	4,440	Peru	13	Costa Rica	510
Uruguay	2,370	Chile	12	Chile	510
Guatemala	1,860	Costa Rica	12	Nicaragua	380
Ecuador	1,740	Dom Rep	9	Guatemala	350
Dom Rep	1,430	Guatemala	9	Guyana	340
Jamaica	1,270	Columbia	8	Peru	330
El Salvador	1,070	Nicaragua	8	Columbia	290
Panama	1,060	Ecuador	6	El Salv.	290
Costa Rica	970	Mexico	5	Cuba	280
Trin & Tob	880	El Salvador	5	Dom Rep	280
Bolivia	870	Brazil	3	Brazil	270
Nicaragua	860	Argentina	3	Honduras	260
Honduras	710	Paraguay	3	Ecuador	240
Paraguay	630	Haiti	3	Paraguay	240
Haiti	520	Uruguay	2	Bolivia	160
Bahamas	390	Surinam	-	Haiti	no data
Neth Antil	310	Cuba	-	Surinam	no data
Guyana	280				
Surinam	210				
Bermuda	190				
Barbados	150				

Caribbean nations with populations under 1 million

Bermuda	2,900
Bahamas	1,880
Neth Antil	1,260
Barbados	500

TABLES II. 7

UNITED STATES AID: 1960-1969

		Total Aid	Military Aid	
1.	Brazil	2,152.9	260.5	
2.	Chile	949.5	120.4	
3.	Colombia	902.5	89.6	
4.	Dom. Rep.	424.2	20.1	
5.	Peru	388.8	98.1	
6.	Bolivia	363.8	25.9	
7.	Argentina	310.1	127.8	
8.	Venezuela	272.0	90.6	
9.	Ecuador	236.3	46.2	
10.	Panama	181.6	3.2	
11.	Mexico	163.1	7.2	
12.	Guatemala	141.0	18.8	
13.	Nicaragua	132.9	10.9	
14.	Uruguay	125.3	29.0	
15.	Costa Rica	120.5	1.8	
16.	El Salvador	116.3	6.5	
17.	Paraguay	99.7	12.4	
18.	Honduras	93.5	8.2	
19.	Haiti	61.8	2.4	
20.	Guyana	60.2	0	
21.	Jamaica	45.1	.1	
22.	Trinidad & Tobago	42.0	0	
23.	Surinam	4.0	0	
	TOTAL	$8,425.4	$949.1	11%

TABLES II. 8

INVESTMENT AND INSURANCE DATA, 1960-1969: ASIA

*Growth Rate, 1960-1969

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
57,290 INDIA											
INVESTMENT	159	190	193	206	234	255	226	249	266	283	124
%INCREASE	17	19	2	7	14	9	-11	10	7	6	78
INSURANCE	11	29	39	60	111	127	178	205	259	275	264
%INCREASE	83	160	34	54	85	14	40	16	26	7	1,100
				(213% of new investment insured)							
*1.1											
12,820 PAKISTAN & BANGLADESH											
INVESTMENT							71	90	89	96	25
%INCREASE								27	-1	8	35
INSURANCE	1	2	66	73	78	80	81	84	88	99	98
%INCREASE	25	100	3,200	11	5	3	1	4	5	13	9,800
				(390% of new investment insured)							
*2.9											
8,800 INDONESIA											
INVESTMENT	178	147	160	167	199	217	106	107	106	122	-56
%INCREASE	9	-39	9	4	1	9	-51	.9	-.9	6	-31
INSURANCE								.7	43	54	53
%INCREASE									4,200	26	2
*0.8											
7,910 SOUTH KOREA											
INVESTMENT							42	65	-	149	107
%INCREASE								55	-	130	250
INSURANCE				68	68	90	105	141	250	309	241
%INCREASE					0	32	17	35	77	24	350
				(213% of new investment insured)							
*6.4											
7,660 PHILIPPINES											
INVESTMENT	414	440	375	415	474	530	486	550	592	672	258
%INCREASE	3	6	-18	11	14	1	.8	13	8	14	62
INSURANCE	5	7	7	7	10	14	18	63	188	200	195
%INCREASE	0	40	0	0	30	40	29	240	200	6	39
				(76% of new investment insured)							
*1.9											

1970 GNP		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
7,050	THAILAND											
	INVESTMENT							51	73	102	124	73
	%INCREASE								43	40	22	143
	INSURANCE	.8	2	8	8	18	18	25	41	49	53	52
	%INCREASE	170	110	350	0	110	0	33	64	17	8	5,200
					(71% of new investment insured)							
*4.7												
5,490	TAIWAN											
	INVESTMENT							58	66	74	82	24
	%INCREASE								14	12	11	41
	INSURANCE	9	11	32	33	35	42	52	78	97	106	97
	%INCREASE	13	22	190	3	6	2	24	50	24	09	10,800
					(440% of new investment insured)							
*6.3												
4,120	MALAYSIA											
	INVESTMENT							57	56	63	80	23
	%INCREASE								-2	13	27	40
	INSURANCE		.6	1	1	2	2	2	2	4	17	16
	%INCREASE			67	0	100	0	0	0	100	330	1,600
					(70% of new investment insured)							
*3.8												
3,840	HONG KONG											
	INVESTMENT							126	173	187	224	98
	%INCREASE								37	8	20	77
	INSURANCE						13	13	13	13	13	0
	%INCREASE							0	0	0	0	0
*8.7												
3.700	SOUTH VIETNAM											
	INVESTMENT							20	15	13	15	-5
	%INCREASE								-25	-13	15	-25
	INSURANCE	2	2	3	3	3	3	64	64	64	64	62
	%INCREASE		-	50	0	0	0	2,030	0	0	0	3,100
*1.8												
2,230	BURMA											
	INVESTMENT							1	-	-	-	-1
	%INCREASE											-1
	NO INSURANCE											
*1.8												

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
1,900 SINGAPORE											
INVESTMENT							30	31	46	67	37
%INCREASE								3	48	46	123
INSURANCE						21	22	22	23	30	9
%INCREASE							5	0	5	30	43
				(24% of new investment insured)							
*4.5											
1,420 SRI LANKA											
INVESTMENT							4	6	7	6	2
%INCREASE								50	17	-14	50
INSURANCE								.8	1	2	2
%INCREASE									25	100	100
				(100% of new investment insured)							
*2.1											
1,070 AFGHANISTAN											
INVESTMENT							10	10	10	10	0
%INCREASE											0
INSURANCE	.4	.4	.4	.4	.4	.4	.4	.4	.4	.4	0
%INCREASE											0
*0.3											
350 LAOS											
INVESTMENT							4	5	4	4	0
%INCREASE								.25	-.20	0	0
INSURANCE						1.5	1.5	1.5	1.5	1.5	0
%INCREASE											0
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
TOTAL INVESTMENT:	751	777	728	788	907	1,002	1,291	1,496	1,559	1,934	1,183
COMMERCE DEPT:										1973	951

ASIA, 1960-1969

TABLES II. 9

1969 Total Investment	
Philippines	672
India	283
Hong Kong	224
South Korea	149
Thailand	124
Indonesia	122
Pakistan	96
Taiwan	82
Malaysia	80
Singapore	67
South Vietnam	15
Afghanistan	10
Sri Lanka	6
Laos	4
Burma	
TOTAL	$1934

TABLES II. 10

Investment Increase; 1960-1969	
Philippines	258
India	124
South Korea	107
Hong Kong	98
Thailand	73
Singapore	37
Pakistan	25
Taiwan	24
Malaysia	23
Sri Lanka	2
Afghanistan	0
Laos	0
TOTAL	$771

Decrease, 1960-1969	
Indonesia	-.56
South Vietnam	-5
TOTAL	$-62

TABLES II. 11

1969 Total Insurance	
South Korea	309
India	275
Philippines	200
Taiwan	106
Pakistan	99
South Vietnam	64
Indonesia	54
Thailand	53
Singapore	30
Malaysia	17
Hong Kong	13
Sri Lanka	2
Laos	1.5
Afghanistan	.4
Burma	
TOTAL	$1,223.9

TABLES II. 12

Insurance Increase; 1960-1969	
India	264
South Korea	241
Philippines	195
Taiwan	97
Pakistan	88
South Vietnam	62
Indonesia	53
Thailand	52
Malaysia	16
Singapore	9
Sri Lanka	2
Afghanistan	0
Laos	0
Hong Kong	0
Burma	
TOTAL	$1,079

TABLES II. 13

U. S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND PER CAP; ASIA, 1969

1969 GNP Market		Investment as % of GNP, 1969		1969 GNP percap	
India	57,290	Philippines	9	Hong Kong	850
Pakistan	12,820	Hong Kong	6	Singapore	800
Indonesia	8,800	Singapore	4	Malaysia	340
So. Korea	7,910	South Korea	2	Taiwan	300
Philippines	7,660	Thailand	2	South Korea	210
Thailand	7,050	Malaysia	2	Philipp.	210
Taiwan	5,490	Indonesia	1	Sri Lanka	190
Malaysia	4,120	Taiwan	1	Thailand	160
Hong Kong	3,840	Afghanistan	1	South Vietnam	140
So. Viet.	3,700	Laos	1	Pakistan	110
Burma	2,230	Pakistan	.7	India	110
Singapore	1,900	India	.5	Laos	110
Sri Lanka	1,420	Sri Lanka	.4	Indonesia	80
Afghanistan	1,070	South Vietnam	.4	Afghanistan	-
Laos	350	Burma		-Burma	

TABLES II. X

U. S. AID, SELECTED ASIAN COUNTRIES, 1960-1969

TOTAL AID:1960-1969		Military Aid	
India	$6,549.5	$144.7	2%
Pakistan	3,246.8	288.1	9%
Thailand	970.9	618.0	64%
Indonesia	594.9	58.8	10%

TABLES II. 14

*Growth Rate 1960-69
Per Capita

INVESTMENT AND INSURANCE DATA, 1960-1969 MIDDLE EAST

Middle East

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
10,800 IRAN											
INVESTMENT	179	205	209	221	217	325	314	317	382	402	223
%INCREASE	-	15	2	6	3	50	-03	10	21	5	130
INSURANCE	11	11	11	14	19	54	58	75	87	94	83
%INCREASE	-	0	0	27	36	180	7	29	16	8	750
				(37% of new investment insured)							
*4.9											
3,220 SAUDI ARABIA											
NO INVESTMENT REPORTED. (D)											
NO INSURANCE											
*7.1											
3.090 IRAQ											
NO INVESTMENT REPORTED.											
NO INSURANCE											
*3.0											
2,850 KUWAIT											
NO INVESTMENT REPORTED. (D)											
NO INSURANCE											
*12.2											
1,750 SYRIA											
INVESTMENT											
%INCREASE							16	14	14	12	-4
NO INSURANCE						-	13	0	14	-30	
*4.7											
1,610 LEBANON											
INVESTMENT							26	29	27	35	9
%INCREASE							-	12	-7	30	35
NO INSURANCE											
*2.1											

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
570 JORDAN											
NO INVESTMENT REPORTED											
INSURANCE	8	8	8	8	8	8	8	9	9	9	1
%INCREAS¯								13	0	0	13
*2.1											
530 UNITED ARAB EMIRATES											
INVESTMENT							3	(D)	26	33	30
%INCREASE								-	770	.27	1,000
NO INSURANCE											
*28.3											
290 YEMEN ARAB REPUBLIC											
NO INVESTMENT											
NO INSURANCE											
210 OMAN											
NO INVESTMENT REPORTED											
NO INSURANCE											
*12.2											
200 QATAR											
NO INVESTMENT REPORTED											
NO INSURANCE											
*-0.9											
140 YEMEN PEOPLES' REPUBLIC											
INVESTMENT							1	3	2	1	0
%INCREASE								200	-34	-50	0
NO INSURANCE											
*-4.6											
120 BAHRAIN											
NO INVESTMENT REPORTED											
NO INSURANCE											
*4.7											
OTHER MIDDLE EAST	960	1035	990	1057	1069	1212		1244	1404	1396	1312 352
TOTAL MIDDLE EAST	1163	1240	1200	1279	1286	1536		1462	1606	1646	1583 420

MIDDLE EAST: 1960-1969

TABLES II.15

TOTAL INVESTMENT; 1969

Iran	402
Lebanon	35
Un.Arab.Em.	33
Syria	12
Yemen, P.R.	1
TOTAL:	$483

No Investment Reported:
Saudi Arabia, Iraq, Kuwait, Jordan,
Yemen Arab Republic, Oman, Qatar, Bahrain.

TABLES II.16

INCREASE IN INVESTMENT
1960-1969

Iran	223
Un.Arab Em.	30
Lebanon	9
Yemen, P.R.	0
TOTAL	$262

Decrease in Investment

Syria	-4

TABLES II.17

TOTAL INSURANCE; 1969

Iran	94
Jordan	9
TOTAL	$103

No insurance: Saudi Arabia, Iraq, Kuwait
Syria, Lebanon, United Arab Emirates,
Yemen Arab Republic, Oman, Qatar,
Yemen Peoples' Republic, Bahrain.

TABLES II.18

INCREASE IN INSURANCE
1960-1969

Iran	83
Jordan	1
TOTAL	$84

TABLE II. 19
U.S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND GNP PER CAP;
MIDDLE EAST, 1969

1970 GNP		INVESTMENT AS % OF GNP		GNP PER CAP 1969	
Iran	10,800	Un. Arab Em.	6	Kuwait	3,320
Saudi Arabia	3,220	Iran	4	Un. Arab. Em.	1,590
Iraq	3,090	Lebanon	2	Qatar	1,550
Kuwait	2,850	Syria	.7	Lebanon	580
Syria	1,750	Yemen, Peop. R.	.7	Bahrain	420
Lebanon	1,610			Saudi Arabia	380
Jordan	570			Iran	350
Un. Arab. Em.	530			Iraq	310
Yemen, Arab	290			Jordan	280
Oman	210			Syria	260
Qatar	200			Oman	210
Yemen, Peop. R.	140			Yem. Peo. Re.	120
Bahrain	120			Yemen, Arab	---

TABLES II. 20

INVESTMENT AND INSURANCE DATA, 1960-1969. AFRICA

*Growth Rate, 1969-1969.

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
16,850 UNION OF SOUTH AFRICA											
INVESTMENT	286	311	357	411	467	529	490	556	616	672	386
%INCREASE	-11	9	15	15	14	13	-8	13	11	9	130
NO INSURANCE											
*3.8											
6,870 EGYPT											
INVESTMENT							69	91	98	98	29
%INCREASE								32	68	0	42
*1.2											
6,740 NIGERIA											
INVESTMENT	29	27	40	40	79	137	219	271	308	320	291
%INCREASE		-7	48	0	98	73	60	24	14	04	1,003
INSURANCE				.5	6	9	13	22	22	22	22
%INCREASE					100	50	40	70	0	0	2200
*0.3											
4,270 ALGERIA											
INVESTMENT							71	69	73	75	4
%INCREASE								-3	6	3	6
NO INSURANCE											
*1.7 (1960-70)											
3,600 MOROCCO											
INVESTMENT							22	25	27	29	7
%INCREASE								14	8	7	32
INSURANCE		.2	3	3	3	3	4	4	5	7	7
% INCREASE			1	0	0	0	30	0	25	40	700
*3.4											
3,420 LIBYA											
INVESTMENT	99	177	265	304	402	428	305	350	522	642	542
%INCREASE		80	50	15	32	6	-29	11	49	23	550
NO INSURANCE											
*21.7											

1970 GNP		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
2,640	GHANA											
	INVESTMENT							97	91	88	97	0
	%INCREASE								-6	-3	10	0
	INSURANCE		54	54	54	54	54	54	68	74	96	42
	%INCREASE			0	0	0	0	0	22	9	30	77
*0												
1,880	ETHIOPIA											
	INVESTMENT							2	2	2	1	-1
	%INCREASF								0	0	-50	-
	INSURANCE								.1	.5	1	1
	%INCREASE										-50	50
*2.3												
1,850	SUDAN											
	INVESTMENT							(D)	6	5	4	-2
	%INCREASE										-17	-20
	INSURANCE					2	2	2	4	4	4	2
	%INCREASE						0	0	100	0	0	100
*0.6												
1,840	MOZAMBIQUE											
	INVESTMENT							5	5	6	8	3
	%INCREASE								0	20	30	60
	NO INSURANCE											
*3.3												
1,680	KENYA											
	INVESTMENT							25	26	22	23	-2
	%INCREASE									4	-15	8
	INSURANCE						2	6	10	13	29	27
	%INCREASE							200	67	30	120	380
*1.5												
1,670	ANGOLA											
	INVESTMENT							(D)	27	(D)	(D)	-
	INSURANCE					.1	.1	.1	.1	.1	.1	-
*1.4												

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
1,640 ZAMBIA											
INVESTMENT							(D)	138	162	188	50
%INCREASE									17	16	36
INSURANCE								3	3	4	1
%INCREASE									0	30	30
*5.4											
1,600 ZAIRE											
INVESTMENT							15	15	18	19	4
%INCREASE								0	20	6	27
INSURANCE							.5	.5	.8	.8	.3
%INCREASE								0	60	0	60
2.7 (1960-70)											
1,520 IVORY COAST											
INVESTMENT							6	6	7	5	2
%INCREASE								0	17	-40	-17
INSUANCE			1.5	2	2	3	5	11	11	11	10
%INCREASE				1	0	50	70	120	0	0	1,000
*4.7											
1,470 RHODESIA											
INVESTMENT							32	33	34	37	5
%INCREASE								3	3	9	16
NO INSURANCE											
*0.4											
1,360 TANZANIA											
INVESTMENT							2	3	3	3	1
%INCREASE								50	0	0	50
INSURANCE										4	4
*1.6											
1,270 TUNISIA											
INVESTMENT							4	6	6	6	2
%INCREASE								50	0	0	50
INSUANCE			2	7	9	9	12	12	12	12	10
%INCREASE				250	30	0	30	0	0	0	50
*2.1											

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
1,260 UGANDA											
INVESTMENT							2	2	4	4	2
%INCREASE									100	0	100
INSURANCE							.03	.03	.1	.1	.07
%INCREASE								0	230	0	100
*1.7											
1.050 CAMEROONS											
INVESTMENT							4	5	4	5	1
%INCREASE								25	-25	25	25
INSURANCE									90	90	100
*2.0											
970 MALAGASY R.											
INVESTMENT							8	8	9	10	2
%INCREASE								0	13	11	25
INSURANCE							1	1	1	2	1
%INCREASE								0	0	100	100
*0											
870 SENEGAL											
INVESTMENT							18	19	20	24	6
%INCREASE								5	5	20	30
INSURANCE						.8	5	12	13	13	12
%INCREASE							4	140	8	0	1,200
*-0.1											
490 SIERRA LEONE											
INVESTMENT							5	4	3	4	-1
%INCREASE								-20	-20	30	-20
INSURANCE					19	20	20	23	23	23	3
%INCREASE						5	0	15	0	0	16
*1.2											
460 GUINEA											
INVESTMENT							(D)	(D)	(D)	(D)	-
INSURANCE					87	106	106	116	213	249	162
%INCREASE						22	0	9	84	17	18,600
*2.6											

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
370 LIBERIA											
INVESTMENT	139	160	184	197	189	204	124	127	137	134	-5
%INCREASE		15	15	7	4	8	40	2	8	5	-4
INSURANCE	.5	11	20	21	21	22	44	44	44	44	43
%INCREASE		10	80	5	0	5	100	0	0	0	4,300
*1.3											
330 MALAWI											
INVESTMENT							2	2	2	2	0
%INCREASE								0	0	0	0
NO INSURANCE											
*1.0											
320 MALI											
INVESTMENT								1	1	2	1
%INCREASE									0	50	50
NO INSURANCE											
*1.2											
310 GABON											
INVESTMENT							(D)	(D)	(D)	(D)	-
%INCREASE							-	-	-	-	-
INSURANCE						.2	.2	.2	3	5	5
%INCREASE							0	0	200	70	500
*0.6											
300 CHAD											
INVESTMENT							1	1	1	1	-
NO INSURANCE											
*1.3											
270 TOGO											
INVESTMENT							(D)	10	13	14	4
%INCREASE										8	40
INSURANCE					22	22	22	22	22	22	-
*0											
270 CONGO, R.											
INVESTMENT							(D)	(D)	(D)	(D)	-
INSURANCE						.1	.2	.2	.2	.2	.1
%INCREASE							100	0	0	0	100
*0.2											

1970 GNP		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
220	CENT. AFR. EMP.											
	INVESTMENT							1	1	2	3	2
	%INCREASE								0	1	50	200
	NO INSURANCE											
*0.2												
190	SOMALIA											
	INVESTMENT							(D)	(D)	2	2	-
	INSURANCE							40	40	350	350	300
	%INCREASE								0	780	0	780
*-1.5												
170	MAURITANIA											
	INVESTMENT							-	-	3	1	2
	%INCREASE										.67	.67
	INSURANCE								.2	.2	.2	-
*4.6												
80	SWAZILAND											
	INVESTMENT							2	2	2	2	-
	NO INSURANCE											
*3.2												
70	BOTSWANA											
	INVESTMENT								0	3	3	3
	INSURANCE									2	2	2
*1.0												
	OTHER											
240	BENIN											
	INVESTMENT							1	-	3	1	-
	NO INSURANCE											
*4.4												
200	RWANDA											
	NO INVESTMENT REPORTED											
	INSURANCE										.1	.1
	NAMIBIA											
	INVESTMENT							(D)	27	17	13	-15
	%INCREASE									-37	-23	-50
	NO INSURANCE (GNP INCLUDED WITH SOUTH AFRICA)											

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
ZIMBABWE											
NO INVESTMENT REPORTED INSURANCE						19	19	19	19	19	0
INVESTMENT OTHER AFRICA							12	12	11	11	-1

INCLUDES: NIGER, W. SAHARA, SPAIN. N. MOROCCO, UPPER VOLTA,
MAURITIUS, LEOSOTHO, GUINEA BISSEAU, GAMBIA, DJIBOUTI, BURUNDI, UNALLOCATED.

