Business Roundtable℠

Facts About Tax

Foreign Investment by Globally Engaged American Companies Expands the American Economy

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Overseas operations by American companies expand the American economy by creating a demand for American products and services.

MYTH: ***U.S. companies invest abroad to avoid U.S. taxes and to lower the cost of producing goods for U.S. consumers.***

FACT: Globally engaged American companies invest abroad primarily to penetrate foreign markets, which represent 95% of the world's population and 80% of the world's purchasing power. These foreign operations help American companies market products effectively to foreign consumers, cut transportation costs, avoid tariff barriers, meet local content requirements, and provide services locally. U.S. Department of Commerce data show that over 90% of the sales of U.S. foreign affiliates were to foreign markets.

MYTH: ***U.S. companies operate abroad primarily in low-wage countries.***

FACT: Globally engaged American companies invest primarily in the foreign markets they seek to serve. U.S. Department of Commerce data show that 71% of the production of all U.S. foreign affiliates took place in high-income foreign countries.

MYTH: ***Foreign operations of U.S. companies reduce U.S. jobs and U.S. wages.***

FACT: Global demand for American products and services made possible by the foreign operations of globally engaged American companies benefits the American economy and boosts American living standards. Because U.S. foreign affiliates frequently rely on supplies and services provided by the U.S. parent company, foreign investment expands U.S. jobs and increases U.S. exports. It is estimated that each additional dollar of foreign investment increases the nation's trade surplus by $1.70.

MYTH: ***Current U.S. international tax provisions erode the U.S. tax base.***

FACT: The U.S. corporate rate (both statutory and effective) is already among the highest in the world.

Current U.S. international tax rules providing deferral support U.S. economic competitiveness by attempting to level the playing field by maintaining a measure of comparability between the taxes paid by globally engaged American companies and those paid by foreign-based international companies on their foreign operations.

Further increases in U.S. international taxes would place globally engaged American companies at a significant disadvantage relative to their foreign-based competitors in the pursuit of foreign markets. Over time, American companies would be unable to compete profitably against foreign corporations, leading to reduced employment and lower wages at U.S. companies. By increasing the ability of U.S. companies to compete in foreign markets, current U.S. international tax rules expand the U.S. tax base.

Current U.S. international tax rules providing deferral permit globally engaged American companies to compete on a more level basis with their foreign competitors, which increases U.S. jobs, raises our standard of living and grows the economy.

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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March 2013