



International Tax Policy Forum

2017 ITPF INTERNATIONAL SCORECARD

BACKGROUND

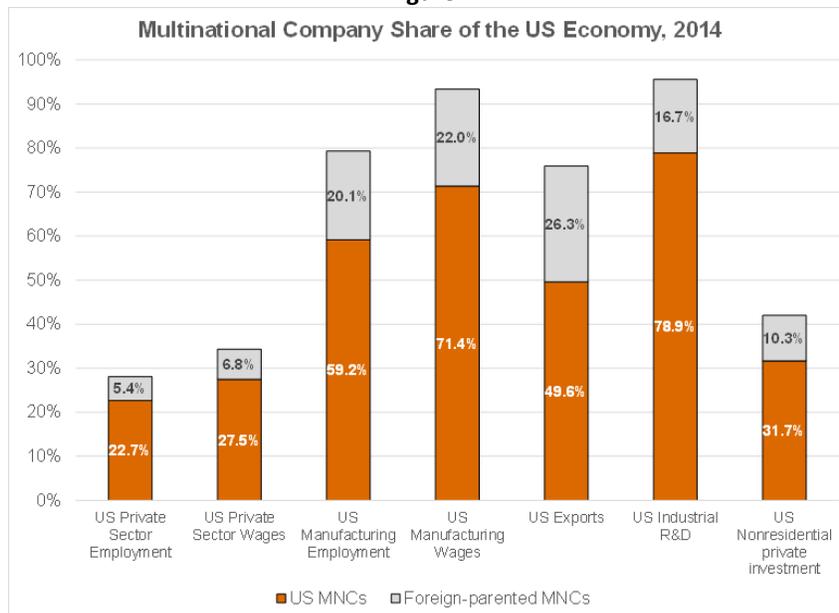
The International Tax Policy Forum (ITPF) International Scorecard tracks the contribution of US and foreign multinationals to the US and global economies based on various government and private data sources. The 2017 Scorecard includes the most recent available data, which is for 2014, 2015 or 2016 depending on the source.

CONTRIBUTION OF MULTINATIONALS TO THE US ECONOMY

In 2014, multinational companies in the United States, including the parent companies of US multinationals and the US subsidiaries of foreign companies, directly accounted for 42% of nonresidential private investment, 28.1% of all private sector employment, 34.3% of private sector wages, 79.3% of manufacturing employment, 93.4% of manufacturing wages, 75.8% of US exports, and 95.6 percent of US industrial R&D (see **Figure 1**). Taking into account purchases from domestic suppliers, the contribution of multinational companies to the U.S. economy is even larger.¹

In addition, employees of multinational companies in the United States are compensated at 21% higher rate than the average for all U.S. employees.

Figure 1



¹ See, PwC, *Economic Impacts of Globally Engaged US Companies*, May 2016, available at: http://businessroundtable.org/sites/default/files/Economic%20Impacts%20of%20Globally%20Engaged%20US%20Companies_FINAL%20for%20Distribution_0.pdf and Organization for International Investment, *Chain Reaction: Global Investment Works for America*, May 2012, available at: http://www.investmentpolicycentral.com/sites/default/files/OIIF_CHAINREACTION_REPORT.pdf



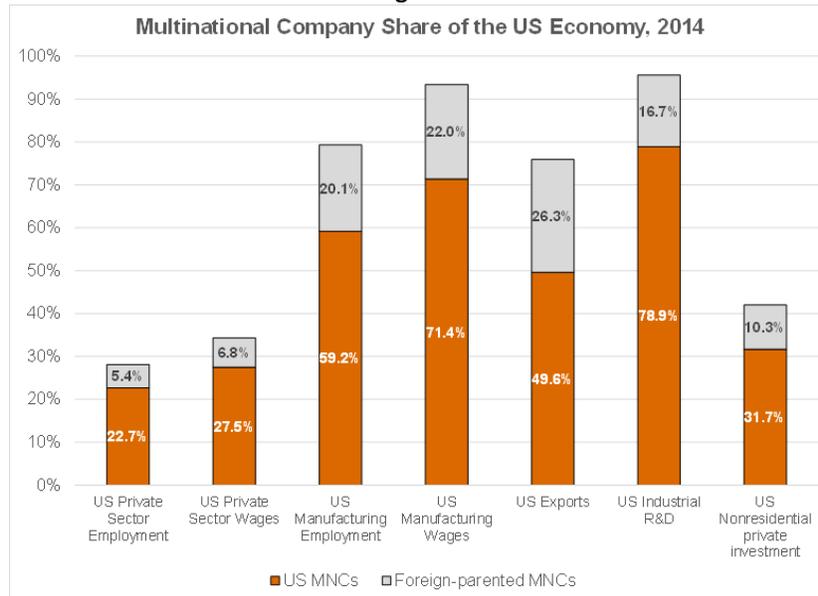
International Tax Policy Forum

FOREIGN AFFILIATES OF US MULTINATIONALS

Academic research has concluded that the foreign operations of multinational companies augment rather than substitute for their domestic economic activity.² Between 2010 and 2014, total employment in the foreign affiliates of US multinationals increased by 2.3 million workers while, over the same period, total employment in US parent companies increased by \$3.8 million workers.

