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PROPOSED REFORMS  
OF U.S. OVERSEAS INVESTMENT  
AND TRADE POLICIES  
FOR THE 1970's

by the

UNITED STATES CATHOLIC CONFERENCE

to the

UNITED STATES HOUSE OF REPRESENTATIVES  
WAYS AND MEANS COMMITTEE

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June 15, 1973

1973

Publications Office  
UNITED STATES CATHOLIC CONFERENCE  
1312 Massachusetts Avenue, N.W.  
Washington, D.C. 20005



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# PROPOSED REFORMS OF U.S. OVERSEAS INVESTMENT AND TRADE POLICIES

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## Introduction

One of the most significant duties laid on the Congress by the U.S. Constitution is the mandate "to regulate Commerce with foreign Nations" (Art. I, Sec. 8, Cl. 3). To carry out that mandate today the Congress must take into consideration a host of thorny economic issues such as the balance of trade and the drain on our gold reserves, monetary reform and integration, the rise of multinational corporations and the exportation of American technology, the new openings to East-West trade and the related question of "most-favored-nation" status, and the economic dislocation of people affected by American trade policy and the related suggestions of safeguards for American jobs and industry. Consideration of these issues is particularly timely now, coming as it does on the heels of the 1972 United Nations Conference on Trade and Development (UNCTAD III) in Santiago, Chile and before the convening this September in Tokyo of the conference of General Agreement on Tariffs and Trade (GATT)).

The purpose of this testimony is not to offer a simplistic remedy for all of these related issues, but to insist that no Congressional review of foreign trade will be complete if it overlooks the

impact that American policies have on the powerless poor both at home and abroad.

Even a cursory look at today's world reveals that it is economically out of balance. Not only are there rich people and poor people in the United States, but on a global scale there is a vast, ever-widening gap between people in the industrialized nations and people in Third World nations. That such glaring injustice has long been part of the human condition, can tranquilize the consciences of only the callous or the phlegmatic, for "we are at a moment in history when the development of economic life could diminish social inequalities if that development were guided and coordinated in a reasonable and human way."<sup>1</sup> Efforts to solve this urgent, critical problem cannot be postponed indefinitely, for "the contrast between the economically more advanced countries and other countries is becoming more serious day by day, and the very peace of the world can be jeopardized in consequence."<sup>2</sup> Responsible men, then, are compelled to take effective action to eradicate economic injustice for two reasons: for the first time in history, we now have the capacity to do so, and we are faced with terrifying consequences for our species and our planet if we do not do so.

To discourage action for justice in this area, it is argued that the gap is caused, to some extent, by inept domestic policies in Third World countries. While there is some truth in this position, the more significant fact for us is that poor nations are systematically made poor and are increasingly vulnerable to a new form of colonialism.<sup>3</sup> Hence, it is incumbent on rich nations to do more than offer Third World nations gratuitous advice on how to extricate themselves from the plight that rich nations themselves provoke, in large measure, because of their own cupidity and waste.

To foster the liberation of Third World countries from economic injustice is a humanitarian goal closely linked to the message of the Christian Gospel, which transcends national boundaries and men of Christian faith.<sup>4</sup>

The call for justice by Christian churchmen is not a novelty among so-called Christian social activists. St. Ambrose of Milan, a 4th century bishop, said: "You are not making a gift of your possessions to the poor person. You are handing over to him

what is his. For what has been given in common for the use of all, you have arrogated to yourself. The world is given to all, not only the rich.”<sup>5</sup> This demands far more than an occasional act of charity or the proverbial sharing of crumbs from the rich man’s table with the poor beggar at his gate. The size of the remedy must be proportionate to the seriousness of the injury. One can no more cover a gaping wound with a band-aid than can rich nations deal superficially with the symptoms of underdevelopment in poor nations. Instead, rich nations must respond to the evergrowing awareness among Third World nations of their right to development.<sup>6</sup> They must make it their policy to correct the systematic economic injustice that denies to poor people the economic resources necessary to alleviate human suffering and promote development.