1970 GNP	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Inc. 1960-69
INVESTMENT TOTAL:	553	675	846	952	1137	1298	1542	1938	2253	2458	1905
	-	-	-	-	-	-	-	-	-	-	
TOTAL: W/O S. AFRICA	267	364	489	541	670	769	1052	1382	1637	1786	1519

TABLES II.21

AFRICA: 1960-1969

TOTAL 1969 INVESTMENT

U. South Africa -	672
Libya -	642
Nigeria -	320
Zambia -	188
Liberia -	134
Egypt -	98
Ghana -	97
Algeria -	75
Rhodesia -	37
Morocco -	29
Senegal -	24
Kenya -	23
Zaire -	19
Togo -	14
Namibia -	13
Malagasy Republic -	10
Mozambique -	8
Tunisia -	6
Ivory Coast -	5
Cameroons -	5
Sierra Leone -	4
Sudan -	4
Uganda -	4
Tanzania -	3
Cen. Afr. Emp. -	3
Botswana -	3
Malawi -	2
Mali -	2
Somalia -	2
Swaziland -	2
Mauritania -	1
Ethiopia -	1
Chad -	1
Benin -	1
TOTAL:	$2,451

Rest are 0, * meaning less than 1 million, or (D) unwilling to report.

AFRICA: 1960-1969

TABLES II. 22

Increase in Investment; 1960-1969

Libya	542
S.Africa	386
Nigeria	291
Zambia	50
Egypt	29
Morocco	7
Senegal	6
Rhodesia	5
Zaire	4
Togo	4
Algeria	4
Botswana	3
Mozambique	3
Mauritania	2
Cent.Afr.Emp.	2
Malagasy Rep.	2
Tunisia	2
Ivory Coast	2
Uganda	2
Mali	1
Cameroons	1
Tanzania	1
TOTAL	$1,349
MINUS S.AFRICA	963

No Change in Investment

Ghana	0
Malawi	0
Swaziland	0
Benin	0
Somalia	0
Chad	0

Decrease in Investment

Namibia	-15
Liberia	-5
Kenya	-2
Sudan	-2
Ethiopia	-1
Sierra Leone	-1
TOTAL:	$-26

No report - Angola, Gabon, Congo, Guinea.

TABLES II. 23

Total Insurance

Guinea	249
Ghana	96
Liberia	44
Kenya	29
Sierra Leone	23
Nigeria	22
Togo	22
Zimbabwe	19
Senegal	13
Tunisia	12
Ivory Coast	11
Morocco	7
Gabon	5
Tanzania	4
Sudan	4
Zambia	4
Malagasy Rep.	2
Botswana	2
Ethiopia	1
Cameroons	.9
Zaire	.8
Egypt	.7
Mauritania	.2
Congo	.2
Angola	.1
Uganda	.1
Rwanda	.1
TOTAL	$576.1

No Insurance in Eleven African countries:

South Africa, Algeria, Libya, Mozambique Rhodesia, Malawi, Mali, Chad, Swaziland, Benin, Central African Empire.

TABLES II.24

Increase In Insurance

Guinea	162
Liberia	43
Ghana	42
Kenya	27
Nigeria	22
Senegal	12
Tunisia	10
Ivory Coast	10
Morocco	7
Gabon	5
Togo	4
Tanzania	4
Sierra Leone	3
Somalia	3
Sudan	2
Botswana	2
Zambia	1
Cameroons	1
Malagasy Rep.	1
Zaire	.3
Rwanda	.1
Congo, R.	.1
Uganda	.07
TOTAL	$362.6

No Change in Insurance

Angola	0
Mauritania	0
Zimbabwe	0

TABLES II. 25

U. S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND GNP PER CAP; AFRICA, 1969

Investment as % of GNP		1970 GNP		1969 GNP per cap	
Liberia	36	Un.So.Africa	16,850	Libya	1,510
Togo	20	Egypt	6,870	Un.So.Africa	710
Libya	19	Nigeria	6,740	Gabon	320
Zambia	11	Algeria	4,270	Zambia	290
Nigeria	.5	Morocco	3,600	Algeria	260
Un. So. Africa	.4	Libya	3,420	Ivory Coast	240
Ghana	.4	Ghana	2,640	Rhodesia	240
Rhodesia	.3	Ethiopia	1,880	Tunisia	230
Senegal	.3	Sudan	1,850	Mozambique	210
Swaziland	.3	Mozambique	1,840	Angola	210
Algeria	.2	Kenya	1,680	Liberia	200
Morocco	.1	Angola	1,670	Senegal	200
Sierra Leone	.1	Zambia	1,640	Ghana	190
Egypt	.1	Zaire	1,600	Morocco	190
Mauritania	.1	Ivory Coast	1,520	Swaziland	180
Cen. Afr. Emp.	.1	Rhodesia	1,470	Sierra Leone	170
Kenya	.1	Tanzania	1,360	Egypt	160
Malagasy R.	.1	Tunisia	1,270	Cameroons	150
Tanzania	.1	Uganda	1,260	Mauritania	140
Zaire	.1	Cameroons	1,050	Cen. Afr. Emp	130
Somalia	.1	Malagasy R.	970	Kenya	130
Mali	.6	Senegal	870	Nigeria (1970)	120
Cameroons	.5	Sierra Leone	490	Guinea (1970)	120
Tunisia	.5	Guinea	460	Malagasy R.	110
Mozambique	.4	Liberia	370	Uganda	110
Chad	.3	Malawi	330	Sudan	110
Uganda	.3	Mali	320	Gambia	110
Ivory Coast	.3	Gabon	310	Botswana (1970)	110
Sudan	.2	Chad	300	Togo	100
Ethiopia	.05	Togo	270	Tanzania	100
Gabon	---	Congo Rep.	270	Zaire	90
Angola	---	Cen. Afr. Emp.	220	Ethiopia	80
Guinea	---	Somalia	190	Chad	80
Rwanda	---	Mauritania	170	Malawi	80
Congo	---	Swaziland	80	Mali	70
Gambia	---	Botswana	70	Congo	--
Malawi	---			Somalia	70
Botswana	---			Rwanda	60

TABLES III.1

*Growth Rate
1960-1973

INVESTMENT AND INSURANCE DATA: 1970-1973
Latin America

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
76,950	BRAZIL	Investment	1,526	1,745	2,180	2,885	1,359
		% Increase	18	14	25	32	89
		Insurance	278	294	363	367	89
*3.6		% Increase	30	06	23	.8	32
				(7% of new investment insured)			
49,830	MEXICO	Investment	1,912	1,980	2,161	2,379	467
		% Increase	9	4	9	10	24
		Insurance			No insurance		
*3.3		% Increase					
39,760	ARGENTINA	Investment	1,022	1,089	1,128	1,144	122
		% Increase	5	7	4	1	12
		Insurance	452	452	452	452	0
*2.7		% Increase	2	0	0	0	0
			(No new investment insured after 1970)				
18,340	VENEZUELA	Investment	2,241	2,199	2,172	2,051	-190
		% Increase	4	-19	-1	-6	-8
		Insurance	78	78	79	87	9
*2.0		% Increase	3	0	1	10	12
9,900	COLUMBIA	Investment	584	650	635	608	24
		% Increase	2	11	-2	-4	4
		Insurance	130	130	130	130	0
*2.4		% Increase	6	0	0	0	0
				(No new investment insured)			
9,070	PERU	Investment	744	729	769	859	115
		% Increase	12	-2	5	12	15
		Insurance	95	95	95	95	0
*2.1		% Increase	0	0	0	0	0
				(No new investment insured)			

TABLES III.1 (Continued)

*Growth Rate 1960-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
7,360	CHILE	Investment	758	739	642	643	-115
		% Increase	-7	-3	-13	.2	-15
		Insurance	744	744	744	744	0
*1.7		% Increase	3	0	0	0	0
			(No new investment insured after 1970)				
2,850	URUGUAY	Investment	Investment not reported				
*-.02		Insurance	No insurance				
2,590	GUATEMALA	Investment	158	160	122	141	-17
		% Increase	-4	1	-24	16	-11
		Insurance	5	5	5	6	1
*3.3		% Increase	67	0	0	20	20
2,560	ECUADOR	Investment	147	268	314	303	156
		% Increase	-4	82	17	-4	106
		Insurance	50	50	50	50	0
*1.9		% Increase	28	0	0	0	0
			(No new investment insured)				
2,310	DOMINICAN REPUBLIC	Investment	144	155	159	181	37
		% Increase	7	8	3	14	26
		Insurance	384	386	387	387	3
*2.7		% Increase	3	.5	.3	0	.8
			(8% of new investment insured)				
1,950	JAMAICA	Investment	507	618	624	618	111
		% Increase	29	22	1	-1	22
		Insurance	506	511	512	512	6
*3.6		% Increase	102	1	.2	0	1
			(5% of new investment insured)				
1,450	PANAMA	Investment	1,190	1,380	1,352	1,549	359
		% Increase	3	16	-2	15	30
		Insurance	12	12	16	15	4
*4.4		% Increase	0	0	33	0	33
			(1% of new investment insured)				

TABLES III.1 (Continued)

*Growth Rate 1960-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
1,380	TRINIDAD & TOBAGO	Investment	198	262	280	433	235
		% Increase	7	32	7	55	19
		Insurance	93	93	93	93	0
*2.1		% Increase	0	0	0	0	0
				(No new investment insured)			
1,320	COSTA RICA	Investment	103	124	146	131	28
		% Increase	-10	20	18	10	27
		Insurance	135	136	136	136	1
*2.7		% Increase	260	.7	0	0	7
				(4% of new investment insured)			
1,320	EL SALVADOR	Investment	53	57	55	62	9
		% Increase	0	8	-4	13	17
		Insurance	7	9	10	11	4
*.19		% Increase	0	29	11	10	57
				(22% of new investment insured)			
1,200	BOLIVIA	Investment	(D)	115	114	105	-10
		% Increase	--	70	-.9	-10	-9
		Insurance	77	77	77	77	0
*2.5		% Increase	1	0	0	0	0
				(No new investment insured)			
1,060	NICARAGUA	Investment	75	87	77	82	7
		% Increase	9	16	-11	6	9
		Insurance	12	17	17	21	9
		% Increase	9	42	0	24	75
				(129% of new investment insured)			
1,000	PARAGUAY	Investment	18	20	24	(D)	6
		% Increase	6	11	20	--	30
		Insurance	7	7	7	7	0
*1.9		% Increase	0	0	0	0	0
				(No new investment insured)			
890	HONDURAS	Investment	151	162	163	163	12
		% Increase	6	7	.6	0	8
		Insurance	62	62	63	63	1
*1.3		% Increase	2	0	2	0	2
				(8% of new investment insured)			

TABLES III.1 (Continued)

*Growth Rate 1960-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
570	HAITI	Investment	13	14	13	14	1
		% Increase	-7	8	-7	8	8
		Insurance	12	12	12	12	0
*-0.3		% Increase	0	0	0	0	0
				(No new investment insured)			
440	BAHAMAS	Investment	408	450	531	632	224
		% Increase	12	10	18	19	55
*2.2		Insurance			No Insurance		
360	NETHERLANDS ANT.	Investment	202	244	349	378	176
		% Increase	53	21	43	8	87
		Insurance	.6	.6	.6	.6	0
*-0.4		% Increase	60	0	0	0	0
				(.6% of new investment insured)			
350	SURINAM	Investment	(D)	(D)	(D)	(D)	--
		Insurance	3	3	3	3	0
*4.2				(No new insurance)			
320	GUYANA	Investment	40	35	36	(D)	-4
		% Increase	0	3	3	--	-10
*1.5		Insurance	24	24	24	24	0
				(No new insurance)			
TOTAL INVESTMENT						15,421	3,448
COMMERCE DEPT. TOTAL						16,484	4,445

LATIN AMERICA: 1973

TABLES III.2

Total Investment, 1973

Brazil	2,885
Mexico	2,379
Venezuela	2,051
Panama	1,549
Argentina	1,144
Peru	859
Chile	643
Bahamas	632
Jamaica	618
Colombia	608
Trinidad & Tob.	433
Neth. Ant.	378
Ecuador	303
Dominican Rep.	181
Honduras	163
Guatemala	141
Costa Rica	131
Bolivia	105
Nicaragua	82
El Salvador	62
Guyana	36
Paraguay	24
Haiti	14
Uruguay	--
Surinam	--
Bermuda	--
Barbados	--
TOTAL	$15,421

TABLES III.3

Investment Increase;
1970-1973

Brazil	1,359
Mexico	467
Panama	359
Trinidad & Tob.	235
Bahamas	224
Neth. Ant.	176
Ecuador	156
Argentina	122
Peru	115
Jamaica	111
Dominican Rep.	37
Costa Rica	28
Columbia	24
Honduras	12
El Salvador	9
Nicaragua	7
Paraguay	6
Haiti	1
TOTAL	$3,448

Decrease in Investment

Venezuela	-190
Chile	-115
Guatemala	-17
Bolivia	-10
Guyana	-4
TOTAL	$-336

Investment Not Reported

Surinam	--
Uruguay	--
Bermuda	--
Barbados	--

TABLES III.4

Total Insurance, 1973

Chile	643
Jamaica	512
Argentina	452
Dominican Rep.	387
Brazil	367
Costa Rica	136
Colombia	130
Peru	95
Trinidad & Tob.	93
Venezuela	87
Bolivia	77
Honduras	63
Ecuador	50
Guyana	24
Nicaragua	21
Panama	16
Haiti	12
El Salvador	11
Paraguay	7
Guatemala	6
Neth. Ant.	.6
Surinam	.3
TOTAL	$3,189.9

No Insurance in Three Countries

Mexico, Uruguay, Bahamas

TABLES III.5

Insurance Increase;
1970-1973

Brazil	89
Nicaragua	9
Venezuela	9
Jamaica	6
Panama	4
El Salvador	4
Dominican Rep.	3
Costa Rica	1
Guatemala	1
Honduras	1
Neth. Ant.	.6
TOTAL	$127.6

No Increase in Insurance

Paraguay	0
Haiti	0
Surinam	0
Guyana	0
Argentina	0
Colombia	0
Peru	0
Chile	0
Ecuador	0
Bolivia	0

TABLES III.6

U. S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND GNP PER CAP; 1973
Latin America

1973 GNP		Investment as % of GNP		GNP per Cap., 1973	
Brazil	76,950	Bahamas	144	Bermuda	4,710
Mexico	49,830	Panama	107	Bahamas	2,320
Argentina	39,760	Neth. Antil.	105	Argentina	1,640
Venezuela	18,340	Jamaica	32	Venezuela	1,630
Colombia	9,900	Trin. & Tob.	31	Neth. Ant.	1,530
Peru	9,070	Honduras	18	Trin & Tob.	1,310
Chile	7,360	Ecuador	12	Barbados	1,000
Uruguay	2,850	Venezuela	11	Jamaica	990
Guatemala	2,590	Guyana	11	Uruguay	950
Ecuador	2,560	Costa Rica	10	Panama	920
Dominican R.	2,310	Chile	9	Mexico	890
Jamaica	1,950	Bolivia	9	Surinam	870
Panama	1,450	Nicaragua	8	Brazil	760
Trinidad & T.	1,380	Dominican R.	8	Chile	720
Costa Rica	1,320	Colombia	6	Costa Rica	710
El Salvador	1,320	Mexico	5	Peru	620
Bolivia	1,200	Guatemala	5	Nicaragua	540
Nicaragua	2,060	El Salvador	5	Dominican R.	520
Paraguay	1,000	Brazil	4	Guatemala	500
Honduras	890	Argentina	3	Colombia	440
Haiti	570	Paraguay	2	Paraguay	410
Bahamas	440	Haiti	2	Guyana	410
Neth. Ant.	316	Peru	1	Ecuador	380
Surinam	350	Uruguay	--	El Salvador	350
Guyana	320	Surinam	--	Honduras	320
Bermuda	260	Bermuda	--	Bolivia	230
Barbados	240	Barbados	--	Haiti	130

TABLES III.7

UNITED STATES AID: 1970-1973
Latin America

	Total Aid	Military Aid	
1. Colombia	474.6	33.2	
2. Brazil	397.5	51.1	
3. Bolivia	122.0	15.0	
4. Dominican Rep.	96.7	7.5	
5. Guatemala	91.6	14.1	
6. Peru	88.0	2.7	
7. Panama	83.8	4.1	
8. Chile	80.0	33.9	
9. Ecuador	77.9	2.6	
10. Uruguay	63.0	19.8	
11. Nicaragua	54.6	6.8	
12. Argentina	51.1	49.6	
13. Venezuela	42.9	29.1	
14. Paraguay	42.8	9.9	
15. Jamaica	39.7	0	
16. Costa Rica	35.1	0.1	
17. El Salvador	31.1	1.9	
18. Honduras	30.3	2.5	
19. Guyana	21.3	0	
20. Haiti	20.4	0	
21. Mexico	8.2	6.6	
22. Trinidad & Tobago	0.2	0	
23. Surinam	0.1	0	
TOTAL	1,952.8	290.5	(15%)

TABLES III.8

U. S. AID: 1962-1974; Latin America

Total Aid	Total	Military	Economic
1. Brazil	2,520	322	2,197
2. Colombia	1365	108	1,257
3. Chile	956	157	799
4. Dominican Rep.	537	28	509
5. Bolivia	495	49	446
6. Peru	448	102	346
7. Argentina	383	197	186
8. Venezuela	293	110	182
9. Ecuador	293	41	252
10. Panama	276	8	286
11. Guatemala	211	35	176
12. Nicaragua	191	19	172
13. Uruguay	173	50	123
14. Mexico	162	11	151
15. El Salvador	155	10	145
16. Costa Rica	149	2	147
17. Honduras	141	11	130
18. Paraguay	136	24	112
19. Jamaica	96	1	95
20. Guyana	81	0	81
21. Haiti	64	1	64
22. Trinidad & Tob.	35	0	35
23. Surinam	3	0	3
TOTAL	9,164	1,286 (14%)	7,878 (86%)

