

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.

(a) IBM World Trade has issued debentures in France, Italy, and the United Kingdom.

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.

(a) IBM World Trade has so cooperated by participating in the American Management Association seminars on the financing of foreign operations.

MANUFACTURING CHEMISTS' ASSOCIATION, INC.,
Washington, D.C., June 30, 1965.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The Manufacturing Chemists' Association, Inc., wishes to present its views regarding the provisions of H.R. 5916, a proposed act to remove tax barriers to foreign investment in the United States. The association is a nonprofit trade association of 196 U.S. member companies, large and small, that together account for more than 90 percent of the productive capacity of the chemical industry in this country.

Many U.S.-based international corporations have deemed it both advantageous and in the national interest to finance their foreign operations in a manner which minimizes outlays of U.S. dollars. This action has been taken in response to the President's request for the cooperation of the business community in alleviating the deficit in the U.S. balance of payments and is consistent with recommendations 25, 26, and 27, of the report to the President from the task force on "promoting Increased Foreign Investment in U.S. Corporate Securities and Increased Foreign Financing for U.S. Corporations Operating Abroad".

In recent months there has been an indication of increased offerings of bonds in foreign capital markets as specifically suggested in recommendation No. 27 to raise funds for expansion of business operations abroad without detriment to the U.S. balance-of-payments position. As an inducement to foreign purchasers it was noted in the commentary on recommendation No. 27 that, since the issuer of the securities would be a foreign subsidiary, the purchaser would not have to cope with U.S. tax problems.

In making such offerings U.S. corporations have not always found it expedient to have each of their foreign subsidiaries issue securities abroad, but rather to centralize issuance in one entity established for the purpose of financing the subsidiaries in that manner. In addition,