Three principal means of providing economic resources to poor countries are available to rich countries: financial aid, investment capital and international trade. Official development assistance is distinguishable from investment and foreign trade as a political reality, with its own strategies and rationale in the U.S. Congress. This testimony concentrates on two issues presented to the 93rd Congress in its review of foreign trade legislation<sup>7</sup>: 1) regulation of American overseas investments, and 2) restriction of imports into this country.

## **Private Investment and Foreign Trade in a Social Justice Perspective**

These two issues—private overseas investment and import barriers—are the subject of serious treatment in papal teachings on social justice. Roman Catholic Christianity has consistently refused to canonize the “free enterprise” system of western capitalism and its companion rule of free trade. Underlying this refusal is the Church’s espousal that the right of private property is not absolute, but rather must be balanced against the needs of the society as a whole.

More than forty years ago, Pope Pius XI characterized the free market economy as a struggle between private business competitors, which produces a concentration of massive power and

wealth in the hands of a few. This “economic dictatorship [then] regulated the flow of the entire economic system,”<sup>8</sup> finally creating an “international imperialism whose country is where profit is.”<sup>9</sup>

Pope Paul VI, in his encyclical *On The Development of Peoples*, in 1967, took up this theme again and condemned as abusive the “type of capitalism [which] has been the source of excessive suffering, injustices and fratricidal conflicts whose effects still persist.”<sup>10</sup> The Pope stated clearly and strongly that, “Private property does not constitute for anyone an absolute and unconditional right. No one is justified in keeping for his exclusive use what he does not need when others lack necessities.”<sup>11</sup>

These issues are particularly relevant to Third World nations. The Second Vatican Council acknowledged the interrelatedness of capital investment and world development. However, the Council admitted that unless the practices of modern businesses “undergo a profound change,” the poor nations will be deprived of the material assistance necessary to their development.<sup>12</sup> The rule of so-called free trade is especially vulnerable to criticism. Pope Paul claims it is “no longer able to govern international relations . . . because conditions differ too widely from country to country: prices which are ‘freely’ set in the market can produce unfair results.”<sup>13</sup> Adapting Leo XIII’s vision about the need for equality among bargaining partners in industrial relations, Pope Paul sets as a guideline “freedom of trade is fair only if it is subject to the demand of social justice.”<sup>14</sup>

## **Regulation of American Overseas Investments**

Papal teaching becomes quite specific in applying social justice principles to private investors’ activity in the Third World. Since fifty percent of the direct foreign investments in all of the nations of the Third World is U.S. capital,<sup>15</sup> these principles are particularly relevant to the subject of our overseas investments.

In 1967, Paul VI condemned the double standard of those multinational corporations (MNC’s) which show a degree of social sensitivity in rich countries but apply only rugged and inhuman



individualism in poor countries. The Pope felt that their "advantaged situation should move them to become initiators of social progress and of human advancement in the area where business calls them."<sup>16</sup> By 1971, in *A Call to Action*, the Pope describes the MNC's as "new economic forces which by the concentration and flexibility of their means can conduct autonomous strategies which are largely independent of the national political powers and therefore not subject to control from the point of view of the common good."<sup>17</sup> It seems that the Pope was not optimistic about the prospect that the MNC's might spontaneously initiate reform measures leading to social progress. Drawing on the implication in this Papal teaching, the United States Catholic Conference last year called for international regulation of the MNC's.<sup>18</sup>

The need for some kind of international regulatory body to monitor the activities of the multinational corporations has been recognized by both church and secular leaders.<sup>19</sup> These acknowledgements of a need for international regulations allude to long-range goals not yet within the consciousness, let alone the consensus, of many rich nations. Justice demands that some immediate steps be taken, rather than waiting for international agreements to regulate the activities of the MNC's as an attempt to rectify the imbalance of economic power in our lopsided world. Individual nation-states must proceed without delay to establish such controls within their own jurisdictions.

Congressional power to regulate overseas operations of U.S.-owned MNC's would be a logical extension of the power to regulate corporations operating within the United States, for example the Sherman and Clayton Anti-trust Acts.

Three control mechanisms are suggested by the situation: 1) cancelling government subsidies to MNC's in favor of a special tax for the economic and human development of Third World countries, 2) imposing penalties for intervention by MNC's in the political and economic affairs of Third World nations, and 3) legislating limits to profit-taking in the Third World.