TABLES III.9

*Growth Rate
1960-1973

INVESTMENT AND INSURANCE DATA, 1970-1973
Asia

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
71,590	INDIA	Investment	295	320	325	337	42
		% Increase	4	8	2	4	14
		Insurance	305	315	316	315	11
*1.3		% Increase	11	3	.3	4	4
					(26% of new investment)		
15,980	INDONESIA	Investment	218	399	563	797	579
		% Increase	79	83	41	42	270
		Insurance	117	148	193	256	139
*2.4		% Increase	116	26	30	33	120
					(24% of new investment insurance)		
13,250	SOUTH KOREA	Investment	205	262	274	299	94
		% Increase	38	28	5	9	46
		Insurance	470	562	606	612	142
*4.6		% Increase	52	20	8	4	30
					(15% of new investment insured)		
11,170	PHILIPPINES	Investment	640	663	644	656	16
		% Increase	-5	4	-3	2	3
		Insurance	208	215	236	239	31
*2.3		% Increase	4	3	9	2	15
					(190% of new investment insured)		
10,600	THAILAND	Investment	147	125	147	158	11
		% Increase	19	-15	18	7	7
		Insurance	67	74	79	89	22
*4.8		% Increase	26	10	7	11	33
					(200% of new investment insured)		
10,250	TAIWAN	Investment	112	134	156	225	113
		% Increase	48	20	16	44	100
		Insurance	145	187	190	206	61
*6.9		% Increase	37	29	2	8	42
					(54% of new investment insured)		

TABLES III.9 (Continued)

*Growth Rate
1960-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
7,740	PAKISTAN	Investment	97	103	---	103	6
		% Increase	1	6	---	0	6
		Insurance	125	126	126	126	1
*3.4		% Increase	26	.8	0	0	.8
				(20% of new investment insured)			
6,490	MALAYSIA	Investment	105	134	171	236	131
		% Increase	31	28	28	40	125
		Insurance	22	24	24	24	2
*3.9		% Increase	29	9	0	0	9
				(2% of new investment insured)			
5,950	HONG KONG	Investment	248	368	501	587	339
		% Increase	11	48	36	17	136
		Insurance	13	13	13	13	0
*7.0		% Increase	0	0	0	0	0
3,990	SINGAPORE	Investment	98	122	181	273	176
		% Increase	45	26	48	51	180
		Insurance	39	59	59	70	31
*7.1		% Increase	30	49	0	19	79
				(18% of new investment insured)			
3,200	SO. VIETNAM	Investment	26	25	21	39	13
		% Increase	73	-4	-16	86	50
		Insurance	64	65	65	65	1
			0	2	0	0	2
				(8% of new investment insured)			
2,360	BURMA	Investment	---	---	---	---	---
*-.7		No insurance					
200	LAOS	Investment	4	---	4	2	2
		% Increase	0	---	0	-50	-50
		Insurance	15	15	15	15	0
*1.9		% Increase	---	---	---	---	0

TABLES III.9 (Continued)

* Growth Rate
1960-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
1,560	SRI LANKA	Investment	6	5	4	5	-1
		% Increase	0	20	-30	30	-20
		Insurance	2	2	2	2	0
*2.0		% Increase	---	---	---	---	0
1,420	AFGHANISTAN	Investment	10	9	9	8	-2
		% Increase	0	-10	0	-10	20
		Insurance	1	1	3	3	2
*0.3		% Increase	60	0	200	0	1
	TOTAL INVESTMENT					3,725	1,522
	COMMERCE DEPT. TOTAL					3,818	1,840

ASIA: 1970-1973

TABLES III.10

Total Investment, 1973

Indonesia	797
Philippines	656
Hong Kong	587
India	337
South Korea	299
Singapore	273
Malaysia	236
Taiwan	225
Thailand	158
Pakistan	103
South Vietnam	39
Afghanistan	8
Sri Lanka	5
Laos	2
Burma	--
TOTAL	$3,725

TABLES III.11

Investment Increase
1970-1973

Indonesia	579
Hong Kong	339
Singapore	176
Malaysia	131
Taiwan	113
South Korea	94
India	42
Philippines	16
South Vietnam	13
Thailand	11
Pakistan	6
Laos	2
Burma	--
TOTAL	$1,522

Decrease, 1970-1973	
Afghanistan	-2
Sri Lanka	-1

TABLES III.12

Total Insurance, 1973

South Korea	612
India	316
Indonesia	256
Phillippines	239
Taiwan	206
Pakistan	126
Thailand	89
Singapore	70
South Vietnam	65
Malaysia	24
Laos	15
Hong Kong	13
Afghanistan	3
Sri Lanka	2
Burma	--
TOTAL	$2,036

TABLES III.13

Insurance Increase;
1970-1973

South Korea	142
Indonesia	139
Taiwan	61
Singapore	31
Philippines	31
Thailand	22
India	11
Afghanistan	2
Malaysia	2
Pakistan	1
South Vietnam	1
Hong Kong	0
Laos	0
Sri Lanka	0
Burma	--
TOTAL	$443

TABLES III.14

U. S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND GNP PER CAP, 1973
Asia

GNP Market, 1973		Investment as% of GNP, 1973		GNP per Cap., 1973	
India	71,590	Hong Kong	10	Singapore	1,830
Indonesia	15,980	Singapore	7	Hong Kong	1,430
South Korea	13,250	Philippines	6	Taiwan	660
Philippines	11,170	Indonesia	5	Malaysia	570
Thailand	10,600	Malaysia	4	South Korea	400
Taiwan	10,250	Taiwan	2	Philippines	280
Pakistan	7,740	South Korea	2	Thailand	270
Malaysia	6,490	Thailand	1	South Vietnam	160
Hong Kong	5,950	South Vietnam	1	Indonesia	130
Singapore	3,990	Pakistan	1	India	120
South Vietnam	3,200	Laos	1	Pakistan	120
Burma	2,360	Afghanistan	.6	Sri Lanka	120
Sri Lanka	1,560	India	.5	Afghanistan	90
Afghanistan	1,420	Sri Lanka	.3	Burma	80
Laos	200	Burma	---	Laos	60
				Bangladesh	80

TABLES III.15

UNITED STATES AID: 1962-1974
Asia

		Total Aid	Military Aid	
1.	Vietnam	21,335.0	15,565.5	
2.	Korea	7,276.4	4,829.8	
3.	India	6,607.4	144.5	
4.	Parkistan	3,262.8	207.0	
5.	Taiwan	2,109.2	1,797.9	
6.	Indonesia	1,615.8	166.8	
7.	Cambodia	1,591.0	1,030.5	
8.	Thailand	1,454.4	1,010.7	
9.	Philippines	948.1	369.9	
10.	Bangledash	527.2	0	
11.	Afghanistan	345.4	3.9	
12.	Sri Lanka	153.9	3.5	
13.	Malaysia	108.1	58.9	
14.	Burma	94.4	60.2	
15.	Singapore	22.8	20.9	
16.	Hong Kong	16.8	0	
	TOTAL	$47,468.7	$25,270	(53%)

		Total Aid, 1970-1973	Military Aid	
1.	India	1,089.5	0.2	.000002
2.	Indonesia	955.0	94.8	10%
3.	Pakistan	661.5	0.8	.1%
4.	Thailand	520.0	393.6	76%

TABLES III.16

*Growth Rate
1960-1973

INVESTMENT AND INSURANCE DATA, 1970-1973
Middle East

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
21,830	IRAN	Investment	319	309	313	129	-190
		% Increase	-21	3	1	-59	-60
*6.4		Insurance	145	149	151	172	27
		% Increase	54	3	1	14	19
12,470	SAUDI ARABIA	No Investment Reported					
*8.7		No Insurance					
10,610	KUWAIT	No Investment Reported					
*-2.1		No Insurance					
8,880	IRAQ	No Investment Reported					
*2.9		No Insurance					
3,720	UNITED ARAB	Investment	55	65	82	104	49
	EMIR.	% Increase	67	18	26	27	89
*19.3		No Insurance					
2,800	SYRIA	Investment	15	16	16	15	0
		% Increase	25	7	0	-6	0
*3.8		No Insurance					
2,790	LEBANON	Investment	36	34	33	36	0
		% Increase	3	-6	-3	9	0
*N.A.		No Insurance					
1,090	QATAR	No Investment Reported					
*5.1		No Insurance					
870	JORDAN	Investment	(D)	(D)	6	5	-1
		% Increase	--	--	6	17	-17
*N.A.		Insurance	9	9	9	9	0
		% Increase	0	0	0	0	0
620	YEMEN ARAB	No Investment Reported					
*N.A.	REP.	No Insurance					

TABLES III.16 (Continued)

*Growth Rate
1960-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
610	OMAN	No Investment Reported					
*13.5		No Insurance					
210	BAHRAIN	Investment	(D)	113	(D)	(D)	---
*N.A.		No Insurance					
170	YEMEN	Investment	2	2	2	2	0
	PEOPLE'S REP.	% Increase	100	0	0	0	0
*N.A.		No Insurance					
TOTAL INVESTMENT						404	49

MIDDLE EAST: 1970-1973

TABLES III.17

Total Investment, 1973

Iran	129
Bahrain (1971)	113
U. Arab Emir.	104
Lebanon	36
Syria	15
Jordan	5
Yemen, People's Rep.	2
TOTAL	$404

TABLES III.18

Investment Increase; 1970-1973

U. Arab Emir.	49
TOTAL	$49
Decrease in Investment	
Iran	-190
Jordan	-1
TOTAL	$-191
No Change in Investment	
Syria	0
Lebanon	0
Yemen, People's Rep.	0
No Change Reported	
Bahrain	--

TABLES III.19

Total Insurance, 1973

Iran	172
Jordan	9
TOTAL	$181

TABLES III.20

Insurance Increase; 1970-1973

Iran	27
TOTAL	$27
No Change	
Jordan	0

No Investment Reported: Saudi Arabia, Kuwait, Iraq, Qatar, Oman, Yemen Arab Emirates

No Insurance: Saudi Arabia, Kuwait, Iraq, United Arab Emirates, Syria, Lebanon, Qatar, Yemen Arab Republic, Oman, Bahrain, Yemen People's Republic

TABLES III.21

U. S. DIRECT INVESTMENT AS PER CENT GNP AND GNP PER CAP, 1973
Middle East

1973 GNP		Investment as % GNP		GNP per cap	
Iran	27,830	Bahrain	.54	Kuwait	12,050
Saudi Arabia	12,470	United Arab E.	.03	United Arab E.	11,630
Kuwait	10,610	Yemen P. R.	.01	Qatar	6,040
Iraq	8,880	Lebanon	.01	Saudi Arabia	1,610
United Arab E.	3,720	Iran	.005	Lebanon	940
Syria	2,800	Syria	.005	Bahrain	900
Lebanon	2,790	Jordan	.006	Iran	870
Qatar	1,090			Iraq	850
Jordan	870			Oman	840
Yemen Arab Rep.	620			Syria	400
Oman	610			Jordan	340
Bahrain	210			Yemen People's Rep.	110
Yemen People's Rep.	170			Yemen Arab Rep.	100

TABLES III.22

UNITED STATES AID: 1962-1974; THE MIDDLE EAST

	Total Aid	Military Aid	
1. Iran	1,100.1	915.3	
2. Jordan	827.3	295.3	
3. Egypt	604.1	0	
4. Saudia Arabia	233.0	233.0	
5. Lebanon	65.2	27.2	
6. Syria	45.1	0	
7. Yemen Arab Republic	35.8	(less than 50,000)	
8. Iraq	26.5	0.6	
9. Yemen People's Rep.	4.5	0	
10. Oman	0.2	0	
11. Kuwait	0	--	
12. Bahrain	0	--	
TOTAL	2,941.8	$1,471.4	(50%)

TABLES III.23

*Growth Rate
1965-1973

INVESTMENT AND INSURANCE DATA, 1970-1973
Africa

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
25,420	SO. AFRICA	Investment	778	875	941	1,167	389
		% Increase	15	12	8	24	50
*2.0		No Insurance					
15,050	NIGERIA	Investment	337	487	527	458	121
		% Increase	5	45	8	-15	36
*8.3		Insurance	25	25	25	25	0
		% Increase	14	0	0	0	0
8,820	EGYPT	Investment	109	104	125	151	42
		% Increase	10	5	20	21	39
*0.8		Insurance	.7	.7	.7	.7	0
		% Increase	0	0	0	0	0
8,340	ALGERIA	Investment	66	60	49	(D)	17
		% Increase	-14	9	18	--	26
*4.3		No Insurance					
7,620	LIBYA	Investment	896	896	980	537	-359
		% Increase	40	0	0	82	-40
*5.7		No Insurance					
5,080	MOROCCO	Investment	30	33	38	36	6
		% Increase	3	10	15	6	20
*2.5		Insurance	7	8	8	23	6
		% Increase	0	14	0	60	86
3,200	ZAIRE	Investment	25	40	46	54	29
		% Increase	30	60	20	20	116
*2.9		Insurance	3	3	12	14	11
		% Increase	200	0	300	20	360

TABLES III.23 (Continued)

*Growth Rate
1965-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
3,110	MOZAMBIQUE	Investment	9	13	(D)	(D)	4
		% Increase	10	40	--	--	40
*4.1		No Insurance					
2,780	ANGOLA	Investment	(D)	(D)	(D)	50	23
		% Increase	--	--	--	90	90
*3.2		Insurance	3	3	3	3	0
		% Increase	20	0	0	0	0
2,760	GHANA	Investment	114	121	134	138	24
		% Increase	02	6	11	3	20
*0.8		Insurance	96	96	96	108	12
		% Increase	0	0	0	13	13
2,530	TUNISA	Investment	7	8	8	5	-2
		% Increase	20	10	0	-60	-200
*4.9		Insurance	15	15	15	15	0
		% Increase	30	0	0	0	0
2,520	RHODESIA	Investment	50	61	70	82	32
		% Increase	40	20	10	20	60
*3.5		No Insurance					
2,290	ETHIOPIA	Investment	3	5	12	20	17
		% Increase	200	70	140	70	600
*1.6		Insurance	4	4	4	4	0
		% Increase	300	0	0	0	0
2,260	SUDAN	Investment	4	4	4	7	3
		% Increase	0	0	0	80	80
-.06		Insurance	4	7	7	7	3
		% Increase	0	80	0	0	80
2,250	IVORY COAST	Investment	10	11	9	10	0
		% Increase	50	10	22	11	0
*3.0		Insurance	12	13	15	15	3
		% Increase	9	8	15	0	25

TABLES III.23 (Continued)

* Growth Rate 1965-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
2,150	KENYA	Investment	32	33	35	48	16
		% Increase	40	3	6	40	50
*3.3		Insurance	32	35	36	56	24
		% Increase	10	9	3	60	80
2,020	ZAMBIA	Investment	198	206	203	204	6
		% Increase	5	4	-1	.5	3
*-.02		Insurance	4	4	4	4	0
1,830	TANZANIA	Investment	3	5	6	8	5
		% Increase	0	70	20	30	170
*2.6		Insurance	4	4	4	4	0
1,610	UGANDA	Investment	4	4	5	5	1
		% Increase	0	0	30	0	30
*1.2		Insurance	.1	.7	.7	.7	.6
		% Increase	0	600	0	0	0
1,530	CAMEROONS	Investment	5	6	7	7	2
		% Increase	0	20	20	0	40
*4.9		Insurance	1	1	1	I	0
		% Increase	0	0	0	0	0
1,260	MALAGASY REPUBLIC	Investment	28	37	38	36	8
		% Increase	180	30	3	-6	20
*0.9		Insurance	3	3	3	3	0
1,160	SENEGAL	Investment	(D)	34	31	34	0
		% Increase	--	40	-10	10	0
*-2.8		Insurance	13	13	13	13	0
680	GABON	Investment	(D)	31	32	34	3
		% Increase	--	--	3	6	10
*6.1		Insurance	5	5	5	5	0

TABLES III.23 (Continued)

*Growth Rate
1965-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
570	GUINEA	Investment	(D)	(D)	(D)	(D)	--
*0.1		Insurance	249	249	249	249	0
530	MALAWI	Investment	2	2	1	2	0
		% Increase	0	0	-100	100	0
* 3.7		No Insurance					
460	SIERRA	Investment	5	5	5	4	-1
	LEONE	% Increase	30	0	0	-20	-20
*1.5		Insurance	25	25	25	25	0
		% Increase	9	0	0	0	0
450	LIBERIA	Investment	147	153	164	209	62
		% Increase	10	4	7	30	40
*4.7		Insurance	44	44	44	46	2
		% Increase	0	0	0	5	5
380	TOGO	Investment	15	15	16	14	-1
		% Increase	7	0	7	-10	-7
*2.5		Insurance	22	22	22	22	0
370	MALI	Investment	1	1	3	(D)	2
		% Increase	-100	0	200	--	200
*0.5		No Insurance					
330	BENIN	Investment	2	2	1	-1	-2
		% Increase	100	0	-100	-100	-200
*1.5		Insurance	4	4	4	4	4.
		% Increase	400	0	0	0	400
320	CHAD	Investment	2	2	2	4	2
		% Increase	100	0	0	100	100
*-3.3		No Insurance					
290	RWANDA	Investment	--	--	--	--	0
*3.2		Insurance	.08	.08	.08	.08	.25
		% Increase	25	0	0	0	25

TABLES III.23 (Continued)

* Growth Rate
1965-1973

1973 GNP			1970	1971	1972	1973	Increase from 1970-1973
280	CENT. AFR. EMP.	Investment	2	3	4	4	2
		% Increase	-50	50	30	0	100
*1.0		No Insurance					
250	SOMALIA	Investment	2	1	1	4	2
		% Increase	0	-50	0	300	0
*1.6		Insurance	350	350	350	350	0
250	MAURITANIA	Investment	2	2	(D)	16	14
		% Increase	100	0	--	400	700
*1.2		Insurance	.2	.2	.2	.2	0
150	BOTSWANA	Investment	3	4	(D)	(D)	1
		% Increase	0	30	--	--	30
*6.4		Insurance	2	2	27	31	19
		% Increase	0	0	1300	10	1500
150	SWAZILAND	Investment	2	2	2	2	0
*6.3		No Insurance					
	OTHER						
	CONGO, R.	Investment	(D)	(D)	(D)	(D)	--
		Insurance	.2	.2	.2	.2	0
	NAMBIA	Investment	2	2	5	7	5
		% Increase	-600	0	150	40	250
	ZIMBABWE	Investment	No Investment Statistics				
		Insurance	0	0	0	-.05	-.05
	OTHER AFRICA						
TOTAL INVESTMENT						3,426	838
COMMERCE DEPT. TOTAL						3,543	840

AFRICA 1970-1973

TABLES III.24

Total Investment, 1973

UN South Africa	1,167
Libya	537
Nigeria	458
Liberia	209
Zambia	204
Egypt	151
Ghana	138
Rhodesia	82
Algeria	59 est.
Zaire	54
Angola	50
Kenya	48
Morocco	36
Malagasy Rep.	36
Gabon	34
Senegal	34
Ethiopia	20
Mauritania	16
Togo	14
Ivory Coast	10
Tanzania	8
Sudan	7
Nambia	7
Cameroon	7
Tunisia	5
Uganda	5
Somalia	4
Sierra Leone	4
Chad	4
Central A. Em.	4
Leosotho	3
Swaziland	2
Malawi	2
Gambia	1
Upper Volta	1
Benin	1
TOTAL	$3,426
Total Less Developed Africa	2,259

TABLES III.25

Investment Increase; 1970-1973

South Africa	389
Nigeria	121
Liberia	62
Egypt	42
Rhodesia	32
Zaire	29
Ghana	24
Angola	23
Algeria	17
Ethiopia	17
Kenya	16
Mauritania	14
Malagasy Rep.	8
Zambia	6
Morocco	6
Tanzania	5
Namibia	5
Mozambique	4
Sudan	3
Gabon	3
Cameroon	2
Mali	2
Cent. Afr. Emp.	2
Somalia	2
Bostwana	1
Uganda	1
TOTAL	$838
Less Dev. Africa	449
No Change in Investment	
Ivory Coast	0
Senegal	0
Malawi	0
Rwanda	0
Swaziland	0
Decrease in Investment	
Libya	-359
Tunisia	-2
Benin	-2
Togo	-1
Sierra Leone	-1
TOTA	

TABLES III.26

Total Insurance, 1973

Guinea	249
Ghana	108
Kenya	56
Liberia	46
Botswana	31
Sierra Leone	25
Nigeria	25
Togo	22
Ivory Coast	15
Tunisia	15
Zaire	14
Senegal	13
Morocco	13
Sudan	7
Gabon	5
Ethiopia	4
Benin	4
Zambia	4
Somalia	4
Tanzania	4
Malagasy Rep.	3
Angola	3
Cameroon	1
Egypt	.7
Uganda	.7
Mauritania	.2
Congo, R.	.2
Rwanda	.08
TOTAL	$672.88

No Insurance in 10 Countries: South Africa, Algeria, Libya Mozambique, Rhodesia, Malawi, Mali, Chad, Swaziland, Central African Empire.

