by local borrowings. The company plans to continue this policy.

It has been the practice of the company, wherever practicable, to minimize the outlay of U.S. dollars and to finance foreign operations in foreign currencies.

The company follows the practice in several foreign countreis, accepting the burden of higher interest rates to make this possible. To the extent that foreign currencies are available, the company expects to continue to finance foreign operations in this manner.

The company has sought to do this in one foreign country but has not been successful. However, the company hopes to change this, and is now attempting to arrange sources of financing in the local currency.

The company noted that it has been active in connection with all recommendations of the Fowler task force. Particular emphasis, however, has been directed to the financing and ownership of foreign operations. It has always been the policy of the company to encourage local participation in the ownership of operations outside the United States and in practically all instances there is such ownership. In addition, these foreign operations are financed as largely as possible through local borrowings and the expansion of these operations has been on the basis of funds generated locally.

During 1964 company undertook to increase its overseas borrowing in the so-called developed areas by a substantial margin. In line with the recommendations of the Fowler task force and, more recently, the President's voluntary program to assist the balance of payments, the company intends for the future to make every reasonable effort to finance its overseas investments from foreign sources. A further substantial net increase in borrowing is anticipated in 1965.

Company is aware of the desirability of minimizing the outlay of cash in the financing of foreign operations.

In many instances, a large amount of the fixed investment in new manufacturing plants is represented by machinery shipped from the United States. In addition, where feasible, company strives to take advantage of inducements offered by governments in the establishment of new manufacturing facilities, which will minimize the use of cash from the United States.

Recommendation 27

This recommendation concerns the offering in foreign markets of bonds or preferred stock of U.S. corporations convertible into common shares.

The response to this particular recommendation was comparatively unenthusiastic—typical of the replies are the following:

Recommendation does not appear practical to company at this time because conversion of securities issued by foreign