### *Special Tax for Human Development*

One bill before the Congress proposes to eliminate existing government subsidies to the MNC's in the form of preferential

tax provisions.<sup>20</sup> The first of these proposals would subject all the foreign source income of U.S. MNC's to annual taxation, thereby eliminating tax deferrals. Presently, the profits of subsidiaries of U.S. corporations are not taxed until such income is distributed to U.S. stockholders in the form of dividends. Admittedly this measure would put U.S. companies at a competitive disadvantage in the short run with foreign [mostly European] competitors who are presently allowed by their governments to retain their earnings without penalty. However, the present tax deferral for U.S. foreign income constitutes a serious departure from the traditional U.S. principle of tax equity and neutrality, in that it gives favored treatment to a business venture that manages to keep its profits invested abroad.

In reviewing this provision of the Internal Revenue Code, it is important to note that according to a report submitted to Congress, U.S. corporations with investments abroad in the foreign-incorporated subsidiary form are currently able to enjoy annual tax savings of approximately \$900 million through tax deferral.<sup>21</sup>

A second tax reform measure proposes to repeal the foreign tax credit.<sup>22</sup> Currently U.S. corporations are entitled to full credit for any taxes paid to a foreign country on income arising in that country. The suggested tax reform would downgrade such tax payments from a full tax credit to an allowable tax deduction from a corporation's gross earnings. Analogously, on the domestic scene, a U.S. taxpayer may deduct from his total income any state or local taxes he has paid, but he cannot subtract such taxes from his federal tax bill as a tax credit. Presently, on the international scene, foreign profit taxes are considered as equivalent to the U.S. corporate tax and allowed as credits.

Once again, the Congressional report previously noted states "that had foreign taxes been treated as deductions rather than credits . . . U.S. tax earnings would have increased by \$1.1 billion [in 1966]." <sup>23</sup>

In addition to these commendable proposals, we favor the creation of a special fund for the use of revenues generated under such a tax reform. This is an adaptation of a proposal for a world fund which Paul VI made in his encyclical, *On The Development of Peoples*.<sup>24</sup> Americans are familiar with the notion of "earmarked taxes," or taxes which are placed in a trust fund and which

may be spent only for a specific purpose. For example, when a motorist pays a tax of 10¢ a gallon on gasoline, he knows that the tax may be spent only for purposes of facilitating transportation, such as the construction and maintenance of highways or rapid transit systems. The rationale for this kind of tax is that only the users of public transportation networks should be required to pay for them.

Similarly, we propose that all revenues generated under the two reforms cited above be earmarked for a special fund for the development of poor nations, and not accrue to the general fund of the U.S. Treasury. The rationale for such a tax is that those who would benefit financially from operations in the Third World should contribute to its development. The fund should be administered by a multinational agency, such as the United Nations Development Program (UNDP), or the World Bank International Development Association (IDA), and should be used not only to stimulate economic growth, but also to meet other development needs such as those relating to health, education, and welfare. In administering the fund, the control agency should remain responsive to the self-determined needs of the poor nations and to the poor nations' plans and strategies for dealing with those needs.

### *Penalties for Political Intervention*

The charge that multinational corporations are "new economic forces which . . . can conduct autonomous strategies . . . and therefore not subject to control from the point of view of the common good" must be met.<sup>25</sup> Recent hearings by the Senate have disclosed that U.S.-based businesses obviously fall within this category.<sup>26</sup> In light of the substantive evidence of attempts by MNC's not only to wield vast economic influence to control foreign policy decisions of the United States, but even to intervene directly, although covertly, in the political life of Third World countries, the Congress should enact adequate control mechanisms, including stiff penalties to curb this abuse of power.<sup>27</sup>

### *Limits to Profit-Taking*

The unequal bargaining power that exists between rich nations and poor nations is remarkably similar to the inequitable

owner-worker relationship in this country prior to the advent of labor unions and collective bargaining. The formation of effective and socially responsible coalitions by which poor nations can act in consort to demand better prices for natural resources needed by wealthy consumer nations, is a hopeful phenomenon.<sup>28</sup>

However, until these coalitions become stronger and more widespread, the demands of justice suggest that the United States take legislative measures to curb excessive profit-taking by American-owned MNC's operating in Third World countries.<sup>29</sup> When profits are taken in excess of this statutorily determined limit, they should not accrue to the U.S. Treasury, but should be rebated through appropriate multinational agencies to the country from which the MNC has derived the profit.