TABLES III.27

Insurance Increase; 1970-1973

Kenya	24
Botswana	19
Ghana	12
Zaire	11
Morocco	6
Benin	4
Sudan	3
Liberia	2
Uganda	.6
Rwanda	.3
TOTAL	$81.9
Decrease in Insurance	
Zimbabwe	-.05
No Change in Insurance	
Nigeria	0
Egypt	0
Angola	0
Tunisia	0
Ethiopia	0
Zambia	0
Tanzania	0
Cameroon	0
Malagasy Rep.	0
Senegal	0
Gabon	0
Guinea	0
Sierra Leone	0
Togo	0
Somalia	0
Mauritania	0
Congo, R.	0

U. S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND GNP PER CAP, 1973
Africa

Investment as % of GNP, 1973		1973 GNP		1973 GNP per Cap.	
Liberia	46	UN So. Africa	25,420	Libya	3,500
Zambia	10	Nigeria	15,050	Gabon	1,310
Libya	7	Egypt	8,820	South Africa	1,050
Mauritania	6	Algeria	8,340	Algeria	570
Un. So. Africa	5	Libya	7,620	Angola	490
Ghana	5	Morocco	5,080	Tunisia	460
Gabon	5	Zaire	3,200	Rhodesia	430
Togo	4	Mozambique	3,110	Zambia	430
Nigeria	3	Angola	2,780	Ivory Coast	380
Rhodesia	3	Ghana	2,760	Mozambique	380
Malagsasy Rep.	3	Tunisia	2,530	Swaziland	330
Egypt	2	Rhodesia	2,520	Morocco	320
Kenya	2	Ethiopia	2,290	Liberia	310
Angola	2	Sudan	2,260	Ghana	300
Zaire	2	Ivory Coast	2,250	Senegal	280
Somalia	2	Kenya	2,150	Egypt	250
Centr. Afr. Emp.	1	Zambia	2,020	Cameroon	250
Chad	1	Tanzania	1,830	Botswana	230
Ethiopia	.9	Uganda	1,610	Nigeria	210
Sierra Leone	.9	Cameroon	1,530	Mauritania	200
Algeria	.7	Malagary Rep.	1,260	Togo	180
Morocco	.7	Senegal	1,160	Kenya	170
Cameroon	.5	Gabon	680	Sierra Leone	160
Ivory Coast	.4	Guinea	570	Cent. Afr. Emp.	160
Tanzania	.4	Malawi	530	Malagasy Rep.	150
Malawi	.4	Sierra Leone	460	Uganda	150
Senegal	.3	Liberia	450	Zaire	140
Uganda	.3	Togo	380	Sudan	130
Sudan	.3	Mali	370	Tanzania	130
Tunisia	.2	Benin	330	Benin	110
Mozambique	---	Chad	320	Malawi	110
Guinea	---	Rwanda	290	Guinea	110
Mali	---	Cent. Afr. Emp.	280	Ethiopia	90
Botswana	---	Somalia	250	Chad	80
Swaziland	---	Mauritania	250	Somalia	80
Congo	---	Botswana	150	Mali	70
		Swaziland	150	Rwanda	70

TABLES III.29

UNITED STATES AID; 1962-1974
Africa

		Total Aid	Military Aid	
1.	Morroco	667.2	121.7	
2.	Tunisia	582.4	49.7	
3.	Ethiopia	458.5	193.0	
4.	Zaire	437.7	51.1	
5.	Nigeria	436.5	1.7	
6.	Algeria	176.6		
7.	Guinea	110.5	1.0	
8.	Sudan	95.7	2.0	
9.	Tanzania	94.5		
10.	Somalia	70.1		
11.	Libya	60.1	14.4	
12.	Senegal	52.2	2.7	
13.	Mali	52.0	3.3	
14.	Uganda	49.9		
15.	Niger	46.1	0.1	
16.	Sierra Leone	45.8		
17.	Ivory Coast	34.8	0.1	
18.	Cameroon	34.3	0.2	
19.	Botswana	34.2		
20.	Upper Volta	33.5		
21.	Malawi	31.5		
22.	Togo	21.4		
23.	Leosotho	19.1		
24.	Chad	18.6		
25.	Malagasy Rep.	16.0		
26.	Mauritania	14.9		
27.	Benin	13.1	0.1	
28.	Rwanda	9.0		
29.	Congo, Rep.	8.5		
30.	Gabon	8.3		
31.	Swaziland	7.6		
32.	Zambia	6.7		
33.	Central African Emp.	6.7		
34.	Gambia	6.5		
35.	Rhodesia	1.6		
	TOTAL	$3,762.1	$441.1	(12%)

NO UNITED STATES FOREIGN AID, 1962-1974, IN THE FOLLOWING AFRICAN COUNTRIES: Union of South Africa, Mozambique, Guinea-Bisseau

TABLES IV. 1

*Growth Rate,
1970-1977

INVESTMENT AND INSURANCE DATA, 1974-1977.

LATIN AMERICA

1977 GNP			1974	1975	1976	1977	Increase 1974-1977
163,880	BRAZIL	Investment	3760	4579	5416	5956	2196
		%Increase	30	22	18	10	58
*6.7		Insurance	518	577	656	760	242
		%Increase	41	11	14	16	47
			(11% of new investment insured)				
73,720	MEXICO	Investment	2854	3200	2976	3175	321
		%Increase	20	12	-7	7	11
*1.2		No Insurance					
48,710	ARGENTINA	Investment	1138	1154	1366	1505	367
		%Increase	-.5	12	-7	7	11
*3.2		Insurance	452	452	452	452	0
			(No new investment insured)				
35,480	VENEZUELA	Investment	1804	1872	1506	1779	24
		%Increase	-12	4	-4	18	-1
*3.2							
		Insurance	98	98	98	98	0
			(No new investment insured)				
18,760	COLOMBIA	Investment	617	648	654	706	89
		%Increase	1	5	.9	8	14
*3.8		Insurance	130	130	130	130	0
			(No new investment insured)				
13,160	CHILE	Investment	287	174	179	187	-100
		%Increase	-55	-39	3	4	-35
*-1.8		Insurance	744	744	744	744	0
			(No new investment insured)				
11,800	PERU	Investment	900	1221	1364	1409	509
		%Increase	5	36	18	3	57
*1.8		Insurance	95	95	99	99	4
		%Increase	0	0	4	0	4
			(.8% of new investment insured)				

1977 GNP			1974	1975	1976	1977	Increase: 1974-1977
6,000	ECUADOR	Investment	400	282	309	232	168
		%Increase	32	-30	10	-25	-42
*6.1		Insurance	50	50	50	50	0
			(No new investment insured)				
5,350	GUATEMALA	Investment	170	159	200	217	47
		%Increase	21	-6	26	9	28
*3.3		Insurance	6	6	6	6	0
			(No new investment insured)				
4,190	DOMIN. REP.	Investment	204	222	235	240	36
		%Increase	13	9	6	2	18
*4.6		Insurance	401	435	445	453	52
		%Increase	1	8	2	2	13
			(144% of new investment insured)				
4,170	URUGUAY	Investment	(D)	(D)	(D)	92	92
		No Insurance					
*1.3							
2,930	TRIN/TOBAGO	Investment	549	656	721	928	379
		%Increase	27	19	10	29	70
*1.5		Insurance	96	145	145	148	52
		%Increase	3	51	0	2	54
			(14% of new investment insured)				
2,870	COSTA RICA	Investment	161	169	103	122	39
		%Increase	23	5	-39	18	-24
*3.2		Insurance	137	149	152	152	15
		%Increase	.7	9	2	0	11
			(38% of new investment insured)				
2,510	EL SALVADOR	Investment	71	86	95	92	21
		%Increase	15	21	10	-3	.30
*2.1		Insurance	11	11	14	18	7
		Increase	0	0	27	29	67
			(33% of new investment insured)				
2,460	BOLIVIA	Investment	94	100	92	118	124
		%Increase	-10	6	-8	28	26
*2.9		Insurance	77	77	77	77	0
			(No new investment insured)				

1977 GNP		1974	1975	1976	1977	Increase: 1974-1977	
2,230	JAMAICA	Investment	609	654	578	578	21
		%Increase	-1	7	-12	0	-5
*-2.0		Insurance	514	514	514	514	0
			(No new investment insured)				
2,120	PANAMA	Investment	1604	1909	1961	2215	611
		%Increase	4	19	3	13	38
*-.01		Insurance	47	53	54	56	9
		%Increase	190	13	2	4	19
			(1% of new investment insured)				
2,100	PARAGUAY	Investment	(D)	53	(D)	72	19
		%Increase	-	120	-	36	36
*4.3		Insurance	7	7	7	7	0
			(no new investment insured)				
2,090	NICARAGUA	Investment	97	108	104	112	15
		%Increase	18	11	-4	8	15
*2.5		Insurance	21	22	25	25	4
		%Increase	0	5	14	0	20
			(27% of new investment insured)				
1,410	HONDURAS	Investment	186	184	177	191	5
		%Increase	14	0	-4	8	3
*0		Insurance	64	64	65	66	2
		%Increase	2	0	2	2	3
			(40% of new investment insured)				
1,090	HAITI	Investment	14	13	12	14	0
		%Increase	0	-7	-8	17	0
*2.1		Insurance	13	15	16	17	4
		%Increase	8	15	7	6	31
			(50% of new investment 1976-1977 insured)				
710	SURINAM	Investment	No investment reported (D)				
*6.3		Insurance	3	3	3	3	0
680	NETH/ANTILL	Investment	253	197	191	248	-5
		%Increase	-33	22	-3	30	-2
*0.5		Insurance	.6	.6	.6	.6	0
			(No new investment insured)				
520	BAHAMAS	Investment	766	763	1049	1183	417
		%Increase	21	-.4	37	13	54
*-7.2		No Insurance					

1977 GNP			1974	1975	1976	1977	Increase 1974-1977
430	GUYANA	Investment	20	22	21	22	2
		%Increase	-44	10	5	5	10
*0.4		Insurance	24	24	24	26	2
		%Increase	0	0	0	8	8
			(50% of new investment 1976-1977 insured)				
TOTAL INVESTMENT:						21,225	5,234
COMMERCE DEPARTMENT TOTAL:						27,739	8,212

LATIN AMERICA, 1977

TABLES IV. 2
Total Investment, 1977

Brazil	5,956
Mexico	3,175
Panama	2,215
Venezuela	1,779
Argentina	1,505
Peru	1,409
Bahamas	1,183
Trin.&Tobago	928
Colombia	706
Jamaica	578
Neth/Antil	248
Dominican Rep.	240
Ecuador	232
Guatemala	217
Honduras	191
Chile	187
Costa Rica	122
Bolivia	118
Nicaragua	112
Uruguay	92
El Salvador	92
Paraguay	72
Guyana	22
Haiti	14
Surinam	Investment (D)
TOTAL:	$21,393

TABLES IV. 3
Investment Increase, 1974-1977

Brazil	2,196
Panama	611
Peru	509
Bahamas	417
Trin.&Tobago	379
Argentina	367
Mexico	321
*Uruguay	92
Colombia	89
Guatemala	47
Costa Rica	39
Dominican Rep.	36
Venezuela	24
Bolivia	24
El Salvador	21
Jamaica	21
Paraguay	19
Nicaragua	15
Hondras	5
Guyana	2
TOTAL:	$5,234

Decrease in Investment

Chile	-100
Neth/Antil	-5
Ecuador	-168
TOTAL:	$-273

No Change in Investment

Haiti

Investment not Reported: Surinam

*previous investment not known

TABLES IV. 4
Total Insurance 1977

Brazil	760
Chile	744
Jamaica	514
Dom. Rep.	453
Argentina	452
Costa Rica	152
Trin.&Tobago	148
Colombia	130
Peru	99
Venezuela	98
Bolivia	77
Honduras	66
Panama	56
Ecuador	50
Guyana	26
Nicaragua	25
El Salvador	18
Haiti	17
Paraguay	7
Guatemala	6
Neth/Antil	.6
Surinam	.3
TOTAL:	$3,898.9

No Insurance

Mexico
Uruguay
Bahamas

TABLES IV. 5
Insurance Increase 1974-1977

Brazil	242
Trin.Tabago	52
Domin. Rep.	52
Costa Rica	15
Panama	9
El Salvador	7
Peru	4
Nicaragua	4
Haiti	4
Honduras	2
Guyana	2
TOTAL:	$393

No Insurance In Insurance

Argentina	0
Venezuela	0
Colombia	0
Chile	0
Ecuador	0
Guatemala	0
Bolivia	0
Jamaica	0
Paraguay	0
Surinam	0
Neth/Antil	0

TABLES IV. 6

U. S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND GNP PER CAP

LATIN AMERICA, 1977

GNP MARKET 1977		1977 INVESTMENT AS PERCENT% OF GNP		1977 GNP PER CAP 1977	
Brazil	163,880	Bahamas	174	Neth.Antil	2,780
Mexico	73,720	Panama	104	Trin.&Tob	2,630
Argentina	48,710	Neth.Antil	36	Venezuela	2,620
Venezuela	35,480	Trin.&Tob	32	Bahamas	2,450
Colombia	18,760	Jamaica	26	Argentina	1,870
Chile	13,160	Honduras	14	Surinam	1,870
Peru	11,800	Peru	12	Uruguay	1,450
Ecuador	6,000	Dominican Rep.	6	Brazil	1,410
Guatemala	5,350	Venezuela	5	Costa Rica	1,390
Dominican Rep.	4,190	Guyana	5	Chile	1,250
Uruguay	4,170	Bolivia	5	Panama	1,200
Trin.&Tob	2,930	Nicaragua	5	Mexico	1,160
Costa Rica	2,870	Ecuador	4	Jamaica	1,060
El Salvador	2,510	Costa Rica	4	Nicaragua	870
Bolivia	2,460	Colombia	4	Dom. Rep.	840
Jamaica	2,230	Mexico	4	Guatemala	830
Panama	2,120	Guatemala	4	Ecuador	820
Paraguay	2,100	El Salvador	4	Colombia	760
Nicaragua	2,090	Brazil	4	Paraguay	750
Honduras	1,410	Argentina	3	Peru	720
Haiti	1,090	Paraguay	3	El Salvador	590
Surinam	710	Uruguay	2	Guyana	520
Neth/Antil	680	Chile	1	Bolivia	480
Bahamas	520	Haiti	1	Honduras	420
Guyana	430	Surinam	(D)	Haiti	230

TABLES IV. 7

UNITED STATES AID: 1974-1977; LATIN AMERICA

	Total Aid		Military Aid
Chile	233.5		16.7
Brazil	202.7		162.6
Bolivia	171.1		23.3
Colombia	142.1		22.5
Peru	127.2		49.2
Honduras	108.3		0.8
Panama	95.6		5.5
Nicaragua	92.8		13.0
Guatemala	91.1		7.4
Argentina	88.4		88.2
Haiti	85.5		0.7
Dominican Republic	75.8		4.6
Jamaica	51.9		0
Ecuador	50.1		25.8
Costa Rica	40.2		5.0
El Salvador	35.2		8.4
Uruguay	30.6		15.6
Paraguay	29.4		6.9
Venezuela	24.8		19.9
Mexico	17.2		.3
Guyana	9.8		0
Trinidad & Tabago	0.3		0
Surinam	0		0
Netherlands/Antilles	0		0
Bahamas	0		0
TOTAL:	1,803.6	TOTAL:	476.4 (26%)

Decreases of at least 30% or Increases of at least 30% in U. S. Aid from 1976- 1977: first year of Carter administration and Human Rights policy.

This 1977 AID allocation represents a decrease of at least 30% over 1976:

Chile	33.2
Brazil	4.3
Colombia	9.7
Honduras	15.3
Nicaragua	6.3
Guatemala	21.3
Argentina	0.8
Dom. Rep.	15.5
Paraguay	4.0
Venezuela	0.2

This 1977 AID allocation represents an increase of at least 30% over 1976:

Bolivia	48.7
Peru	33.7
Haiti	41.3
Jamaica	32.2
Ecuador	19.2
Costa Rica	16.6
Mexico	15.9
Guyana	6.3

TABLES IV. 8

*Growth Rate, 1970-1977

INVESTMENT AND INSURANCE DATA, 1974-1979

ASIA

							Increase:
1977 GNP			1974	1975	1976	1977	1974-1977
100,180	INDIA	Investment	350	367	363	328	-22
		%Increase	4	5	-1	-10	-6
*1.1		Insurance	317	327	331	333	16
		%Increase	.3	3	1	.6	5
			(73% of new investment insured)				
42,680	INDONESIA	Investment	706	1,587	1,469	1,138	432
		%Increase	-11	120	-7	-23	61
*5.7		Insurance	289	322	339	356	67
		%Increase	13	11	5	5	23
			(16% of new investment insured)				
35,150	SOUTH KOREA	Investment	345	475	411	434	89
		%Increase	15	38	-13	6	28
*7.6		Insurance	636	739	748	754	118
		%Increase	4	16	1	.8	19
			(130% of new investment insured)				
20,410	PHILIPPINES	Investment	718	738	810	913	195
		%Increase	9	3	10	13	27
*3.7		Insurance	299	379	388	390	91
		%Increase	25	27	2	.5	30
			(47% of new investment insured)				
19,800	TAIWAN	Investment	267	292	337	390	123
		%Increase	17	9	15	16	46
*5.5		Insurance	228	268	285	317	89
		%Increase	11	18	6	17	39
			(72% of new investment insured)				
18,660	THAILAND	Investment	248	260	276	295	47
		%Increase	57	5	6	7	19
*4.1		Insurance	97	111	115	119	22
		%Increase	9	14	4	3	23
			(47% of new investment insured)				

1977 GNP			1974	1975	1976	1977	Increase 1974-1977
15,070	PAKISTAN	Investment	116	131	-	143	27
		%Increase	13	13	-	9	23
*0.8		Insurance	126	130	130	135	9
		%Increase	0	3	0	4	7
			(33% of new investment insured)				
12,600	MALAYSIA	Investment	375	376	366	472	97
		%Increase	59	.3	-3	29	26
*4.9		Insurance	30	38	60	63	33
		%Increase	25	27	58	5	110
			(34% of new investment insured)				
11,890	HONG KONG	Investment	876	916	1,170	1,432	565
		%Increase	48	6	28	22	65
*5.8		Insurance	13	13	13	13	0
			(No insurance written this period)				
6,540	SINGAPORE	Investment	361	485	462	633	272
		%Increase	32	39	-5	37	75
*6.6		Insurance	87	114	114	114	27
		%Increase	24	31	0	0	31
			(10% of new investment insured)				
4,300	BURMA	Investment	16	21	22	-	6
		%Increase	1600	31	10	-	38
*1.3		Insurance	(No insurance)				
		%Increase					
3,200	SO. VIETNAM	Investment	56	3	-1	-2	-56
		%Increase	44	-95	0	0	-100
*.N. A.		Insurance	(No insurance issued)				
3,150	AFGHANISTAN	Investment	10	11	11	10	0
		%Increase	25	10	0	-9	0
*2.7		Insurance	3	5	5	5	2
		%Increase	0	33	0	0	67
			(200% of new investment insured)				

							Increase
1977 GNP			1974	1975	1976	1977	1974-1977
2,290	SRI LANKA	Investment	5	6	7	7	2
		%Increase	0	20	17	0	40
*1.3		Insurance	2	2	2	2	0
			(No new investment insured)				
290	LAOS	Investment	2	2	2	2	0
			(No increase in investment)				
		Insurance	15	15	15	15	0
			(No increase in insurance)				
TOTAL INVESTMENT:						6,197	1,877
COMMERCE DEPARTMENT TOTAL:						6,267	1,748

ASIA 1977

TABLES IV. 9.
1977
Total
Investment

Hong Kong	1,432
Indonesia	1,138
Philippines	913
Singapore	633
Malaysia	472
South Korea	434
Taiwan	390
India	328
Thailand	295
Pakistan	143
Afghanistan	10
Sri Lanka	7
Laos	2
South Vietnam	0
Burma	-
Bangladesh	
TOTAL:	$6,197

TABLES IV. 10.
Investment
Increase
1974-1977

Hong Kong	565
Indonesia	432
Singapore	272
Philippines	195
Taiwan	123
Malaysia	97
South Korea	89
Thailand	47
Pakistan	27
India	22
Burma	6
Sri Lanka	2
TOTAL:	$1,877

No Increase in
Investment

Afghanistan	0
Laos	0

Decrease In
Investment

South Vietnam	-56

TABLES IV. 11.
1977
Total
Insurance

South Korea	754
Philippines	390
Indonesia	356
India	333
Taiwan	317
Pakistan	135
Thailand	119
Singapore	114
Malaysia	63
Laos	15
Hong Kong	13
Afghanistan	5
Sri Lanka	2
Burma	0
South Vietnam	0
Bangladesh	
TOTAL:	$2,616

TABLES IV. 12.
Insurance
Increase
1974-1977

South Korea	118
Philippines	91
Taiwan	89
Indonesia	67
Malaysia	33
Singapore	27
Thailand	22
India	16
Pakistan	9
Afghanistan	2
TOTAL:	$474

No Increase In
Insurance

Hong Kong	0
Burma	0
Sri Lanka	0
South Vietnam	0
Laos	0

TABLES IV. 13.

