Business Roundtable

Rhode Island Depends on Globally Engaged U.S. Companies

Overview

- Rhode Island's economy includes 318 U.S. companies that operate internationally, competing in global markets on a daily basis for inputs, capital, and customers.
- These globally engaged U.S. companies serve as a critical engine of economic growth and source of employment in Rhode Island — accounting for 39% of Rhode Island's private-sector economic output and 36% of its private-sector jobs in 2011.
- These companies operate in a highly competitive global marketplace in which differences in national tax systems can be a decisive factor in where companies choose to invest.
- A more competitive U.S. corporate tax system can help sustain and expand the critical contributions that these companies make to Rhode Island's state economy, local communities, and working families.

How Do Globally Engaged U.S. Companies Contribute to Economic Growth in Rhode Island?

Rhode Island's economy includes 318 companies that operate internationally, competing in global markets on a daily basis for inputs, capital, and customers. These globally engaged U.S. companies serve as a critical engine of economic growth for the state. For instance, they directly contributed $7.2 billion to Rhode Island's economy in 2011. In addition, these companies indirectly contribute to the state economy by purchasing raw materials, intermediate products, professional services, and other inputs from other local businesses. They also serve as a source of income for workers in local communities, paying on average $69,300 per job in wages, salaries, and fringe benefits in 2011. These payments boost consumer spending and drive additional economic activity throughout the state. Ultimately, all globally engaged U.S. companies directly and indirectly contributed $17.1 billion to Rhode Island's economy in 2011 — accounting for 39% of the state's private-sector gross domestic product.

Globally Engaged U.S. Companies in Rhode Island

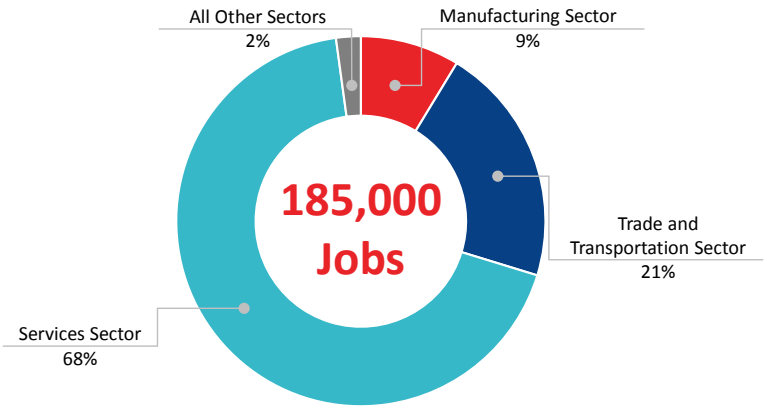
Contribution to Rhode Island's GDP by All Globally Engaged U.S. Companies

Jobs in Rhode Island Supported by All Globally Engaged U.S. Companies

Average Wages & Benefits Paid by Rhode Island's Globally Engaged U.S. Companies

How Do Globally Engaged U.S. Companies Contribute to Job Creation in Rhode Island?