The absence of such legislative restraints on profit-taking, exposes the U.S.-owned MNC's to increasing pressures of nationalization by Third World countries.<sup>30</sup> An additional hazard is that these pressures increase the possibility of attempts to induce the U.S. government to take countermeasures, such as threats of economic sanctions, abuse of the U.S. veto powers in international organizations, and other more drastic steps, against these countries.

Similarly, consideration should be given to the regulating of interest rates charged by U.S.-owned lending institutions operating in Third World countries. A precedent for such regulations may be found in domestic usury laws defining legal rates of interest.<sup>31</sup>

Finally, U.S. Government financial insurance protection, under the Overseas Private Investment Corporation (OPIC); for private American investors in the Third World, needs review. Supporters of this program argue that this protection is necessary because investors are exposed to great risks, such as expropriation or revolution. Two objections are in order. First, through this policy the Federal Government unfairly favors overseas investors over domestic investors. As Senator Frank Church has stated: OPIC "insures American companies against risks abroad for which no comparable insurance is available at home."<sup>32</sup> Secondly, the chief function of OPIC is to cover the risk of overseas capital investments despite the fact that investors insist that their right to take profits is based on the risk of their capital. This

curious blend of socialism and capitalism provides a form of welfare benefits for a small powerful segment of the society.

## Restriction of Foreign Trade

The second issue raised by trade legislation before the 93rd Congress is the restriction of foreign imports into our country. Since poor countries rely heavily on their foreign exports as a source of development capital, the impact of this proposal on these nations' access to U.S. markets must be scrutinized carefully from the perspective of global economic justice. In any discussion of U.S. imports, however, consideration of their impact on the American job market is crucial. To pit the American working class, many of whom are jobless or underemployed, against the poor of the Third World violates the principles of social justice. It is therefore necessary to make critical distinctions in considering such trade proposals under the headings of two legitimate and interrelated concerns: 1) open access of American markets to poor nations, and 2) adequate safeguards for American workers.

### *Access to American Markets*

Proposed legislation previously cited would set up quotas or quantitative restrictions on imports. Because there is no differentiation in the bill between goods imported from rich countries and those imported from poor countries, this protectionist provision can only be interpreted by Third World countries as yet another proof of what they have long alleged: that rich countries determine to their own advantage the rules of world trade<sup>33</sup> and that the biggest obstacle to the economic growth of poor countries is the variety of restrictive trade policies imposed by the rich countries.<sup>34</sup>

According to the rules of world trade, poor countries must sell "non-competing products," that is, products which only they can provide, to rich nations at rates and quotas fixed by the rich consumer nations of the north. And, when poor countries produce "competing products" and try to sell them in the markets of the rich, they find high tariff walls protecting both agricultural and processed goods and a host of complex "non-tariff barriers"

restricting the very goods which poor nations can produce best (labor-intensive as opposed to capital-intensive products).<sup>35</sup> Some comment on each of these economic injustices follows.

First, we repeat the plea we made in 1972 "for fairer prices for raw materials." At that time, we stated: "This is particularly compelling in the name of justice because the commercial relationship between our nation and the poor nations is so asymmetric that the rule of so-called free trade is obviously not capable of regulating world trade with justice. Therefore, deliberate measures must be taken so that the importations from these poorer countries can find adequate markets in the U.S."<sup>36</sup>

In this regard, we urge that the United States conclude multi-lateral commodity agreements between producing and consuming nations. In such agreements, producing nations should have a majority, or at least an equal, voice in determining stable, remunerative reference prices of such commodities which, then, shall be accepted as a guaranteed minimum by the consuming countries. These agreements should also contain provisions for the maintenance of adequate reserves to protect against price and supply fluctuations resulting from crop failures.