U.S. DIRECT INVESTMENT AS PER CENT GNP; GNP AND GNP PER CAP

ASIA 1977

1977 GNP Market		Investment as % of GNP		1977 GNP Per Cap	
India	100,180	Hong Kong	12	Singapore	2,820
Indonesia	42,680	Singapore	10	Hong Kong	2,620
South Korea	35,150	Philippines	4	Taiwan	1,180
Philippines	20,410	Malaysia	4	South Korea	980
Taiwan	19,800	Indonesia	3	Malaysia	870
Thailand	18,660	Thailand	2	Philippines	460
Pakistan	15,070	Taiwan	2	Thailand	430
Malaysia	12,600	South Korea	1	Indonesia	320
Hong Kong	11,890	Pakistan	.9	Afghanistan	220
Singapore	6,540	Laos	.7	Pakistan	200
Bangladesh	6,520	Burma	.5	India	160
Burma	4,300	Afghanistan	.3	Sri Lanka	160
Afghanistan	3,150	India	.3	Burma	140
Sri Lanka	2,290	Sri Lanka	.3	Laos	90
Laos	290	South Vietnam	-	Bangladesh	80
South Vietnam	-	Bangladesh		South Vietnam	-

TABLES IV. 14

UNITED STATES AID: 1974-1977; ASIA

	Total Aid	Military Aid	
South Korea	727.1	488.3	
Bangladesh	658.8	-	
India	557.4	0.4	
Pakistan	493.5	1.0	
Indonesia	447.3	117.3	
Philippines	329.4	98.4	
Taiwan	199.3	199.3	
Thailand	194.9	154.8	
Sri Lanka	139.0	0	
Malaysia	66.5	58.6	
Afghanistan	52.0	0.6	
Burma	4.7	0	
Singapore	0.2	0	
Hong Kong	0	0	
TOTAL:	3,870.1	1,118.7	(29%)

1974-1977	
India	694.9
Pakistan	595.6
Indonesia	556.9
Thailand	245.4

Increase or Decrease in Aid of more than 30% from 1976-1977: first year of Carter administration and Human Rights policy.

Decreased by at least 30% — Increased by at least 30%

1977 Aid Allocation

India	126.3	Malaysia	38.6
Pakistan	108.6	Afghanistan	21.6
South Korea	232.4	Sri Lanka	64.8
Taiwan	35.5		
Bangladesh	145.3		

Moderate Decrease: Thailand

Moderate Increase: Indonesia
Philippines

TABLE IV. 15

*Growth Rate,
1974-1977

INVESTMENT AND INSURANCE DATA, 1974-1977

MIDDLE EAST

1977 GNP			1974	1975	1976	1977	Increase: 1974-1977
55,210	SAUDI ARABIA	Investment (No investment reported)					
		Insurance	0	0	5	29	29
		% Increase	0	0	500	21	2900
*13.0							
N. A.	IRAN	Investment	-561	-98	-360	-194	0
*N. A.							
		Insurance	189	189	201	205	6
		%Increase	10	0	1	2	3
18,490	IRAQ	Investment (No investment reported)					
		No Insurance					
14,420	KUWAIT	Investment	(D)	(D)	(D)	86	86
		No Insurance					
*-0.9							
11,100	UN. ARAB EMIR	Investment	77	111	160	263	186
		%Increase	-26	44	44	64	240
*6.1							
		No Insurance					
6,700	SYRIA	Investment	14	15	14	14	0
		%Increase	-7	7	-7	0	0
*6.1							
		No Insurance					
N. A.	LEBANON	Investment	59	79	52	44	-15
		%Increase	64	34	-34	-15	-25
*N. A.							
		No Insurance					
2,540	YEMEN ARAB R	Investment	-	-	1	1	1
		No Insurance					
*N. A.							
2,440	QATAR	Investment (No investment reported)					
		No Insurance					
*-2.4							

							Increase:
1977 GNP			1974	1975	1976	1977	1974-1977
2,050	OMAN	Investment (No investment reported)					
		No Insurance					
*4.0							
1,960	JORDAN	Investment	6	12	11	7	1
		%Increase	20	10	-8	27	17
*6.5							
		Insurance	9	38	39	60	51
		%Increase	0	320	3	54	560
		(210% of new investment insured)					
1,390	BAHRAIN	Investment (No investment reported)					
*0.2							
600	YEMEN PEOP R.	Investment	2	4	4	4	2
		%Increase	0	100	0	0	100
*11.2							
		No Insurance					
TOTAL INVESTMENT:						419	190
COMMERCE DEPARTMENT TOTAL:						-3,083	-

THE MIDDLE EAST 1977

TABLES IV. 16
1977 Total
Investment

Un. Ar. Emir.	263
Kuwait	86
Lebanon	44
Syria	14
Jordan	7
Yemen Peo. Rep.	4
Yemen Arab Rep.	1
Iran	0
TOTAL:	$419

NO INVESTMENT REPORTED
REPORTED

Saudi Arabia
Iraq
Qatar
Oman
Bahrain

TABLES IV. 17
Increase In
Investment, 1974-77

Un. Ar. Rep.	186
Yemen Peo. Rep.	2
Yemen Arab Rep.	1
Jordan	1
TOTAL:	$190

DECREASE IN

INVESTMENT

Lebanon	-15

NO INCREASE IN
INVESTMENT

Syria	0
Iran	0

NOT KNOWN: Kuwait

TABLES IV. 18
Total
Insurance

Iran	205
Jordan	60
Saudi Arabia	29
TOTAL:	$294

NO INSURANCE:

Iraq
Kuwait
Oman
Qatar
Bahrain
Lebanon
United Arab Emirates
Yemen Arab Republic
Yemen Peoples' Republic
Syria

TABLES IV. 19
Increase In
Insurance, 1974-77

Jordan	51
Saudi Arabia	29
Iran	6
TOTAL:	$86

TABLES IV. 20

U.S. DIRECT INVESTMENT AS PER CENT GNP AND GNP PER CAP

MIDDLE EAST; 1977

1977 GNP Market		Investment As % of GNP		1977 GNP Per Cap	
Saudi Arabia	55,210	Un. Arab Emir.	2	Un. Arab Emir.	14,800
Iran	N. A.	Yemen Peo. Rep.	.7	Kuwait	12,690
Iraq	18,490	Kuwait	.6	Qatar	11,370
Kuwait	14,420	Yemen Arab Rep.	.4	Saudi Arabia	7,230
Un. Arab Emir.	11,100	Jordan	.4	Bahrain	4,050
Syria	6,700	Syria	.2	Oman	2,510
Lebanon	N. A.	Lebanon	N. A.	Iraq	1,570
Yemen Arab Rep.	2,540			Jordan	940
Qatar	2,440			Syria	860
Oman	2,050			Yemen Arab Rep.	510
				Yemen Peo. Rep.	350
				Iran	N. A.
				Lebanon	N. A.

TABLES IV. 21

MIDDLE EAST: 1974-1977

UNITED STATES AID: 1975-1977

	Total Aid	Military Aid	
Egypt	1,742.1	0	
Jordan	619.2	374.4	
Syria	239.2	0	
Lebanon	58.0	25.2	
Yeman Arab Republic	32.0	0.6	
Iran	2.7	0	
Bahrain	1.1	0	
Oman	1.1	0	
Saudi Arabia	0	0	
Iraq	0	0	
Kuwait	0	0	
United Arab Emirates	0	0	
Qatar	0	0	
Yemen Peoples Republic	0	0	
TOTAL:	2,695.4	400.2	(15%)

Increase or Decrease in Aid of more than 30% from 1976-1977: first year of Carter administration and Human Rights policy.

No Decreases
in Aid

Increase of at least 30%	
Egypt	907.7
Syria	99.7
Lebanon	54.8
Yemen Arab Rep.	17.5

Slight Increase: Jordan (215.1)

TABLES IV. 22

*Growth Rate,
1970-1977

INVESTMENT AND INSURANCE DATA, 1974-1977

AFRICA

							Increase:
1977 GNP			1974	1975	1976	1977	1974-1977
40,540	NIGERIA	Investment	238	535	346	35	97
		%Increase	48	125	-35	-03	41
*4.4							
		Insurance	25	25	28	28	3
		%Increase	0	0	12	0	12
			(3% of new investment insured)				
37,640	SOUTH AFRICA	Investment	1463	1582	1668	1791	328
		%Increase	25	8	5	7	22
*1.1							
		No Insurance					
19,570	ALGERIA	Investment	69	47	50	50	19
		%Increase	41	-32	6	0	28
*2.1							
		No Insurance					
17,189	LIBYA	Investment	551	65	362	352	-199
		%Increase	3	-88	460	3	-36
*-4.5							
		No Insurance					
12,950	EGYPT	Investment	207	374	510	549	342
		%Increase	37	81	36	7	170
*5.2							
		Insurance	.7	.7	.7	17	16.
		%Increase	0	0	0	1600	1600
			(5% of new investment insured)				
11,140	MOROCCO	Investment	33	35	38	42	9
		%Increase	-8	6	9	11	27
*4.2							
		Insurance	16	17	20	20	4
		%Increase	23	6	18	0	25
			(44% of new investment insured)				
5,710	IVORY COAST	Investment	11	16	19	27	16
		%Increase	10	45	19	40	150
*1.1							
		Insurance	15	18	19	19	4
		%Insurance	0	20	6	0	27
			(25% of new investment insured)				

							Increase
1977 GNP			1974	1975	1976	1977	1974-1977
5,650	SUDAN	Investment	9	13	72	32	23
		%Increase	30	40	70	45	260
*2.5							
		Insurance	7	10	11	30	23
		%Increase	0	40	10	170	328
			(100% of new investment insured)				
5,290	ZAIRE	Investment	64	70	103	93	29
		%Increase	9	9	52	10	45
*2.5							
		Insurance	19	19	19	19	0
		%Increase	36	0	0	0	36
			(No new investment insured)				
4,940	TUNISIA	Investment	3	7	5	13	10
		%Increase	-40	130	-29	160	33
*6.5							
		Insurance	19	19	20	20	1
		%Increase	27	0	5	0	5
			(10% of new investment insured)				
4,300	KENYA	Investment	65	76	93	94	29
		%Increase	35	17	22	1	45
*0.9							
		Insurance	73	76	77	79	6
		%Increase	30	4	1	3	8
			(21% of new investment insured)				
3,940	GHANA	Investment	153	168	171	175	22
		%Increase	11	10	2	2	14
*-2.0							
		Insurance	108	144	144	179	71
		%Increase	0	33	0	24	66
			(323% of new investment insured)				
3,440	TANZANIA	Investment	13	15	15	15	2
		%Increase	65	15	0	0	15
*2.1							
		Insurance	4	4	4	4	0
		%Increase	0	0	0	0	0
			(No new investment insured)				
3,280	ETHIOPIA	Investment	27	29	22	21	-6
		%Increase	35	7	-24	-5	-22
*0.2							
		Insurance	4	4	4	4	0
		%Increase	0	0	0	0	0
			(No new investment insured)				

1977 GNP			1974	1975	1976	1977	Increase 1974-1977
3,280	CAMEROONS	Investment	8	12	16	(D)	8
		%Increase	14	50	33	-	100
*1.0							
		Insurance	1	1	1	2	1
		%Increase	0	0	0	100	100
			(13% of new investment insured)				
3,070	RHODESIA	Investment	91	95	100	107	16
		%Increase	11	4	5	7	18
*-.01							
		No Insurance					
2,350	ZAMBIA	Investment	195	201	199	214	19
		%Increase	-4	3	-.9	8	10
*-0.2							
		Insurance	4	4	4	6	2
		%Increase	0	0	0	50	50
			(11% of new investment insured)				
1,980	SENEGAL	Investment	31	23	19	11	-20
		%Increase	-8	-26	-17	-42	-65
*0.4							
		Insurance	13	13	13	13	0
		%Increase	0	0	0	0	0
			(No new investment or insurance)				
1,870	MADAGASCAR	Investment	33	30	27	(D)	-6
		%Increase	-8	-9	-10	-	-18
*-2.7							
		Insurance	3	3	3	3	0
		%Increase	0	0	0	0	0
			(No new investment insured)				
1,840	ANGOLA	Investment	(D)	-105	-75	(D)	-
		%Increase	-	-	-	-	-
*-3.4							
		Insurance	3	3	3	3	0
		%Increase	0	0	0	0	0
			(No new investment or insurance)				
1,700	GABON	Investment	51	62	91	78	27
		%Increase	50	22	47	-14	53
*6.5							
		Insurance	5	5	6	6	1
		%Increase	0	0	.20	0	.20
			(4% of new investment insured)				
1,320	MOZAMBIQUE	Investment	2	2	2	2	0
		%Increase	-85	0	0	0	-85
*-4.3							
		No Insurance					

1977 GNP			1974	1975	1976	1977	Increase: 1974-1977
1,000	GUINEA	Investment	(D)	(D)	(D)	(D)	-
		Insurance	249	249	249	249	0
*2.5							
960	NAMIBIA	Investment	9	11	14	(D)	5
		%Increase	29	22	27	-	56
*0.8							
		No Insurance					
860	MALAWI	Investment	2	3	3	4	2
		%Increase	0	50	0	33	100
*3.1							
		No Insurance					
740	LIBERIA	Investment	259	334	324	341	82
		%Increase	24	29	-3	5	32
*1.1							
		Insurance	46	73	74	74	28
		%Increase	0	59	1	0	61
			(34% of new investment insured)				
720	MALI	Investment	(D)	(D)	(D)	(D)	-
		No Insurance					
*1.9							
710	RWANDA	Investment	1	2	-	1	0
		%Increase	100	100	-	100	0
*1.3							
		Insurance	.08	.08	.5	.5	.4
		%Increase	0	0	525	0	525
			(No investment increase)				
710	CONGO REPUB.	Investment	(D)	(D)	(D)	(D)	-
		Insurance	2	2	2	2	0
*0.8							
670	BENIN	Investment	3	6	5	2	-1
		%Increase	300	50	-17	-60	-35
*0.5							
		Insurance	4	8	8	8	4
		%Increase	0	100	0	0	100
			(130% of new investment insured)				
650	TOGO	Investment	(D)	(D)	9	8	-6
		%Increase	-	-	-36	-11	-43
*5.3							
		Insurance	22	22	22	22	0
			(No new investment or insurance)				

1977 GNP			1974	1975	1976	1977	Increase: 1974-1977
640	SIERRA LEONE	Investment	5	4	5	(D)	0
		%Increase	25	20	25	-	0
*-1.3		Insurance	25	47	47	47	22
		%Increase	0	88	0	0	88
			(No new investment insured)				
560	CHAD	Investment	3	(D)	(D)	(D)	-1
		%Increase	25	-	-	-	-25
*-1.0		No Insurance					
440	CENT AFR EMP	Investment	5	(D)	(D)	(D)	1
		%Increase	25	-	-	-	25
*0.9		No Insurance					
430	SOMALIA	Investment	7	(D)	14	18	11
		%Increase	75	-	100	29	160
*-1.1		Insurance	3.5	3.5	3.5	3.5	0
			(No new investment insured)				
410	MAURITANIA	Investment	16	16	16	7	-9
		%Increase	0	0	0	56	-56
*-0.1		Insurance	.2	.2	.2	.2	0
			(No new investment or insurance)				
390	BOTSWANA	Investment	(D)	(D)	(D)	(D)	-
		Insurance	31	31	31	31	0
*16.1							
270	SWAZILAND	Investment	2	3	3	3	1
		%Increase	0	50	0	0	50
*5.6		Insurance	0	0	.04	3.5	3
		%Increase	0	0	4	300	300
			(300% of new investment insured)				
N. A.	UGANDA	Investment	5	6	4	7	2
		%Increase	0	20	-33	75	40
*N. A.		Insurance	.7	.7	.7	.7	0
			(No new investment insured)				
N. A. *-	ZIMBABWE	Investment	No investment statistics				
		Insurance	18	18	18	18	0
TOTAL INVESTMENT						4,385.7	1,103
WITHOUT SOUTH AFRICA						2,594.7	775
COMMERCE DEPARTMENT TOTAL:						2,783	550

AFRICA 1977

TABLES IV. 23
Total Investment
1977

South Africa	1,791
Egypt	549
Libya	352
Liberia	341
Nigeria	335
Zambia	214
Ghana	175
Rhodesia	107
Kenya	94
Zaire	93
Gabon	78
Algeria	50
Morocco	42
Sudan	32
Ivory Coast	27
Ethiopia	21
Somalia	18
Tanzania	15
Tunisia	13
Senegal	11
Togo	8

TABLES IV. 24
Investment Increase
1974-1977

Egypt	342
South Africa	328
Nigeria	97
Liberia	82
Zaire	29
Kenya	29
Gabon	27
Sudan	23
Ghana	22
Algeria	19
Zambia	19
Ivory Coast	16
Rhodesia	16
Somalia	11
Tunisia	10
Morocco	9
Cameroons	8*
Namibia	5*
Angola	3
Tanzania	2

TABLES IV. 25
1977 Total
Insurance

Guinea	249
Ghana	179
Kenya	79
Liberia	74
Sierra Leone	47
Botswana	31
Sudan	30
Nigeria	28
Togo	22
Tunisia	20
Zaire	19
Ivory Coast	19
Zimbabwe	18
Egypt	17
Senegal	13
Benin	8
Zambia	6
Gabon	6
Ethiopia	4
Tanzania	4
Somalia	3.5

TABLES IV. 26
Insurance Increase
1974-1977

Ghana	71
Liberia	28
Sudan	23
Sierra Leone	22
Egypt	16
Kenya	6
Morocco	4
Ivory Coast	4
Benin	4
Swaziland	3
Nigeria	3
Zambia	2
Tunisia	1
Cameroons	1
Gabon	1
Rwanda	.4
TOTAL:	$189.4

TABLES IV. 23
Total Investment
1977

Mauritania	7
Malawi	4
Swaziland	3
Benin	2
Mozambique	2
Rwanda	1
Uganda	.7
TOTAL:	$4,385.7
Less Dev Afr.	2,594.7

No Investment Reported

Angola
Cameroons
Madagascar
Sierra Leone
Guinea
Mali
Chad
Congo Republic
Cen Afr Emp
Botswana
Namibia
Zimbabwe