Jobs Supported by Globally Engaged U.S. Companies
Percent of Total, By Sector

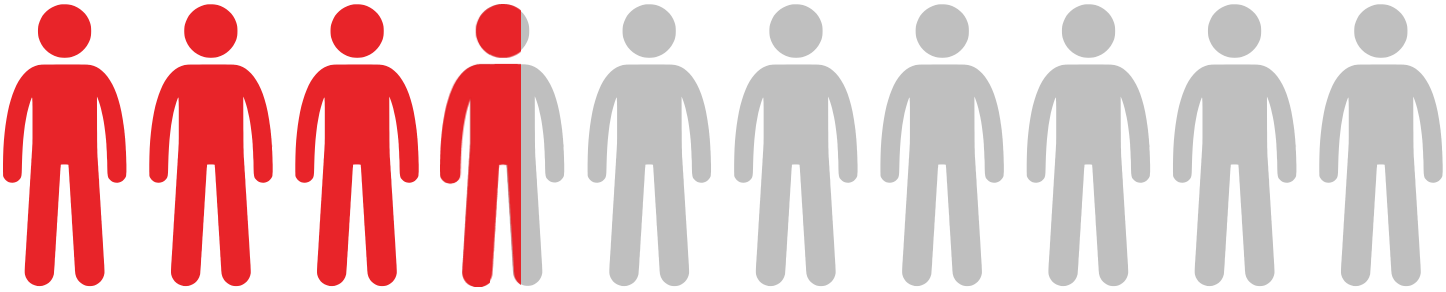


Globally engaged U.S. companies directly provided 60,100 jobs in Rhode Island in 2011, including 28,500 jobs in the services sector, 16,200 jobs in the trade and transportation sector, and 14,900 jobs in the manufacturing sector. These companies also indirectly support employment throughout local communities by purchasing goods and services from other local businesses in Rhode Island. In fact, such purchases supported an additional 48,400 jobs throughout the state in 2011, including 9,800 jobs in professional and scientific services and 8,200 jobs in administrative services. Finally, these globally engaged U.S. companies, as well as their suppliers, provide their workers with a source of income, which increased consumption spending and supported an additional 73,800 jobs in 2011, including 21,300 jobs in health care and social assistance and 12,600 jobs in retail trade.

In addition to providing their workers with a source of income in the form of wages and salaries, globally engaged U.S. companies provided $591.3 million in dividend payments to Rhode Island residents in 2011. These payments serve as another source of income to local residents, thereby providing an additional boost to the state's economy through the induced economic activity associated with increased consumer spending. In fact, these dividend payments supported an additional 2,700 jobs throughout Rhode Island in 2011.

In all, globally engaged U.S. companies directly and indirectly supported 185,000 jobs throughout Rhode Island in 2011 — accounting for 36% of Rhode Island's private-sector employment.

Globally Engaged U.S. Companies Account for 36% of Rhode Island's Total Private-Sector Employment

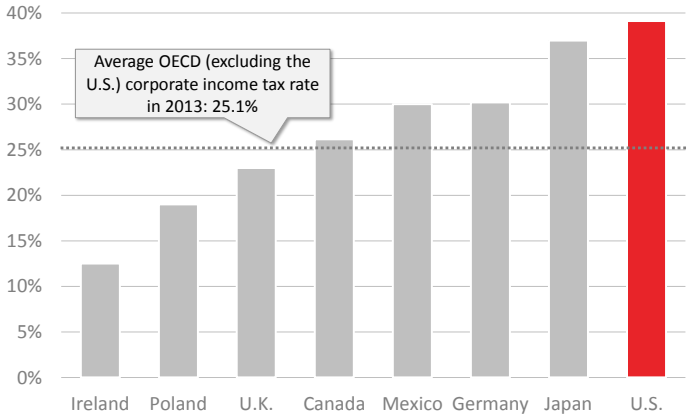


How Can We Sustain and Expand the Contributions of Globally Engaged U.S. Companies?

U.S. companies operate in a highly competitive global marketplace. As cross-border trade and investment have increased, the field of competition has widened in many industries. In this environment, differences in national tax systems can be a significant factor in where companies choose to invest.

Unfortunately, the current U.S. corporate tax system has become an outlier relative to the tax systems of our trading partners. The United States maintains the highest statutory corporate tax rate among OECD countries. In addition, the United States still uses an antiquated system of worldwide taxation, which imposes a second round of taxes on foreign earnings for U.S. companies.

OECD Statutory Corporate Income Tax Rates 2013



Source: OECD

Reforming the U.S. corporate tax system by reducing corporate tax rates and revising international tax rules would make the United States a more attractive location for companies to invest and base their global headquarters, while also encouraging them to return their foreign earnings for investment throughout the United States, including Rhode Island. Ultimately, a more competitive U.S. corporate tax system is critical to sustaining and expanding the contributions that globally engaged U.S. companies make to Rhode Island's economy, local communities, and working families.

Globally Engaged U.S. Companies in Rhode Island: Summary of Economic Contributions, 2011

Indicator	Direct Contribution*	Indirect Contribution**	Total Contribution	Contribution as a % of State Private Sector
Jobs	60,100	124,900	185,000	36%
Payroll	$4.2 B	$6.6 B	$10.7 B	39%
Value-Added	$7.2 B	$9.9 B	$17.1 B	39%

*The direct contribution consists of employment, payroll, and production of globally engaged U.S. companies in the state.

**The indirect contribution consists of employment, payroll, and production supported by globally engaged U.S. companies through their supply chains, the consumption spending of the people they employ directly or indirectly, and the consumption spending associated with the dividends they pay.

For purposes of this analysis, a globally engaged company is defined as a U.S. company that conducts operations abroad through a 10-percent or more owned foreign affiliate.

Source: PwC, *The Economic Impact of Globally Engaged U.S. Companies*, July 2013. Unless otherwise specified, all data referenced in this document are taken from this report.