Trade barriers affect agricultural commodities as well as manufactured products. At present, agricultural protectionism is another instance of trade balances loaded heavily against poor countries. Not only do the rich countries, in effect, close their markets to competing agricultural products from poor countries (e.g., sugar, rice, tobacco, cotton, and cereals), but by their agricultural policies, they also serve often to reduce the sale of these goods in the world market, keeping prices and profits low for the small amount poor countries do succeed in selling.<sup>37</sup>

The above-mentioned U.S. Catholic Conference statement of 1972 extends also to competing manufactured products made in the Third World. Once again we urge that "preferential treatment for their exported manufactured goods must be given to growing nations."<sup>38</sup> In 1968, at UNCTAD II, the nations of the world issued a call for generalized preferences for the poor countries.<sup>39</sup> In 1970, the U.S. government responded to this call and pledged to adopt a General System of Preferences which would allow poor countries to export their products duty free to the rich nations on a world-wide, non-reciprocal basis.<sup>40</sup>

Of the rich countries of the world, only the United States and Canada have not yet acted on their pledge to establish a generalized system of preferences for exports from poor countries. To the degree that Title VI of the Administration's Trade Reform Act serves to honor that pledge, it is commendable. But we wish to record the following serious reservation. The "competitive need" formula specifies that a poor country shall lose preferential treatment if it supplies "50% by value of the total imports of an eligible article or a quantity of that article having a value of more than \$25 million."<sup>41</sup> This provision should either be eliminated altogether or modified to apply only for a given year in which a country has exceeded *both* the \$25 million limit and the 50% value added limitation on a commodity shown to work an adverse effect on U.S. economic interests or on our balance of trade with that country.

Granting a more generous system of trade preferences to poor countries is actually in our own economic self interest, for in the decades ahead we will necessarily become more interdependent with the Third World, which already not only supplies the United States with increasing amounts of energy fuels and raw materials, but also buys one third of our exports and actually provides us with a trade surplus.

The fact remains, however, that policies of rich countries have systematically kept the Third World countries dependent countries, poor customers, and poor bargainers. To illustrate, "The Kennedy Round of tariff negotiations cut in half the tariffs on goods traded between rich countries. But it did almost nothing to tariffs on goods from poor countries, and therefore left these countries relatively worse off than before."<sup>42</sup> Thus, "both the nominal and effective tariff rates of the United States and Western developed countries as a whole are much higher on imports from developing countries than on imports for rich countries."<sup>43</sup> For example, the average American trade barrier against manufactured imports from rich countries was a tariff of 6.8%, while the average post-Kennedy Round tariff for manufactured imports from poor countries was a disproportionate 12.4%.<sup>44</sup>

The existence of such discriminatory tariff rates illustrates the principle of Anglo-American contract law that the cruelest form of inequity is to treat as equals before the law parties who, in

fact, have grossly unequal bargaining power. Hence, global justice demands generalized preferences for Third World countries to enable them to counteract in some measure the innumerable handicaps and economic disadvantages they now experience in trying to gain access to the "open" markets of the rich.

Some poor countries may gain modest benefits from the Generalized System of Preferences proposed in the Trade Reform Act of 1973, but this proposal is so hedged with the restrictive limitations mentioned above, that only one-tenth of all imports from poor countries in 1971 would actually have received preferential treatment.<sup>45</sup> Even if the restrictions on preferences are amended according to our suggestion noted above, the demand, in justice, of poor countries to participate meaningfully in major trade negotiations which initially affect their destiny, would remain. Hence if the Congress is willing to delegate to the President the authority to negotiate new agreements on tariffs and non-tariff barriers to trade, it should, as a minimum, require that the poor countries be invited to participate in such negotiations.<sup>46</sup>

In addition, non-tariff barriers such as import quotas can be just as discriminatory against poor countries. As a general rule, poor countries potentially have a comparative advantage in specializing in exports requiring labor-intensive production and exports of products made from raw materials indigenous to their area. This is true because these nations have a larger source of manpower available and transportation of a final product is considerably less expensive than the costs of shipping raw materials in their crude state. Import quotas, then, are particularly unjust when they inhibit the flow, and therefore the production, of those goods well-suited for manufacture in poor countries.

### *Safeguards for American Workers*

This assessment of world trade generally meets with strong opposition from organized labor in the United States, which rightly points out that while some benefits might accrue to the economy as a whole by allowing open access to our markets, the costs of this policy are paid by a specific group of American workers, usually on the lower scale of our economy.