TABLES IV. 24
Investment Increase
1974-1977

Uganda	2
Malawi	2
Cen Afr Emp	1*
Swaziland	1
TOTAL:	$1,103
Less Dev. Afr.	775

Decrease in Investment

Angola	-75*
Senegal	-20
Mauritania	-9
Ethiopia	-6
Madagascar	-6*
Togo	-6
Benin	-1
Chad	-1
Libya	-199
TOTAL:	$-323

Mozambique
Sierra Leone*
Rwanda

No Investment Reported During Entire Period, 1974-1977

Guinea, Mali, Congo Rep., Botswana, Zimbabwe

*1974-1976

TABLES IV. 25
1977 Total Insurance

Swaziland	3.5
Madagascar	3
Cameroons	2
Uganda	.7
Rwanda	.5
Congo Rep	.2
Mauritania	.2
TOTAL:	$906.6

No Insurance

Mali
Cen Afr Emp
South Africa
Algeria
Libya
Mozambique
Angola
Rhodesia
Malawi
Chad
Namibia

TABLES IV. 26
Insurance Increase
1974-1977

No Incre. in Insurance

Ethiopia
Zaire
Tanzania
Uganda
Madagascar
Senegal
Togo
Congo

Somalia
Mauritania
Botswana
Zimbabwe
Guinea

TABLES IV. 27

U. S. DIRECT INVESTMENT AS PER CENT OF GNP AND GNP PER CAP, AFRICA 1977

GNP MARKET 1977		1977 INVESTMENT AS % OF GNP		GNP PER CAP 1977	
Nigeria	40,540	Liberia	46	Libya	6,520
South Africa	37,640	Zambia	9	Gabon	3,190
Algeria	19,570	South Africa	5	South Africa	1,400
Libya	17,189	Gabon	5	Algeria	1,140
Egypt	12,950	Somalia	4	Namibia	1,030
Morocco	11,140	Egypt	4	Tunisia	840
Ivory Coast	5,710	Ghana	4	Ivory Coast	770
Sudan	5,650	Ethiopia	3	Morocco	610
Zaire	5,290	Rhodesia	3	Botswana	540
Tunisia	4,940	Libya	2	Swaziland	530
Kenya	4,300	Kenya	2	Nigeria	510
Ghana	3,940	Zaire	2	Congo Republic	500
Tanzania	3,440	Mauritania	2	Rhodesia	460
Ethiopia	3,280	Swaziland	1	Zambia	450
Cameroons	3,280	Togo	1	Cameroons	420
Rhodesia	3,070	Nigeria	.8	Liberia	410
Zambia	2,350	Sudan	.6	Senegal	380
Senegal	1,980	Senegal	.6	Ghana	370
Madagascar	1,870	Ivory Coast	.5	Egypt	340
Angola	1,840	Malawi	.5	Sudan	330
Gabon	1,700	Morocco	.4	Kenya	290
Mozambique	1,320	Tanzania	.4	Angola	280
Guinea	1,000	Benin	.3	Togo	280
Namibia	960	Tunisia	.3	Mauritania	270
Malawi	860	Algeria	.3	Cen Afr Emp	240

GNP MARKET 1977	
Liberia	740
Mali	720
Rwanda	710
Congo Republic	710
Benin	670
Togo	650
Sierra Leone	640
Chad	560
Cen Afr Emp	440
Somalia	430
Mauritania	410
Botswana	390
Swaziland	270
Uganda	N.A.
Zimbabwe	N.A.

1977 INVESTMENT AS % OF GNP	
Mozambique	.002
Rwanda	.001

No Investment Reported

Botswana
Namibia
Congo Republic
Cen Afr Emp
Guinea
Mali
Chad
Madagascar
Sierra Leone
Angola
Cameroons

GNP PER CAP 1977	
Madagascar	230
Zaire	210
Tanzania	230
Benin	210
Sierra Leone	200
Guinea	200
Rwanda	160
Malawi	150
Mozambique	140
Chad	230
Mali	120
Somalia	120
Ethiopia	110
Uganda	N.A
Zimbabwe	N.A.

No Investment Reported

Botswana
Namibia
Congo Republic
Cen Afr Emp
Guinea
Mali
Chad
Madagascar
Sierra Leone
Angola
Cameroons

TABLES IV. 28

UNITED STATES AID: 1974-1977; AFRICA

	Total Aid	Military Aid
Morocco	172.1	76.5
Zaire	133.1	53.5
Kenya	97.5	36.1
Tunisia	97.0	48.2
Tanzania	95.6	---
Ethiopia	90.6	47.7
Liberia	47.2	4.3
Ghana	38.6	0.7
Mali	36.6	---
Senegal	35.0	8.0
Guinea	20.0	---
Chad	18.8	---
Algeria	16.1	---
Sierra Leone	13.5	---
Botswana	11.1	---
Mauritania	10.8	---
Cameroons	10.3	---
Togo	10.2	---
Sudan	10.0	6.5
Nigeria	9.9	---
Somalia	7.6	---
Rwanda	6.3	---
Mozambique	6.3	---
Zambia	5.9	---
Ivory Coast	5.7	---
Gabon	5.7	4.0
Swaziland	4.4	---
Cen Afr Emp	4.4	---
Benin	3.4	---
Congo Republic	2.2	---
Malawi	1.9	---
Madagascar	1.6	---
Uganda	0.6	---
Angola	0.2	---
South Rhodesia	0	---
South Africa	0	---
Libya	0	---
TOTAL:	1,030.2	285.5 (28%)

Increase or Decrease in Aid of more than 30% from 1976-1977: first year of Carter administration and Human Rights policy.

1977 Aid Allocation:

Decreased by at least 30%	
Nigeria	0
Ethiopia	2.7
Guinea	1.9
Somalia	0.8

Increased by at least 30%			
Zaire	76.1	Tunisia	49.3
Kenya	49.3	Zambia	5.6
Senegal	21.1	Mozam.	5.2
Liberia	22.0	Mali	10.6
Chad	12.8		

Moderate Decrease: Ghana, Tanzania

TABLES V. 1

NATIONALIZATIONS OF U. S. BUSINESS, PROPERTY, 1948-1977.

Although some scholars distinguish nationalization as a general act of acquiring control of an economic sector from expropriation, the takeover of targeted firms, the terms will be regarded here as functionally synonomous. Nationalizations have been defined to include coerced sales, cancellation of contracts, government take-overs by executive or legislation decision, and those acts of "creeping expropriation", which enter into dispute. (See Sigmund and State Department reports in Note 4, Chapter 3).

Tables VI were constructed by (a) organizing the State Department reports of nationalization disputes from 1960-1977 by country and year. For each given year, all countries undertaking one or more nationalizations were listed. Additional data as to U. S. firms, per cent U. S. financial interest, type take-over, and nature of settlement were added for each nationalization undertaken (b) organizing a 79 page history of nationalizations of U. S. property in less developed countries, 1948-1977. The history drew on the list of State Department-reported nationalization disputes, case study materials covering 1948-1977, and country data. (Nationalization and country data sources can be found in Note 4, Chapter 3). The nationalization history focuses on the countries that have taken nationalization actions by outlining regime changes, economic ideology, political regime type, date of independence, nationalization scope and justification, U. S. response to disputes, and dispute settlements. The nationalization history has been distilled in the tables which follow.

TABLES V. 2

NATIONALIZATIONS UNDERTAKEN BY REGIMES IN FOUR TIME PERIODS

L = Left
C = Center
R = Right

	New Regimes	L	C	R	Existing Regimes	L	C	R	Total
Time Period I (1948-1959)	5	3	2	0	1	0	1	0	6
Time Period II (1960-1969)	16	11	4	1	4	3	1	0	20
Time Period III (1970-1973)	17	10	3	4	16	5	8	3	33
Time Period IV (1974-1977)	4	4	0	0	22	9	9	4	26
Combined Years 1970-77	(21)				(38)				(59)
TOTALS:	42	28	9	5	43	17	19	7	85

Total New Regimes: 42
Left: 28 - 66%
Center: 9 - 21%
Right: 5 - 12%

Total Existing Regimes: 43
Left: 17 - 40%
Center: 19 - 44%
Right: 7 - 16%

Total Regimes Nationalizing in Four Time Periods: 85
Left: - 45 53%
Center: - 28 33%
Center: - 12 14%

*NOTE: Nationalizations included limited to those in which host country seeks greater participation/control. The left-right-center classification is derived from nationalization and country data sources cited in Note 4, Chapter 3. The left includes all avowed Marxist and socialist regimes, both democratic and non-democratic. The right includes avowed market economies. The center includes economies with varying degrees of state ownership and control of the economy. If state control is mixed or state control seems the only feasible mode for the developmental level, political variables as to degree of freedom or repression were judgmental factors as to classification of center or right.

TABLES V. 3

MAGNITUDE OF NATIONALIZATIONS

	HI	MED	LOW
Period I (1948-1959)	3-L 1-C 0-R 4	0-L 2-C 0-R 2	0-L 0-C 0-R 0
Period II	7-L 3-C 0-R 10	6-L 2-C 0-R 8	1-L 1-C 0-R 2
Period III	7-L 3-C 5-R 15	5-L 5-C 1-R 11	3-L 3-C 1-R 7
Period IV	5-L 3-C 0-R 8	5-L 2-C 3-R 10	3-L 4-C 1-R 8

Total High Mag: 37	Low Mag Left: 7	High Mag Left: 22	Mod Mag Left: 16
Moderate Mag: 31	Low Mag Cent: 8	High Mag Cent: 10	Mod Mag Cent: 11
Low Mag: 17	Low Mag Right: 2	High Mag Right: 5	Mod Mag Right: 4

NATIONALIZATION SECTOR, 1948-1977

Oil	24 - 28%
Other Sectors	61 - 72%
TOTAL:	85

TABLES V. 4

NATIONALIZING COUNTRIES:

Countries with a history of nationalization of U. S. property.

Brazil
Argentina
Bolivia
Guatemala
Mexico
Peru
Haiti
Guyana
Trinidad & Tobago
Cuba
Venezuela
Ecuador
Chile
El Salvador
Colombia
Surinam
Honduras
Costa Rica
Dominican Republic
Algeria
Guinea
Libya
Tanzania
Central African Republic
Nigeria
Somalia
Sudan
Uganda
Zambia
Ghana
Kenya
Liberia
Morocco
Togo
Zaire
Congo
Chad
Madagascar
Benin
Angola
Mauritania
Ethiopia

Indonesia
Sri Lanka
Burma
Pakistan
Bangladesh
Vietnam

Iran
Iraq
Syria
Yemen, P. D. R.
Egypt
Lebanon
Saudi Arabia
Qatar
United Arab Emirates
Kuwait

Number of countries-L.D.C's		
Latin America	25	
Asia	15	
Middle East	13	
Africa	38	
(40 in 1977)	91	
Total Number L.D.C.'s:	91	
Number of Nationalizations:	59	65%
Number Not Nationalizing	32	35%

TABLES VI. 8 INSURANCE COVERAGE

Nationalizing Countries in which some but not all of affected U. S. property was covered by OPIC Insurance ------------- 7

Nationalizing Countries in which all of affected U. S. property was covered by OPIC Insurance ------------- 2

Nationalizing Countries in which none of affected U. S. property was covered by OPIC Insurance --------------- 50

TABLES V. 5

DEMOCRATIC AND NON-DEMOCRATIC L.D.C. POLITICAL SYSTEMS

COUNTRIES WITH DEMOCRATIC POLITICAL SYSTEMS AT THE TIME NATIONALIZING ACTIONS WERE UNDERTAKEN

DEMOCRATIC SYSTEMS AT TIME OF NATIONALIZATIONS OF U. S. PROPERTY:

Mexico, Bolivia, Brazil, Argentina, Chile, Peru, Sri Lanka, Venezuela, Colombia, Ecuador, Jamaica, Guyana, Surinam, Costa Rica, Trinidad & Tobago, India, Lebanon - 18.

NON-DEMOCRATIC SYSTEMS AT TIME OF NATIONALIZATIONS OF U. S. PROPERTY:

Argentina, Cuba, Bolivia, Peru, Haiti, Venezuela, Ecuador, Iran, Iraq, Syria, Yemen Peoples Democratic Republic, Egypt, Kuwait, United Arab Emirates, Qatar, Saudi Arabia, Ghana, Guinea, Algeria, Libya, Tanzania, Central African Empire, Nigeria, Somalia, Sudan, Uganda, Zambia, Zaire, Kenya, Liberia, Morocco, Togo, Congo, Chad, Madgascar, Benin, Angola, Mauritania, Ethiopia, Pakistan, Afghanistan, Bangladesh, El Salvador, Honduras, Dominican Republic. - 45.

NUMBER OF DEMOCRATIC REGIMES, 1948-1977 - 20
NUMBER NATIONALIZING - 18: 90%

NUMBER OF NON-DEMOCRATIC REGIMES, 1948-1977 - 75
NUMBER NATIONALIZING - 45: 60%

SOURCE: Classification of Democratic-Non-Democratic derived from nationalization and country data sources listed in Note 4, Chapter 3; World Handbook of Political and Social Indicators cited in Sources Consulted.

TABLES V.6

NATIONALIZATIONS
1948-1960

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
IRAN										
1951	Oil	High	New Regime; country greater share of profits	One - 1951 One - 1953	Left: 1951-1953 Right: 1953-1979	High	Oil	Contain U.S.S.R. Oil Supplies	Company - Solicited Industry Support Boycott. U.S. Gov't - C.I.A. Intervention to Overthrow Regime	New Regime Returned to Owners; 3 yrs.
BOLIVIA										
1952	Tin	High	Country Control Basic Industry	One - 1952	Center-Left: 1952-1964	Very Low	Tin	Tin Supply	None Known	Company Negotiations. Compensation; 8 years.
GUATEMALA										
1953-1954	Land	High	Country Control Basic Industry	One - 1953 One - 1954	Left - 1953 Right - 1954	Low	Agriculture Fruit	Contain Communism	Solicit U.S. Gov't Help - Company. C.I.A. Intervention by U.S. Gov't to Overthrow Regime	New Regime Returned to Owners; 1 year.
ARGENTINA										
1958	Public Utility	Moderate	Country Control of Utilities	Series of Brief Regimes. After Major Coup Removing Peron in 1955 until Frondizi, 1958	Left: 1946-1955 Mod: 1955-1958 Mod: 1958-1962	Very High	Diversified	None	Company Negotiations. No U.S. Gov't Response	Arbitration. Compensation. 3 years.
BRAZIL (1 Brazilian State)										
1959-1960	Subsidiary of Public Utility	Moderate	Regional Control of Utilities		Right-Center	Very High	Diversified	None	Company Negotiations	New Regime. Compensation. 5 years.

TABLES V.6 (Continued)

1948-1960

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
MEXICO										
1960	Public Utility	Moderate	Control of Utilities	None - Elected Governments	Left - Center	Very High	Diversified	None	Company Negotiations. No U.S. Gov't Response	Compensation less than one year
CUBA										
1959-1960	Land; Vast Numbers of U.S. Firms	High	Socialism	One - 1959	Left-Marxist	Very Low	Sugar	Economic Interests of U.S. Citizens Vast: Castro a Communist Threat.	Cut Sugar Quotas: Embargo on Exports; Negotiations by Gov't Officials; Invasion Prepared.	None

TABLES V,6 (Continued)

1960-1969

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
BRAZIL (1 State)										
1962	Public Utility	Moderate	Regional Control of Telephone Company	One - 1961 One - 1964	Left - 1961 Right - 1964	Very High	Diversified	Feared Future Expropriations by New Regime.	Company Solicited U.S. Gov't Help. Congress Passed Hickenlooper Amendment. Alleged Indirect U.S. Role in Regime Overthrow	New Regime Compensation 5 years. U.S. Investment Welcomed.
ARGENTINA										
1963	Oil	High	State Oil Agency Should Control	One - 1963 One - 1966	Left - 1963 Right - 1966	Very High	Diversified	Concern re Breach of Contract.	Pressure by U.S. Gov't and Ambassador.	Compensation - 2 years. Further Settlements by New Regime - 4 years.
BOLIVIA										
1969	Oil	High	Country Control of Resource. Nationalist Appeal to Gain Support for New Regime	One - 1964 One - 1966 One - 1969	Center - 1964 Right - 1966 Center - 1969	Very Low	Tin	Fear of Spillover to Ecuador	Gulf Oil Threats to Embargo Oil Sales and Halt Transport. Called for Hickenlooper Sanctions. Probable World Bank Loan Cancellation	Negotiations led to Compensation. 1 year.
MEXICO										
1961	Mining	Moderate	Mexican Majority Ownership	—	Left-Center	Very High	Diversified	None	Firms Agreed, After Negotiations, for Mexicanization Formula	Negotiations. Compliance 1 year.
1965	Sulphur									
CHILE										
1964	Copper	High	Chilean Majority Ownership-Negotiated 1964 and Renegotiated 1969.	One - 1964	Center - 1964	Medium	Copper	Prevent Full Nationalization and Election of Marxist.	Kennecott Protected Self by Network; Anaconda Sought U.S. Gov't Help. U.S. Ambassador & Gov't Supported Program and Chilean Gov't by Aid & Insurance, Pressured Anaconda	Negotiations. Compliance by Firms to Chileanization Within 1 year.
1969										

TABLES V.6 (Continued)

1960-1969

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
PERU										
1963	Oil	High	Control of Oil-fields; Regain Past "Illegal" Profits; Nationalism.	One - 1962 One - 1963 One - 1969	Right - 1962 Center - 1963 Left - 1969	Medium	Oil, Mining Fish Diversified	Adverse Effect U.S. Relation to Peru; Remaining U.S. Investment	U.S. Gov't Level Negotiation; Hickenlooper Sanctions Bypassed in Favor of Indirect Pressures - AID Slow-down and Multilateral Bank Pressures. Series of Special U.S. Negotiating Emissaries. Congress Reacted with Legislation and Threats. Companies Sought U.S. Gov't Help.	U.S. Gov't - Peru Gov't Negotiations Did Not Reach Compensation Settlement until 1974. 11 years for IPC (oil); 5 years other Nationalizations.
1968	(Same Firm Continuous) I.P.C.									
1969	1969 Also Banks Utility Sugar Estates		New Regime - Greater State Control, 1969.							
HAITI										
1964	Oil Refinery	Low	Gov't Cancelled Concessional Agreement. Reason Unknown.	One - 1957	Right - 1957	Very Low	Agriculture	None	Company Filed Claim with AID (OPIC)	Compensation by AID Required by Arbitration Board.
ALGERIA (Indep. - 1962)										
1965	All U.S. Oil Natural Gas	Moderate	Socialist Regime Nationalized Both Domestic and Foreign Business	One - 1965	1965 - Left Socialist	Low	Oil Natural-Gas Minerals	Oil & Gas Supplies	Diplomatic Representation of U.S. Claims.	Joint Ventures One Claim Settled in 1973. Compensation - Oil Co.'s. & Firms Resumed Under New Agreements; 1 year. Private Claims Uncompensated by 1969.

ABLES V.6 (Continued)

1960-1969

ate	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
URMA ndep - 1948)										
963	Insurance Cargo Firm	Low	New Regime Socialist. Nationalized All Business.	One - 1962	Left - 1962 (Military Marxist)	Low	Natural Resources, Agriculture	Closed Door of Socialist Government	U.S. Embassy Pressed Claim.	None by 1977.
AQ ndep. - 1952)										
964	Insurance, Shipping Oil	Mod-erate	New Regime Socialist. Nationalized Most Industry	One - 1963 One - 1966 One - 1968	Left - 1963 Right - 1966 Left - 1968	Low	Oil	Oil Supply. Agreement Violation.	Diplomatic Representation of Claims by U.S.	No Settlement by 1969.
RIA ndep. - 1946)										
964 965	Oil	High	New Regime Socialist, Nationalist. State Control of Industry, Revoking of Foreign Oil Concessions.	One - 1963	Left - 1963 Socialist	Low	Oil	Oil Supply. Agreement Violation. Closed Door.	Diplomatic Representation of Claims by U.S.	No Settlement by 1969 or by 1973.
EMEN (PDR.) dep. - 1967)										
69	Oil Insurance	Mod-erate	Marxist Regime Nationalized Most Business	One - 1967 One - 1970	Left - 1967 Left - Marxist - 1970	Very Low	Shipping	Port (Aden) Important. Closed Door Opposition to Regime.	Firms Refused Compensation Offer. Diplomatic Representation	No Settlement by 1977.

