

ment out of receipts from the sale of surplus agricultural commodities under Public Law 480.

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*Recommendation No. 27:*

In cases where new capital is required, U.S.-based international corporations should consider, in appropriate cases, broadening local ownership by offering in foreign capital markets bonds or preferred stock of their local affiliates convertible into common shares of the U.S. parent corporation.

Convertible securities should appeal to foreign investors because they can be designed to provide—in addition to conversion privileges—the interest rate, maturity, sinking fund, redemption, and other provisions conforming to the local markets' requirements. Whether converted or not, and whether issued in dollar denominations or in the currency of a foreign country, the sale of such securities would reduce the amount of direct dollar investment by U.S. parent companies. As the issuer of the securities would be a foreign subsidiary, a foreign purchaser would be free of U.S. tax on the dividends or interest payments, although shares issued on conversion would be those of the U.S. parent.

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*Recommendation No. 28:*

U.S.-based international corporations should be encouraged to make available, through trade or banking channels, specific case studies of foreign financing operations to small- or medium-sized U.S. firms interested in foreign operations but less aware of foreign financing opportunities.

As we have seen, commercial banks and agencies of foreign governments provide U.S. firms with information on foreign financing. Industrial corporations and trade associations through well-organized programs could supplement this information by providing special information for U.S. firms planning to operate abroad. Specific case studies of foreign financing operations of individual industrial corporations could be distributed by the corporations themselves or by business schools and business and financial organizations. Such studies would also be appropriate for seminars in schools of business administration. They would be invaluable to small- and medium-sized corporations which may be less aware of the opportunities for foreign financing and its implications for the U.S. balance-of-payments problem.