It is critical, in all of this, that the poor of the Third World are not made the "enemy" of the American worker. Both groups,



in fact, are often victims of economic injustice. Hence, the energy focused on establishing restrictive trade barriers might better be focused on overcoming the frequent indifference of large sectors of our society and of our government to the problem of unemployment and underemployment. To this end, it is imperative that the Congress effect a full employment policy such as was enacted at the end of World War II, in the Employment Act of 1946, with such programs as domestic economic development, accelerated public works, and expanded public service employment. In addition, Congress should heed the demands of organized labor for a stronger minimum wage law and for adequate funding of manpower training programs.

Organized labor in the United States has also warned against the danger of encouraging "sweatshop" wages for poor countries. Pope Paul VI's query about why foreign investors and multinational corporations apply "inhuman principles of individualism when they operate in less developed countries" cannot be ignored.<sup>47</sup>

At the very least, "wages paid in labor-intensive export industries should not be lower than those for similar work in other manufacturing activities of the country, or should be in line with the general wage level of the country as a whole."<sup>48</sup> As for minimally acceptable labor standards, "a prerequisite would be that employment conditions in exporting firms and industries should not be inferior to those in other comparable industries in the country concerned."<sup>49</sup>

To go beyond these minimum requirements and take a more advanced step toward effecting social justice, we support, for example, proposed legislation to bring employment practices of U.S. firms in South Africa into conformity with legislation for equal employment opportunity in the United States.<sup>50</sup>

It is only equitable that no individual or group bear a disproportionate share of the burden to realize benefits for the common good. Hence, any worker whose job is affected by imports should be given prompt and adequate compensation, either in the form of another job for which he is trained, or in the form of continuance of his prior wage and fringe benefits until another suitable job is available. The Social Fund of the European Common Market, and the Amtrak provisions in our country, provide

empirical evidence that adjustment assistance can serve to protect American workers against adverse effects from imports from poor countries.

We again, therefore, urge the Congress to pass legislation implementing a program of full adjustment assistance.<sup>51</sup> The provisions of Title II of the Trade Reform Act are inadequate on two counts. Alone of all the measures on adjustment assistance before the Congress, the Administration bill recommends cuts in both the level and the duration of benefits for the American worker adversely affected by imported goods. Secondly, rather than expanding the meager existing benefits in the forms of loans, technical assistance, and tax relief for small businessmen similarly affected by imports, it eliminates all such benefits granted under the Trade Expansion Act of 1962. Since the cost of an effective adjustment assistance program is relatively low and the benefits to consumers for allowing imports from poor countries are high,<sup>52</sup> a full adjustment assistance program is called for. In this way, justice for poor countries will not produce economic injustice at home.

The concerns expressed above for American labor also apply to small farmers and farm workers affected by changes in import policies. Small producers with large capital investments in the production of a given commodity face tremendous losses when their markets are lost to foreign imports. Some assistance should be assured to those least able to adjust to the changes which might result from trade agreements.

Negotiations in agricultural trade should not be undertaken without an awareness of the impact of commodity agreements on American producers. Our commitment to a family farm agriculture in the United States will only be upheld if small producers are protected from the losses which result from deflated market prices. It is unreasonable and unfair to build a favorable American trade balance on excessively low farm prices.

## Conclusion

The creation of more equitable international trade structures is meaningless, of course, if these structures are not linked with

serious efforts to promote social justice within and by the poor countries themselves. The United States and the world community should support such efforts whenever they occur in poor nations. If denied these means, however, of increasing their productive capacities, these nations will be unable to achieve real political and economic independence, that is, development.<sup>53</sup>

Therefore, a more equitable structure of world trade is absolutely essential to the promotion of social justice. We believe that such restructuring is possible because people are becoming more aware of the profound reality that all persons are united in one human family. Furthermore, we believe people are capable of restraining impulses of cupidity and selfishness when encouraged by community standards to do so.

In view of this, we are impelled to speak out against forces which are divisive of the human family, such as the cupidity of private corporations and narrow national self-interest. We believe confidently in the possibility of liberating men from economic injustices, and in the desire of the American people to promote that liberation.