TABLES V.6 (Continued)

1960-1969

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
NIGERIA (Indep. - 1960)										
1967	Textiles	Moderate	Not Known	One - 1966	Right-Center - 1966	Medium	Oil	Oil Supply	Claim Filed with OPIC for Insurance	Insurance Claim Paid by OPIC, 1 year.
INDONESIA (Indep. - 1949)										
1965	All	High	Regime Turned Left. Desired National Control All Investment	One - 1960 (Regime Changes Policy) One - 1966	Left - 1960 Right - 1966	Medium	Rubber Oil Natural Resources	All U.S. Investment in Nation. Closed Door. Relation to to Anti-American, Hostile Regime.	Congress Halted AID. U.S. Embassy Conducted Negotiations	New Regime. Returned Property to Owners. 1 year. U.S. Investment Then Welcomed.
SRI LANKA (Indep. - 1948)										
1962 1964	Oil	Moderate	New Regime - Socialist. National Control of Industry.	One - 1956 One - 1965	Left - 1956 Center - 1965	Low	Natural Resources	None	Hickenlooper Invoked - U.S. AID Suspended.	New Regime. Compensation Negotiated Near to Sri Lanka valuation. 3 years. 1 year for second nationalization

ABLES V.6 (Continued)

1960-1969

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
UINEA ndep. - 1958)										
961	Bauxite	High	Regime Socialist Desired Better Contract Fulfill-ment. Most Sectors Nationalized.	One - 1958	Left - 1958	Very Low	Bauxite	Bauxite Supply	Negotiations by Company (Alean)	Concession Reorganized. Compensation Paid. 1 year.
IBYA ndep. - 1951)										
969	Oil	Moderate	Joint Venture With One Oil Firm Revoked (Reason Not Known) While Others Intact.	One - 1969	Left - 1969	Low	Oil	Oil Supply	Company Appeal to Libya Supreme Court. No U.S. Gov't Response	Unsettled by 1969
ANZANIA ndep. - 1961)										
967	Banks Insurance Land	Moderate	Socialist Regime Nationalized Certain Sectors	One - 1961	Left-Center - Socialist - 1961	Low	Diversified	None	Negotiations by Company	Compensation Same Year.
ENTRAL AFRICAN EMPIRE ndep. - 1960)										
966	Diamonds	Mod-erate	Alleged Failure to Pay Taxes and Fees	One - 1966	Right - 1966	Very Low	Diamonds	None	None	Unsettled by 1969. Settled in 1972 by Joint Venture.

TABLES V.6 (Continued)

1960-1969

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
EGYPT (Indep. - 1922)										
1961	All	Moderate	Regime Socialist. Nationalized Most Domestic & Foreign Business.	One - 1952	Left - 1952	Medium	Diversified Agricultural	Closed Door.	Diplomatic Representation of Claims by U.S.	Compensation for Most Claims. 33 Uncompensated Claims by 1969.

TABLE 5.6 (Continued)

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
ZAMBIA (Indep. - 1964)										
1970	Copper Banks	High	Gov't Policy to Obtain Majority Interest in Key Sectors	-----	Center	Low	Copper	Copper Supply	Companies Negotiated.	Copper Co. Settled Same Yr. for Equity Basis Plus Management Sales Contract and Tax Advantages. Banks Unsettled by 1973.
ARGENTINA										
1973	Banks	Moderate	Legislative Limit on Foreign Equity. Peronistas in Power	One - 1970 One - 1973	Right - 1970 Left - 1973	Very High	Diversified	None	Negotiation by Companies.	Compensation Same Year.
BOLIVIA										
1971	Metals-Processing Zinc	Moderate	New Regime Nationalist, Socialist	One - 1970 One - 1971	Left - 1970 Right - 1971	Low	Tin	Tin Supply	Claims Filed for Insurance with OPIC. Pressure by by U.S. Ambassador.	Compensation. Joint Venture. New Regime Investment Codes Moderate.
PERU										
1970 1973	Copper Oil Mining Fish-Meal	High	Regime Plan to Acquire State Control Over Certain Sectors	-----	Left - Center	Medium	Diversified	Dispute Between Peru and Company Conflictual; Adverse Effect U.S. - Peru Relations	Negotiations by Special U.S. Presidential Emissary.	No Settlement by 1973. Settled 1974 by Lump Sum to U.S. Gov't for Distribution; Loans From U.S. Banks.

TABLE [illegible] (Continued

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
VENEZUELA										
1971	Oil	High	Required Production Levels Prior to Contract Expiration to Protect Selves	----	Center	High	Oil Diversified	Oil Supply	U.S. Companies Filed Suit in Venezuelan Courts.	No Settlement by 1973.
ECUADOR										
1970 1972-1973	Communications Land Oil Natural Gas Timber	Moderate	Country Desired Control Over Communications Company. Disagreement Over Terms of Renegotiated Concessions	One - 1963 One - 1965 One - 1972	Right - 1963 Center - 1965 Right - 1972	Low	Oil Fish	Development of Oil Supplies; Fishing Rights	U.S. Companies Negotiated with Ecuador Gov't; One Dispute Submitted to Ecuador Courts; One Claim Filed with OPIC.	Compensation in One Dispute Within 1 Year. 3 Others Not Settled by 1977 but OPIC Insurance Claim Paid After 1 Year.
CHILE										
1971	Copper Banks Utilities Industries	High $1 Billion	New Marxist Regime Committed to Nationalization of Copper & Most Other Industries	One - 1970 One - 1973	Left - Marxist 1970 Right - 1973	Medium	Copper	Magnitude $1 Billion of U.S. Investment. Opposed to Excess Profits Principle & Legal Precedent. Opposed to Marxist Regime	U.S. Firms Blocked Chilean Accounts in U.S. I.T.T. Tried Disrupt U.S. Gov't. CIA Covert Actions. State Dept. Objection; Pres. Nixon New Expropriation Policy, Gonzalez Amendment by Congress. Exp. - Imp. & Private Loans Stopped; New U.S. Aid Ceased. Claims Filed with OPIC.	New Regime. Compensation. Some Industries Returned to Owners. Settlement by 1974. OPIC Paid 6 Insurance Claims in 1972-1973.
VADOR										
	Rail-Road	Low	Protect Gov't Equity	One - 1960 One - 1962	Right - 1960 Center - 1962	Low	Agriculture	None	Negotiations Between Company and El Salvador Gov't.	Not Settled by 1977.

TABLES V.6 (Continued)

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
GUYANA (Indep. - 1966)										
1971	Bauxite	High	Socialist, Nationalist Regime	One - 1953 One - 1964	Left - Marxist - 1953 F.F. Socialist - 1964 F.F.	Very Low	Bauxite	Bauxite Supply Opposition to Marxist but Tolerance of Socialist Gov't.	Company Negotiated - Canada Owned Major Interest	Compensation Same Year
TRINIDAD & TOBAGO (Indep. - 1962)										
1971 1972	Flour Mill Utility	Low	Gov't Desire to Buy Firm. Dispute Over Rates	——	Center	Low	Oil	Oil Refineries	Companies Negotiated	Companies Sold Out Interest.
JAMAICA (Indep. - 1962)										
1972	Flour Mill	Low	New Regime. Policy to Obtain Majority Gov't or National Ownership of Firms	One - 1972	Socialist - Left - 1972	Low	Bauxite	Bauxite Supply	Company Negotiated	Unsettled by 1977.
HAITI										
1972 1973	Plasma Oil-Seed Shipping	Low	Contract Violations and Revocations	One - 1971	Right - 1971	Very Low	Agricultural	None	Companies Negotiated and Appealed to Haitian Courts Courts. U.S. Gov't Requested Information But No Gov't Action.	One Company Withdrew. Other Claims Unsettled by 1977.

TABLES V.6 (Continued)

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	1970-1973 GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
NDIA Indep. - 1947)										
1973 1971	Insurance Engineering	Moderate	Nationalization Policy for Insurance Sector Reduced Equity for Firm.	One - 1966	Left - Center - 1966	Very High	Diversified	None	Companies Negotiated; U.S. Diplomatic Representation	Unsettled by 1973. Settled in 1976.
PAKISTAN Indep. - 1947)										
1972	Insurance	Low	Part of Nationalization Policy of Major Sectors	One - 1971 One - 1973	Center - 1971 Left - 1973	Medium	Diversified	None	Companies Negotiated.	Settled Same Year.
BANGLADESH Indep. - 1972)										
972	Jute	Low	Part of Nationalization Policy of Key Sectors	One - 1971	Center - 1971	Low	Jute	None	Companies Negotiated; One Filed Claim with OPIC; Diplomatic Representation in One Case.	Unsettled by 1973. OPIC Paid Insurance Claim in 1976.
RAN										
973	Oil	High	Renegotiation to Obtain Iranian Equity Control & Issue Company Service Contract	——	Right	Very High	Oil	Oil Supplies	Companies Negotiated.	Companies Accepted Terms of Offered.
RAQ ndep. - 1932)										
972	Oil	High	Nationalization of Oil Industry.	——	Left - Socialist	Medium	Oil	Oil Supplies	Companies Negotiated.	Compensation One Year

TABLES V,6 (Continued)

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
SRI LANKA (Indep. - 1948)										
1970	Oil Bunkering	Low	Nationalization Policy of New Regime	One - 1970	Left - Socialist 1970	Low	Natural Resources	None	Company Negotiated. U.S. Threat to Invoke Trade Act of 1974	Compensation - 6 years - Induced by U.S. Trade Act.
SYRIA (Indep. - 1944)										
1972	Oil Industry	Gov't Nationalization. Moderate	Gov't Nationalized Policy	——	Left-Socialist	Low	Oil	Oil Supply	Representation by U.S. Gov't	Unsettled by 1977
KUWAIT (Indep. - 1961)										
1972	Oil	High	General OPEC Participation Agreement	——	Right	High	Oil	Oil Supplies	Companies Negotiated General Agreement with OPEC Countries.	Unsettled Terms by 1973; 60% First Settlement - 1974; 100% 2nd Stage Settlement - 1976. Compensation Plus Service Contract Terms.
UNITED ARAB EMIRATES (Indep. - 1971)										
1972	Oil	High	General OPEC Participation Agreement	One - 1971	Right - 1971	Low	Oil	Oil Supplies	Companies Negotiated General Agreement with OPEC Countries.	Unsettled Terms by 1973.

TABLES V.6 (Continued)

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
QATAR (Indep - 1971)										
1972	Oil	High	General OPEC Participation Agreement	One - 1971	Right - 1971	Low	Oil	Oil Supplies	Companies Negotiated General Agreement with OPEC Countries.	Unsettled Terms by 1973. First Settlement - 1974; 2nd Stage Settlement - 1976. Compensation Plus Service Contract Terms.
SAUDI ARABIA										
1972	Oil	High	General OPEC Participation Agreement	——	Right	High	Oil	Oil Supplies	Companies Negotiated General Agreement with OPEC Countries.	Unsettled Terms by 1973. First Settlement - 1974; Second Stage Settlement Pending 1976.
LEBANON (Indep. - 1943)										
1973	Oil	Low	Protect Equity in Oil Company	——	Center	Low	Diversified Agricultural	None	Companies Negotiated.	Settlement Un-Settled by 1977.
GHANA (Indep. - 1957)										
1972	Bauxite Maganese	High	New Regime. Policy to Obtain National Majority Equity in Extraction	One - 1972	Left - Center - Socialist - 1972	Low	Minerals Agriculture (Cocoa)	Mineral Supply	Companies Negotiated.	Settlement One Claim in One Year. Other Claim Unsettled by 1977. Arbitration for Future Disputes.
GUINEA (Indep. - 1958)										
1972	Bauxite	High	Policy to Acquire Control of Mining	——	Left	Very Low	Bauxite	Bauxite Supply	Company Negotiated.	Settlement in One Yr. as Joint Venture on Gov't of Guinea Terms.

TABLES V.6 (Continued)

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
SUDAN (Indep. - 1956)										
1970	Banks Insurance Industries Construction	Moderate	New Regime. Gov't Policy to Nationalize Certain Sectors	One - 1969	Left - Socialist - 1969	Low	Diversified	None	Companies Negotiated. One Firm Filed Claim with OPIC.	One Firm Returned to Owners. Other Firms Received Compensation Within 1 Year. OPIC Paid Insurance Claim to One Firm. Foreign Investment Welcomed After Communist Coup Attempt in 1971.
TANZANIA (Indep. - 1961)										
1971 1973	Rental Properties Coffee Plantations	Low	Gov't Policy to Nationalize Designated Sectors	----	Left - Center - Socialist	Low	Diversifed	None	Companies Negotiated.	Unsettled by 1973. Compensation Agreed in 1976.
UGANDA (Indep - 1962)										
1971	Banks Insurance Sales	Moderate	Gov't Policy to Obtain 60% Interest. Changed by New Regime to 49% Interest in Designated Sectors	One - 1971	Right - Center - 1971	Low	Coffee Cotton	Opposition to New Regime	Companies Negotiated. U.S. Broke Relations with with Regime by Closing Embassy for Reasons Unrelated to Firms.	Settlement Reached with Most Firms the Same Year. Two Firms Remained Unsettled by 1977. One Settled by 1975.

TABLES V,6 (Continued)

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
TOGO (Indep. - 1960)										
1972	Mining (Phosphate)	Low	Dispute Over Value of Shares Sold by U.S. Firm	——	Center	Very Low	Phosphates	None	Company Negotiated	Unsettled by 1973.
NIGERIA (Indep. - 1960)										
1972	Oil	Moderate	Gov't Policy to Obtain Increased Equity in Oil Sector	One - 1975	Right	High	Oil	Oil Supply	Companies Negotiated.	Settlement Terms Within 1 Year.
SOMALIA (Indep. - 1960)										
1970	Banks Oil	Moderate	Gov't Policy to Nationalize Key Industries - New Regime	One - 1969	Marxist - Left - 1969	Very Low	Livestock	Concern Over Marxist Nature of Regime	Companies Negotiated. One Firm Filed Claim with OPIC. Denied Pref. Tariffs Under 1974 Trade Act.	Talks Resumed After 1974 Sanctions - But Settlement Not Reached by 1977. OPIC Paid Insurance Claim in 1973 (3 Years) and Sold Assets to U.S. Gov't.

TABLES V.6 (Continued)

1970-1973

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
KENYA (Indep. - 1963)										
1970- 1973	Banking Oil Ruby Mine	Moderate	Policy to Obtain 50% Interest by Gov't in Key Industries	——	Center	Low	Agriculture	None	Companies Negotiated.	Compensation Agreed for Purchased Equity Within the Year, Ruby Mine Unsettled by 1977.
LIBERIA										
1971- 1972	Oil Iron	Moderate	Policy to Obtain Greater Gov't Profits	——	Center	Very Low	Rubber	High U.S. Investment & Historic Neocolonial Economic Relationship.	Companies Negotiated. 3 Firms Utilized International Arbitration.	One Claim Settled After 1 Year. Other Claim Unsettled by 1973. Ins 1975, Compensation Agreed for 3 out of 12 Firms.
LIBYA (Indep. - 1951)										
1970- 1973	Banks Insurance Oil	High	Gov't Policy to Nationalize Banks, Insurance & Oil Sectors	——	Left	Medium	Oil	Oil Supplies	Companies Protested	No Compensation or Settlement by 1973.
MOROCCO (Indep. - 1956)										
1973	Industries Banks Insurance	High	Gov't Policy to Obtain 50% Interest in Key Industries by Moroccan Nationals	——	Center	Medium	Diversified	None	Companies Negotiated.	Moroccan Gov't Subsidized Nationals in Purchase of Equity. Settlement not Completed by 1973.

TABLES V.6 (Continued)

1974-1977

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
PERU										
1974- 1975	Oil Iron Ore	High	Bribery, Contact Failure, Profiteering Allegations.	One - 1975	Center - 1975	High	Diversified	Relationship with Major L.A. Nation	One Firm Withheld Ships Needed to Export. Oil Firm Negotiated. Emissary From U.S. in Response to Peru Request Not Highest Representative. Private Banks and IMF Attached Restrictions Loans.	Oil Not Settled. Iron Ore Settled For Compensation Plus Contracts. New Regime Returned Fishmeal Co.'s and Foreswore Nationalizations. Peruvian Debt Dependency to Banks.
BOLIVIA										
1973	Tin Land Industry	Moderate	Cancelled Joint Venture Contract. Legal Disputes	----	Right	Low	Tin	Tin Supply	Bolivian Gov't Reviewing Legal Aspects. Negotiations in One Case	Unsettled by 1977.
COLOMBIA										
1975	Banks	Low	Gov't Policy for Nationals to Hold Majority Equity in Banks.	----	Center	High	Coffee	None	Companies Negotiated with Gov't.	Companies Agreed to Sell Required Equity the Same Yr.
ECUADOR										
1974	Oil	Moderate	Dispute Over Oil Co. Desire To Sell Equity to Gov't	One - 1976	Right - 1976	Medium	Oil, Fish	Oil Supply	Nationalization Threat by Gov't in Response to Withheld Payments by Company Led to Resumption of Payments by Co.	Gov't Agreed to Negotiate with Oil Consortium, Within 1 Yr.

TABLES V.6 (Continued)

1974-1977

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
HAITI										
1975	Public Utility Munitions	Low	Contract Disputes	----	Right	Low	Agricultural	None	Companies Negotiated.	Unsettled by 1977.
DOMINICA (Indep. - 1975)										
	Construction	Low	----	----	----	Very Low	Agricultural	None	Company Filed Claim with OPIC	OPIC Paid Insurance Claim (Small - $140,000) after 1 Year.
ARGENTINA										
1973-1974	Banks Electric Co. Oil Sales Meat	Moderate	Nationalization Policy of Peronista Regime	One - 1976	Right - 1976	Very High	Diversified	Legal Issues. Relationship with Major L.A. Nation	One Case in Argentine Courts. Companies Negotiated Other Claims.	Two Banks Returned to Owners. Electric Co. Also Returned, with Compensation Arrangements Unsettled by 1977.
VENEZUELA										
1974	Iron Ore Oil Precious Metals Industry	High	Desire to Expand Steel Production and Acquire State Ownership of Oil Sector	----	Center	Very High	Oil; Diversified	Oil Supply	Companies Negotiated and Objected to Compensation Terms. No U.S. Gov't Action but Issued Policy Statement on Compensation Criteria.	Iron Ore - Compensation Plus Contracts. Oil - Compensation Plus Contracts. Terms Accepted. Others in Review by Venezuela Legal Commission or Under Negotiation.

TABLES V,6 (Continued)

1974-1977

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
HONDURAS										
1976	Land (U.S. Fruit Companies)	Moderate	Gov't Policy to Reduce Foreign Ownership of Land. New Regime Responded to Bribery Charges Against U.S. Firms by Reducing Land Holdings	One - 1975	Moderate - 1975	Low	Agriculture (Bananas)	None	Companies Negotiated	One Company Agreed to Transfer Specified Acreage. Other Case Unsettled by 1977.
COSTA RICA										
1975	Land (U.S. Fruit Company)	Moderate	Legislature Expropriated Uncultivated Lands of U.S. Fruit Co. Accused of Bribery	——	Moderate	Low	Agriculture (Bananas & Coffee)	None	Company Negotiated.	Settlement Reached Within 1 Year - Compensation by Gov't; Future Joint Venture; Land Donation by Co.
TRINIDAD & TOBAGO (Indep. - 1962)										
1975	Oil Marketing	Moderate	Gov't Policy to Gain Increased Control Over Oil Industry	——	Moderate	Low	Oil Refining	Oil Refineries	Company Negotiated.	Compensation Agreed After 1 Year; Product Supply Guaranteed.
DOMINICAN REPUBLIC										
1975	Precious Metals	Low	Renegotiation of Joint Venture for Additional Gov't Equity	——	Right - Center	Low	Agriculture (Sugar)	None	Commpany Negotiated.	Compensation Agreed Within the Year.

