Business Roundtable℠

Foreign Operations of Globally Engaged American Companies Boost Foreign Sales

Global demand for American goods and services creates extraordinary opportunities for American companies and their employees, which benefits the U.S. economy and boosts American living standards. Foreign markets represent 95% of the world's population and 80% of the world's purchasing power. In many cases, in order to grow, American companies must expand in worldwide markets.

U.S.-based international companies must *be there to sell there*

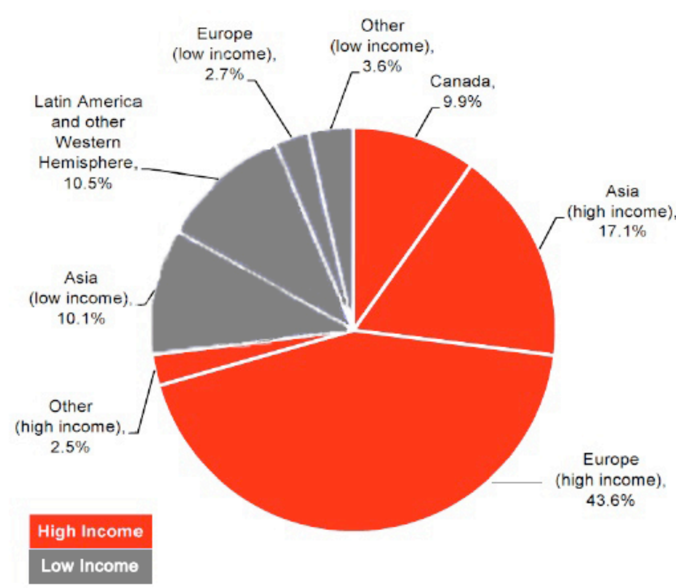
- Exports alone do not suffice. Over the past 40 years, exports by U.S. companies have doubled relative to the size of the economy, but companies cannot rely solely on exports to penetrate foreign markets.

- Local operations may be necessary to market products effectively to foreign consumers, cut transportation costs, avoid tariff barriers, and meet local content requirements.

- In 2010, sales by majority-owned foreign affiliate of globally engaged American companies totaled nearly $5.2 trillion.

- In 2010, over 90% of the sales of U.S. foreign affiliates were to foreign markets.

Most U.S. Investment Abroad is in High-Income Countries (Sales by Location, 2010)



Source: U.S. Bureau of Economic Analysis

- Services provided by foreign affiliates often cannot be exported and must be supplied locally. In 2010, foreign affiliates in service industries represented 64% of all U.S. foreign affiliates and 52% of employees in foreign affiliates.

Worldwide American companies primarily operate in high-wage countries

- In 2010, high-income foreign countries accounted for 71% of the worldwide production by U.S.-owned foreign affiliates. In fact, nearly one-third of affiliate output is accounted for by just 3 countries: the United Kingdom (12.3%), Canada (10.4%) and Germany (6.8%).

Global operations enhance U.S. competitiveness

- Global operations are often critical to growth and achieving efficiencies in production that reduce operational costs.

- Expanded foreign markets strengthen innovation and contribute to the development of cutting edge technology by American companies. Investments in R&D and innovative new technologies are costly and are most profitably undertaken by companies that can attain a large volume of sales because of the scale economies that can be realized. If U.S. companies are unable to expand through their affiliates in foreign markets, they also become less competitive in our home market.

U.S.-based international companies face increasing foreign competition in U.S. and foreign markets

- Fifty years ago, 17 of the largest 20 companies in the world were headquartered in the United States. By 2011, only three of the largest 20 non-financial companies and two of the largest 20 financial companies ranked by their foreign activities are headquartered in the United States.

- As costs of communication and transportation have fallen, U.S. companies must continue to compete globally in order to be successful at home, generate good jobs for Americans, and maintain U.S. economic growth.

For a list of source documents and additional research, please see the Business Roundtable fact sheet, "Further Reading on International Tax Issues."

Let's maintain the foundation for sustained economic growth.
Business tax policy must promote U.S. international competitiveness.

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