## Footnotes

<sup>1</sup> Vatican Council II, "Pastoral Constitution on the Church in the Modern World," 1963, n. 63.

<sup>2</sup> *Ibid.*

<sup>3</sup> World Synod of Bishops (1971): ". . . we have perceived the serious injustices which are building around the world of men a network of domination, oppression and abuses which stifle freedom and which keep the greater part of humanity from sharing in the building up and enjoyment of a more just and more fraternal world . . ." "Justice in the World," Division of Justice and Peace edition, p. 1.

<sup>4</sup> Cf. Mt. 25: 31-46.

<sup>5</sup> Cited in Paul VI, "On the Development of Peoples," 1967, n. 23.

<sup>6</sup> World Synod of Bishops, *op. cit.*, p. 5.

<sup>7</sup> The Foreign Trade and Investment Act of 1973, S. 151 by Mr. Hartke, H.R. 62 by Mr. Burke; and the Administration's Trade Reform Act of 1973, H.R. 6767 by Mr. Mills.

<sup>8</sup> Pius XI, "On Reconstructing the Social Order," 1931, nn. 105-106.

<sup>9</sup> *Ibid.*, n. 109.

<sup>10</sup> Paul VI, "On the Development of Peoples," 1967, n. 26.

<sup>11</sup> *Ibid.*, n. 23.

<sup>12</sup> Vatican Council II, *op. cit.*, n. 85.

<sup>13</sup> Paul VI, *op. cit.*, n. 58.

<sup>14</sup> *Ibid.*, n. 59.

<sup>15</sup> Raymond Vernon, "Multinational Enterprises and National Security," London: The Institute of Strategic Studies, 1971, p. 21.

<sup>16</sup> Paul VI, *op. cit.*, n. 70.

<sup>17</sup> Paul VI, "A Call to Action," 1971, n. 44. These "autonomous strategies" can have harmful effects on poorer nations development plans. For example, through modern advertising techniques, markets are created for products unrelated to the real development needs of these countries. The Pearson Report (*Partners in Development*, New York: Praeger, 1969, p. 122) noted that "private capital flows are simply not available to finance many of the investments which are a prime need in developing countries—schools, roads, hospitals, irrigation." Furthermore, the kind of technology stimulated by the investments is often counter-developmental. "Each car which Brazil puts on the road denies fifty people good transportation by bus. Each merchandized refrigerator reduces the chance of building a community freezer." (Ivan Illich, "Planned Poverty: The End Result of Technical Assistance," *Celebration of Awareness*, New York: Doubleday, 1971.)

<sup>18</sup> USCC "Pursuing Peace: Working for Justice," 1972. One example of such regulations affects the seabeds which contain unmeasured quantities of wealth. The USCC supports the Draft Seabed Treaty which provides "that the resources of the deep ocean floor would be under the jurisdiction of an inter-

national regime, and that revenues collected from their sale be used for international development purposes."

<sup>19</sup> Cited in USCC "Economic Power in a Shrinking World," 1972. Bishop Alexander Carter, "The Problems Which Sovereign Super-States and Multi-national Corporations Present to the Building of a World Community," Address at the World Synod of Bishops, Rome, 1971.

See Senator Javits' proposal for extending the General Agreement on Tariff and Trade (GATT) to international investment, 117 Congressional Record S6275 (March 5, 1971); Robert Sarnoff, Jr., Chairman of the Board of Directors of RCA, Address in Liege, Belgium, May, 1971.

<sup>20</sup> S. 151 and H.R. 62.

<sup>21</sup> Peggy B. Musgrave, "Tax Preferences to Foreign Investment," *The Economics of Federal Subsidy Programs*, (A Compendium of Papers submitted to the Joint Economic Committee of the Congress, June 11, 1972), p. 192, cf. pp. 188-193.

<sup>22</sup> S. 151 and H. R. 62.

<sup>23</sup> Musgrave, *op. cit.*, p. 186, cf. pp. 185-188.

<sup>24</sup> Paul VI, "On the Development of Peoples," n. 51.

<sup>25</sup> Paul VI, "A Call to Action," n. 44.

