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U.S. Workers Keeping PACE with the World

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Foreign Operations of Worldwide American Companies Boost Foreign Sales

- American companies selling goods and services in markets both at home and abroad face formidable competition that requires tax policies that enable them to compete on a level playing field. The Levin Amendment would require that new burdens of income tax be imposed that foreign-based competitors would not be required to pay.
- Fifty years ago, 17 of the largest 20 companies in the world were headquartered in the United States. By 2010, only three of the largest 20 nonfinancial companies and two of the largest 20 financial companies ranked by their foreign activities are headquartered in the United States.
- 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 more than 80% of the world's purchasing power. In many cases, in order to grow, American companies must expand in worldwide markets.
- In 2009, 91% of the sales of U.S. foreign affiliates were to foreign markets. These sales enable meaningful growth in high paying jobs here in the United States that support the growth in new developing markets around the world.
- 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.
- Local operations may be necessary to market products effectively to foreign consumers, cut transportation costs, avoid tariff barriers, and meet local content requirements. In 2009, sales by majority-owned foreign affiliate of worldwide American Companies totaled nearly $4.9 trillion.
- 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.
- Services provided by foreign affiliates often cannot be exported and must be supplied locally. In 2009, foreign affiliates in service industries represented 64% of all U.S. foreign affiliates and 51% of employees in foreign affiliates.
- The Levin Amendment would be imposed at precisely the time it would do the most harm to American firms selling and competing in foreign markets. Just as there appears to be a light at the end of the recession tunnel, American firms would be saddled with new burdensome taxes that harm the ability to grow new business in the developing markets around where demand is high.