

Many large U.S. corporations are not listed on foreign stock exchanges; other U.S. companies are listed on exchanges of some countries but not on others. Although most foreign trading in listed U.S. corporate securities will probably continue to take place on exchanges in New York, listing of such securities on foreign securities exchanges should stimulate their purchase by foreigners. Financial and other information regarding U.S. corporate issuers derived from listing applications and reporting requirements would be disseminated abroad in local languages. Also, listing would assist in creating local markets for such securities, an important consideration in connection with local public offerings or large private placements of securities.

After initial holdings of their stock abroad have been established, U.S.-based international corporations should make every effort to insure adequate continuing local markets for the shares.

Maximizing the Use of Foreign Sources of Debt Financing

Foreign debt financing raises fewer policy issues for U.S. corporations with foreign subsidiaries than does the issuance and sale of equity securities. The primary factors to be considered are the relative availability of loan funds, the costs of such financing considered in conjunction with exchange risks, and the basic characteristics of local sources of finance.

Many countries strictly limit access to their capital markets by all borrowers. They also limit the amount of credit even if access is gained. It should be emphasized, however, that these limitations are less severe with respect to local companies, even though they may be affiliates of U.S. parent corporations.

Generally speaking, the level of interest rates and other financing costs tend to be higher abroad. These costs and other limitations have been of greater importance in long-term debt issues than in short- and medium-term financing from banks and other financial institutions. Accordingly, many oversea subsidiaries have relied on short-term financing to a greater degree than would be considered sound financial practice in domestic operations.

Such short-term loans are actively sought by foreign banks and foreign affiliates of U.S. banks, within the limits of available funds and local government policies. These banking connections have become important sources of local influence and information for U.S. business firms operating abroad. Consequently, they are often relied on even where costs may be somewhat higher than for other sources of financing.

In this connection, the Task Force notes that the ability of oversea branches and affiliates of U.S. banks to provide foreign debt financing is enhanced by making Public Law 480 and other counter-