<sup>26</sup> See Senate staff report, "The Multinational Corporation and the World Economy," Senate Finance Committee, Feb. 26, 1973.

<sup>27</sup> See report and hearings "International Telephone Company and Chile, 1970-1971," Senate Sub-Committee on MNC's, 1973.

<sup>28</sup> Examples of such coalitions are the Organization of Petroleum Export Countries (OPEC), the coalition of coffee-producing nations (the "Geneva Group"), and the copper-producing nations (CIPEC). Paul VI spoke favorably of such coalitions in "A Call to Action," #64.

<sup>29</sup> In the 22 years 1950-1971, new direct U.S. foreign capital investment overseas totaled \$46.3 billion, while income from direct foreign investment amounted to \$88.4 billion. Department of Commerce *Survey of Current Business*, June 1972 and October 1972 issues.

<sup>30</sup> Two foreign U.S.A. based MNC's recently received no net compensation for property nationalized by the Assembly of Chile. The decision was made on the grounds that it is legitimate to deduct from the total compensation owed to the MNC the amount of profits made in excess of a legitimate profit of 12% on their return. The figure of 12% was based on the rate of profits made by the companies in their worldwide operations as contrasted to the excessive rate of up to 156% made on their investment in Chile. See "International Legal Materials," Vol. 10 (1971) and Vol. 11 (1972).

<sup>31</sup> J. S. Meth, "U.S. Law of Usury," *New Catholic Encyclopedia*, 1967, Vol. 14, p. 500.

<sup>32</sup> Frank Church, "A Farewell to Foreign Aid," *Development Today*, New York: Praeger, 1972, p. 259.

<sup>33</sup> "[Third World Nations] recent *de facto* exclusion from discussions on world trade . . . which vitally affect their destiny [is] an example of lack of power which is inadmissible in a just and responsible world order." World Synod of Bishops, *op. cit.*, p. 18.

<sup>34</sup> Cf. Jan Tinbergen, "Trade Policy and Economic Growth," *International Labor Review*, Vol. 101, No. 5 (May 1970), pp. 435-440.

<sup>35</sup> Cf. Marion Gallis, *Trade for Justice: Myth or Mandate?* Commission on Church's Participation in Development, Geneva, 1972, pp. 23-73.

<sup>36</sup> USCC, "Pursuing Peace: Working for Justice," 1972.

<sup>37</sup> Marion Gallis, *op. cit.*, pp. 37-46.

<sup>38</sup> USCC, *op. cit.*

<sup>39</sup> UN Publications. TD/97 Vol. 1, New York, 1968.

<sup>40</sup> Report of the Special Committee on Preference, Trade and Development Board, UN Publications. TD/B/AC5/36 /Rev. 1/ Supp. No. 6A, New York, 1971.

<sup>41</sup> H.R. 6767, Sec. 605 (c).

<sup>42</sup> James P. Grant, "Jobs and Justice," *Development Today*, New York: Praeger, 1972, p. 150.

<sup>43</sup> Guy Erb, "Trade Preferences and Multilateral Negotiations," Testimony to House Ways and Means Committee, May 18, 1973, p. 11.

<sup>44</sup> Comparable average effective rates, calculated by taking into account additional duties on imported inputs for production, were 11.6% on rich country imports, and 23.9% on poor country imports.

<sup>45</sup> Charles Frank, "The Trade Reform Act and U.S. Trade Policies Toward Developing Countries," Testimony to House Ways and Means Committee, May 18, 1973, p. 4.

<sup>46</sup> World Synod of Bishops, *op. cit.*, item 4, p. 18.

<sup>47</sup> Pope Paul VI, *op. cit.*, n. 70.

<sup>48</sup> Marion Gallis, *op. cit.*, p. 21.

<sup>49</sup> *Ibid.*

<sup>50</sup> USCC, *op. cit.*

<sup>51</sup> USCC, *op. cit.*

<sup>52</sup> Charles Frank, *op. cit.*, p. VI.

<sup>53</sup> "If developing nations and regions do not attain liberation through development, there is real danger that the conditions of life created especially by colonial domination may evolve into a new form of colonialism in which the developing nations will be the victims of the interplay of international economic forces." World Synod of Bishops, *op. cit.*, p. 5.