TABLES V,6 (Continued)

						1974–1977				
Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
JAMAICA (Inoep. - 1962)										
1974	Bauxite	High	Gov't Policy of Jamaicanization or 51% Equity of Bauxite Industry and Otner Selected Industries	——	Socialist - Left	Low	Bauxite	Bauxite Supply	Companies Negotiated with Gov't. One Company Challenged Bauxite Levies in in Jamaican Courts and Filed Claim with OPIC. Alleged Pressure by U.S. Ambassador in 1972-1973.	Compensation for Mines & Land Agreed to with 3 Firms Within 1-2 Years; Included Co. Management Arrangements. Three Bauxite Firms Unsettled by 1977. Also Unsettled Were Oil Refinery Cases. Compensation for Telephone Co. Agreed Within 1 Year.
1975	Telephone (Pub. Utility) Oil									

TABLES V.6 (Continued)

1974-1977

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
INDIA (Indep. - 1947)										
1974-1976	Oil	Moderate	Gov't Policy to Own or Acquire Majority Interest in Oil Sector	One - 1977	Moderate - 1977	Very High	Diversified	None	Companies Negotiated.	Compensation Reached Within the Year; Supply Contract Included.
PAKISTAN (Indep. - 1947)										
1976	Agriculture Processing; Oil Refining & Sales	Moderate	Gov't Policy to Nationalize Certain Agricultural Processing & Oil Related Sectors	One - 1977	Right - 1977	High	Agricultural & Diversified	None	Companies Negotiated.	Compensation Agreed in 3 Cases Within the Year; One Case Unsettled by 1977. New Regime in 1977 Reversed Nationalization Policies in Some Sectors but Not in Others
BANGLADESH (Indep. - 1972)										
1974	Industry Insurance	High	Nationalization Policy of Most Sectors from 1971-1974	One - 1975	Right - 1975	Medium	Jute	None	Companies Negotiated.	New Regime Reversed Nationalization Policy, Returned Some Firms To Owners, and Established Agency to Process Claims. Terms of Claims Unsettled by 1977.
AFGHANISTAN (Indep. - 1919)										
1975	Banks	Low	Gov't Policy to Nationalize Banks	——	Left - Center	Low	Agriculture	None	Companies Attempted to Negotiate.	Unsettled by 1977.

ABLES V,6 (Continued)

1974-1977

ate	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
OROCCO ndep. - 1956)										
974	Oil Distribution	Low	Gov't Policy of 50% Moroccanization of Key Sectors	-----	Moderate	High	Diversified	None	Companies Negotiated. One Dispute Submitted to ICSID.	Compensation Within One Year; Exxon Sale with Guaranteed Parts Supply, Trademark, & Distribution. Banks Sold Excess Shares or Sold Out with Many Options Offered. 1 Year. Management Control Retained. All Divestiture Deadlines Met with Negotiated Agreements..
JYANA ioep. - 1966)										
75 76	Bauxite Bauxite Oil	High	Gov't Policy to Nationalize Basic Industry & Most Other Industries. Regime Increasingly Marxist	-----	Left - Marxist	Very Low	Bauxite	Bauxite Supply, Closed Door of Increasingly Marxist Regime	Companies Negotiate with Gov't. One Filed Claim with OPIC	Compensation to Oil Co. within the Year. OPIC Paid Insurance to One Bauxite Co. After 1 Year. One Claim Unsettled by 1977.
RINAM dep. - 1975)										
74	Bauxite	Moderate	Gov't Policy to Increase Profits From Bauxite	-----	Moderate	Very Low	Bauxite	Bauxite Supply	Company Negotiated.	Company Agreed to Increase Payments to Gov't.

TABLES V.6 (Continued)

1974-1977

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
IRAQ (Indep. - 1932)										
1974	Oil	Moderate	Gov't Policy to Nationalize Oil Industry	——	Left - Socialist	High	Oil	Oil Supplies	Companies Negotiated.	Unsettled by 1977.
ALGERIA (Indep. - 1962)										
1976	Natural Gas	Moderate	Gov't Nationalization Policy	——	Left - Socialist	High	Oil, Natural Gas, Minerals	Oil & Gas Supplies	Companies Negotiated.	Compensation 1 Year.
CENTRAL AFRICAN EMPIRE (Indep. - 1960)										
974	Oil Distribution	Moderate	Gov't Nationalization Policy	——	Right	Very Low	Coffee, Cotton, Diamonds	None	Companies Negotiated.	Unsettled by 1977.
NIGERIA (Indep. - 1960)										
976	Oil Distribution Insurance Banks	Moderate	Gov't Policy of "Indigenization" of Most Industries - National Majority Equity Interest	One - 1975 One - 1976	Right - 1975 Right - 1976	Very High	Oil	Oil Supply	Companies Negotiated.	Compensation Within the Year for all but One Company.

TABLES V.6 (Continued)

1974-1977

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
ZAMBIA (Indep. - 1964)										
1974	Service	High	Contract Cancellation Dispute	-----	Center	Low	Copper	None - Copper Supply Unaffected.	Dispute Submitted to Arbitration Court of International C. of C.	Unsettled by 1977.
ZAIRE (Indep. - 1960)										
1975 & 1976	Oil Distribution; Service	Low	Earlier Policy of Zairization Partially Reversed. A Few U.S. Firms Reorganized or Affected By Zairization	----	Center	Medium	Copper	None - Copper Supply Unaffected.	Companies Negotiated.	Unsettled by 1977.
CONGO P. REPUBLIC (Indep. - 1960)										
1974	Oil Distribution	Moderate	Gov't Policy to Nationalize Foreign-Owned Oil Facilities	One - 1977	Marxist - Left	Very Low	Diversified	Legal. U.S. Had No Diplomatic Relations After 1965.	U.S. Notified Congo Not Eligible Under Trade Act, 1974. Steps Then Taken to Negotiate with Firms.	Unsettled by 1977.
CHAD (Indep. - 1960)										
1975	Agriculture	Low	Contract Dispute	One - 1975	Right	Very Low	Agricultural	None	Company Filed Claim with OPIC in 1976.	Unsettled by 1977.
MADAGASCAR (Dem. Rep.) (Indep. - 1960)										
1976	*Oil Distribution & Refining*	*Low*	*Gov't Policy of New Regime to Extend State Control to Key Sectors Either Through Nationalization or Restrictions.*	*One - 1975*	*Left - Quasi-Marxist - Socialist*	*Low*	*Coffee; Agricultural*	*None - Possible Closed Door*	*Gov't Promised Compensation. Negotiations Had Not Begun with Companies.*	*Unsettled by 1977.*

TABLES V.6 (Continued)

1974-1977

Date	Sector	Magnitude	Reason	Regime Changes	Regime Type	GNP Group	Economic Base	U. S. Gov't Stake	Response to Nationalization	Settlement
BENIN (Indep. - 1960)										
1974	Oil	High	Gov't Policy of Regime To Nationalize or Gain Majority Control	One - 1974	Left - Marxist - 1972 - 1974	Very Low	Agricultural	None - Possible Closed Door.	Claims Submitted by Companies. No Response from Gov't. Implied Threat U.S. Trade Act & Hickenlooper Sanctions.	Oil Company Compensation Agreed Except Texaco Marketing. Bank Compensation Unsettled by 1977.
1975	Banks									
ANGOLA PEOPLE'S REPUBLIC (Indep. - 1975)										
1975-1977	Banks	Low	Gov't Policy to Nationalize Banks as well as Foreign Land and Majority of Other Sectors	One - 1976	Left - Marxist - 1976	Low	Oil	Oil Supply. National Security in Location of Marxist Regime.	Not Known - One Bank Involved Which May/May Not Have Been Able to Negotiate.	Unsettled by 1977.
MAURITANIA (Indep. - 1960)										
1974	Iron Ore	Low	Gov't Policy to Nationalize the Nation's Basic Industry	One - 1977	Left - Center 1977	Very Low	Iron Ore	None	Companies Negotiated	Compensation Within One Year, Included Purchase Agreement in Iron Ore Case. Bank 1/3 Equity Purchase Agreed.
1975	Bank									
ETHIOPIA										
1975	Insurance Agriculture Service Industry 12 Firms	High	New Regime - Gov't Policy to Nationalize Almost All Sectors	One - 1975 One - 1977	Marxist Left - Both 1975 & 1977	Low	Coffee, Agricultural	Political - U.S. Had Supported Pre-Marxist Regime	Companies Subject to Special Ethiopian Claims Commission. Negotiations Pending.	Unsettled by 1977.

TABLES V. 7

LESS DEVELOPED COUNTRIES WITH NO HISTORY OF NATIONALIZING U. S. PROPERTY

LATIN AMERICA

1. Paraguay.
   Low U. S. Investment (Under 100 million); Low Insurance, Authoritarian.
2. Uruguay.
   Low Investment, No insurance, Authoritarian.
3. Guatemala (since 1954)
   No insurance, Moderately High investment, Authoritarian.
4. Netherland Antilles.
   Oil, Tax Haven. Democratic.
5. (Minor nationalizations in El Salvador, Nicaragua, Panama from 1948-1977).

ASIA

1. Taiwan.
   Moderately high and increasing investment and insurance; high GNP per Cap, Authoritarian, U. S. client.
2. South Korea.
   Moderately high investment, very high insurance, high GNP, Authoritarian, U. S. client.
3. Philippines.
   High investment and insurance; Moderate GNP, low GNP per Cap, Authoritarian, U. S. client.
4. Thailand.
   Moderate investment, insurance, and GNP.
5. Malaysia.
   Moderately high investment, moderate insurance, GNP, and GNP per Cap, Authoritarian.
6. Singapore.
   High and increasing investment, moderate insurance, high GNp per Cap. Not democratic.
7. Hong Kong.
   High investment, high GNP per Cap, insurance program terminated. Not democratic.

MIDDLE EAST

1. Jordan.
   Low investment and GNP; moderate insurance and GNP per Cap. Authoritarian. U. S. client.
2. Oman.
   Investment not reported; no insurance; low GNP; high GNP per Cap; no insurance, Authoritarian. Financial Center.
3. Yemen Arab Republic.
   Very low investment, GNP and GNP per Cap; no insurance, Authoritarian
4. Bahrain.
   Investment not reported, no insurance; low GNP; high GNP per Cap, Authoritarian. Financial Center.

AFRICA

1. Cameroons.
   Investment not reported; moderate GNP, low GNP per Cap; Authoritarian, low insurance.
2. Gabon.
   Moderately high investment, low insurance, low GNP, high GNP per Cap, Authoritarian, high natural resources.
3. Ivory Coast.
   Low but increasing investment, moderate insurance, moderate GNP and GNP per Cap. Policy to welcome foreign investment.
4. Malawi.
   Low investment, no insurance, low GNP and GNP per Cap, Authoritarian.
5. Mali.
   Investment not reported, no insurance, low GNP and GNP per Cap, Authoritarian.
6. Namibia.
   Investment not reported, no insurance, low GNP but high GNP per Cap, Authoritarian.
7. Rwanda.
   Very low investment and insurance, low GNP and GNP per Cap, Authoritarian.
8. Senegal.
   Low investment, moderate insurance, low GNP and GNP per CAP, stable, Authoritarian.
9. Sierra Leone.
   Investment not reported, high and increasing insurance, low GNP and GNP per Cap, Authoritarian, natural resources.
10. Swaziland.
    Very low investment and insurance, low GNP and GNP per Cap, Authoritarian. Welcomes foreign investment.
11. Tunisia.
    Low but increasing investment, moderate insurance, moderately high GNP and GNP per Cap, Authoritarian.
12. Botswana.
    Investment not reported, moderate insurance, low GNP, moderate GNP per Cap, Democratic, natural resources.
13. South Africa.
    High and increasing investment, no insurance, high GNP and high GNP per Cap, Authoritarian.
14. Rhodesia.
    High investment but declining, no insurance, moderate GNP, low GNP per Cap, Authoritarian.
15. Mozambique.
    Low investment, no insurance, low GNP and GNP per Cap, Authoritarian, radical regime which nationalized European property.

All Non-Nationalizing Nations Among the L.D.C.'s are Authoritarian politically except Botswana and the Netherlands Antilles. (Gambia in Africa is democratic but does not generate sufficient economic activity to be included in summary).

Tentative Generalization: U. S. clients, financial centers, and tax havens do not nationalize. All other non-nationalizing nations are characterized by low U.S. investment with the exception of South Africa, and Rhodesia, Gabon (high resources and high GNP per Cap), Thailand, and Malaysia.

TABLES V. 8

INSURANCE CLAIMS SUBMITTED TO AND RESOLVED BY OPIC AND AID 1966-1977.

EXPROPRIATION CLAIMS

1966:	0
1967:	Haiti
1968:	Nigeria
1969:	0
1970:	0
1971:	0
1972:	Chile (2 claims); Sudan.
1973:	Chile (4 claims); Somalia, Ecuador.
1974:	Chile
1975:	0
1976:	Vietnam (2 claims); Bangladesh
1977:	Dominica

TOTAL: 16 claims from 9 countries. If Dominica is omitted, 8 countries.

INCONVERTIBILITY CLAIMS

1966:	Philippines, Zaire, Turkey.
1967:	0
1968:	0
1969:	0
1970:	Vietnam
1971:	Chile, Vietnam.
1972:	Philippines, Vietnam (3 claims).
1973:	Chile (6 claims); Dominican Republic; Vietnam; Argentina (2 claims).
1974:	Chile (2 claims); Kenya, Vietnam.
1975:	Vietnam, India.
1976:	Southern Rhodesia, Peru.
1977:	Colombia
TOTAL	29 claims from 12 countries.

WAR DAMAGE CLAIMS

1966:	0
1967:	Dominican Republic (2 claims)
1968:	Jordan
1969:	0
1970:	0
1971:	Dominican Republic
1972:	Bangladesh, Pakistan.
1973:	0
1974:	Chile, Bangladesh.
1975:	0
1976:	Bangladesh
1977:	0

TOTAL: 9 claims from 5 countries.

TOTAL CLAIMS: 54 claims from 21 countries. OPIC paid $113.4 million cash in claims; $41.4 million recovered. Claims settled by OPIC Guaranty of Host Country Payments; Expropriation-Chile (6 claims; 1972-1977); Bolivia (2 claims, 1972). Inconvertibility - Chile (2 claims, 1977). $22.8 million in OPIC guaranties for payments - No repudiations or defaults.

TABLES VI.1

OPIC INSURANCE CONTRACT TERMINATIONS, 1955-1977
Latin America

Country	Date Entered Program	Per Cent Dollar Amount Terminated Inconvertibility %	Expropriation %	War %
Peru - A.C.	1956	32	46	43
Guatemala	1956	06	9	N/A
Trinidad & Tob.	1958	33	28	27
Bolivia - A.C.	1958	90	94	94
*Ecuador - A.C.	1958	Missing Data		
Jamaica	1958	02	2	2
Haiti	1959	83	80	42
Paraguay	1959	89	97	0
Costa Rica	1960	58	80	85
Honduras	1961	32	53	24
Argentina	1962	60	58	44
Venezuela - A.C.	1963	32	46	43
Colombia - A.C.	1963	36	47	34
El Salvador	1963	39	39	N/A
French Guiana	1963	N/A	100	N/A
Nicaragua	1964	53	44	40
Panama	1964	2	20	2
Chile - A.C.	1964	90	92	87
*Dominican Rep.	1964	Missing Data		
Brazil	1965	43	39	35
Guadeloupe	1966	0	0	N/A
Martinique	1966	0	0	N/A
Guyana	1967	8	77	76
Surinam	1968	0	0	N/A
Belize	1969	47	53	43
Netherlands Ant.	1970	100	100	N/A
Barbados	1976	0	N/A	N/A
Dominica	1976	0	0	0
Grenada	1977	0	0	0

A.C. - Andean Code Nations

High Insurance Terminiation - Over 75%: Guyana, Chile, Bolivia (High Magnitude Expropriations); Haiti (Low Magnitude Expropriations); Netherlands Antilles, Paraguay (Low Volume Insurance); Costa Rica.

High Insurance Retention - Less than 20% terminated: Panama, Jamaica (High War or Expropriation Risks); Surinam, Guatemala (Low Volume Insurance).

*Dominican Republic retained high level of insurance; Ecuador maintained a low insurance volume

TABLES VI.2

OPIC INSURANCE CONTRACT TERMINATIONS, 1955-1977
Asia

Country	Date Entered Program	Per Cent Dollar Amount Terminated		
		Inconvertibility %	Expropriation %	War %
Philippines	1955	25	22	25
Taiwan	1955	33	31	33
Thailand	1956	39	43	42
Pakistan	1956	37	65	38
India	1958	34	33	37
Afghanistan	1960	57	83	83
So. Vietnam	1960	21	6	5
Malaysia	1961	29	26	21
Bangladash	1962	12	12	N/A
*South Korea	1963	Missing Data		
Singapore	1965	44	32	32
Nepal	1965	100	100	100
Laos	1965	--	100	100
Hong Kong	1965	100	100	100
Indonesia	1967	27	32	30
Sri Lanka	1967	24	16	16
Tahiti	1968	10	10	0
Western Samoa	1970	100	100	100
Burma	No Insurance			

High Insurance Termination - Over 75%: Hong Kong (Eliminated from OPIC programs); Laos (Ceased to exist as nation); Nepal, Western Samoa (Low Volume Insurance); Afghanistan (Low Insurance Volume, High Magnitude Expropriations).

High Insurance Retention - Less than 20% terminated: Bangladesh (Low Insurance Volume and High Risk); South Vietnam (High War Risk).

*South Korea, most heavily insured Asian nation, likely to have moderate to high insurance retention because of war risk.

TABLES VI.3

OPIC INSURANCE CONTRACT TERMINATIONS, 1955-1977
Middle East

Country	Date Entered Program	Per Cent Dollar Amount Terminated		
		Inconvertibility %	Expropriation %	War %
Jordan	1957	50	65	45
Iran	1958	39	44	34
Saudi Arabia	1976	0	68	75
Oman	1977	--	0	0

High Insurance Termination - Over 75%: Saudi Arabia (Low Perceived Political Risk).

High Insurance Retention - Less than 20% terminated: None.

TABLES VI.4

OPIC INSURANCE CONTRACT TERMINATIONS, 1955-1977
Africa

Country	Date Entered Program	Per Cent Dollar Amount Terminated Inconvertibility %	 Expropriation %	 War %
Guinea	1958	26	55	27
Liberia	1960	87	74	76
Zaire	1960	11	14	13
Algeria	1961	--	100	--
Ghana	1961	2	2	2
Morocco	1961	41	23	21
Ivory Coast	1962	21	---	33
Tunisia	1962	9	60	46
Nigeria	1963	50	48	0
Togo	1964	100	100	100
Sudan	1964	0	57	100
Sierra Leone	1964	30	44	43
Angola	1964	100	100	--
Kenya	1965	3	03	03
Congo Rep.	1965	0	0	--
Gabon	1965	20	18	47
Senegal	1965	77	77	60
Somalia	1965	100	100	100
Zimbabwe	1965	68	--	--
Madagascar	1966	100	100	100
Uganda	1966	15	19	100
Egypt	1967	0	07	12
Ethiopia	1967	100	100	100
Mauritania	1967	100	100	100
Zambia	1967	25	20	20
Botswana	1968	0	3	3
Cameroons	1968	0	0	0
Tanzania	1969	100	100	100
Rwanda	1969	0	0	0
Benin	1970	--	0	0
Chad	1974	0	0	0
Malawi	1974	0	0	0
Swaziland	1976	0	0	0

High Insurance Termination - Over 75%: Algeria, Angola, Ethiopia, Madagascar, Mauritania, Somalia, Senegal, Tanzania, Togo (Low Volume Insurance, High Magnitude Expropriations, or Marxist-Socialist Regimes); Liberia.

High Insurance Retention - Less than 20% terminated: Ghana, Botswana, Kenya, Gabon, Zaire, Zambia (Key Natural Resources); Egypt (New Investment); Uganda.

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INTERVIEWS

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Two Staff Members, AID.

Seven Foreign Service Officers, serving in Latin America, Africa, Asia, Middle East.

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