While accounting for just 25% of the investment and compensation of US multinationals' worldwide operations, foreign affiliates generated over 51% of their worldwide profits. These profits support the ability of US multinationals to employ US workers at above average U.S. wages and to fund R&D – 83% of which takes place in the United States (see **Figure 2**).

Figure 2



THE UNITED STATES IN THE WORLD ECONOMY

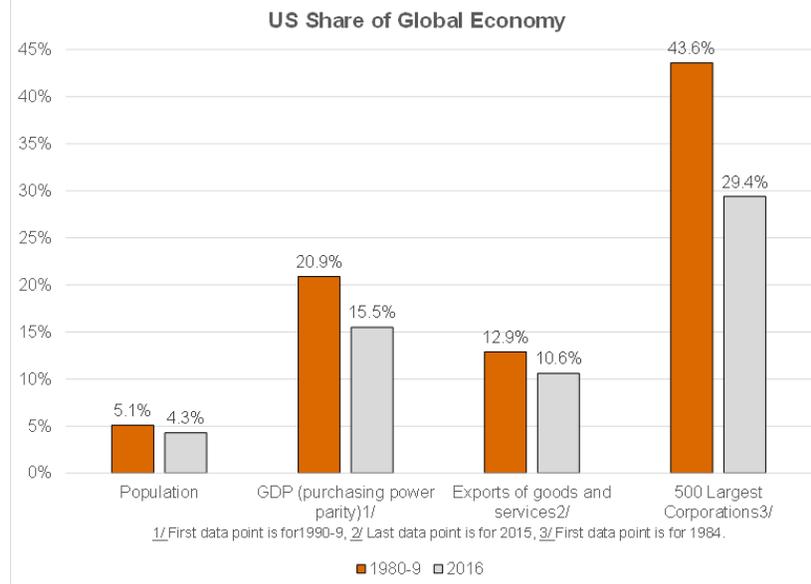
In 2016, the with just 4.3% of the world's population, the United States accounted for 15.5% of global GDP (measured using purchasing power parity exchange rates), and 20.6% of annual cross-border direct investment (see **Figure 3**).

² See, M. Desai, C. F. Foley, and J. Hines, Jr. "Domestic Effects of the Foreign Activities of U.S. Multinationals," *American Economic Journal: Economic Policy* 2009, 1:1, 181–203
<http://www.aeaweb.org/articles.php?doi=10.1257/pol.1.1.181>



International Tax Policy Forum

Figure 3

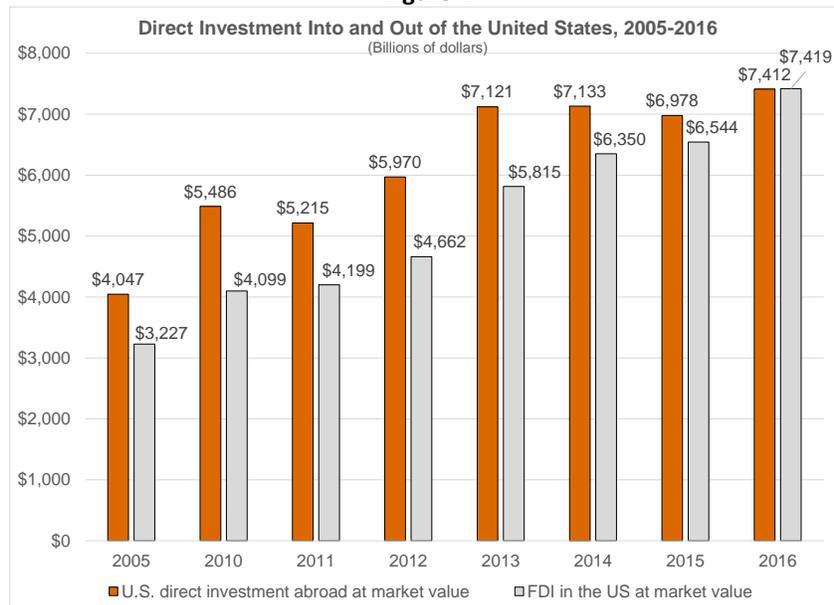


The world economy has grown faster than the U.S. economy measured in terms of purchasing power: The share of global GDP outside the United States has increased from 79% over the 1990-9 period to 84.5% in 2016.

While the growing purchasing power outside the United States offers increased opportunities for US companies to sell abroad, at the same time, competition from foreign firms has increased. The U.S. share of global exports of goods and services has declined from 12.9% over the 1980-9 period to 10.6% in 2015, and the U.S. share of the world's 500 largest public companies has declined by one-third, from 218 in 1984 to 147 in 2016.

In 2016, total investment of foreign-based companies in the United States exceeded investment abroad by U.S. multinational companies (see **Figure 4**).

Figure 4





International Tax Policy Forum

ABOUT ITPF

Founded in 1992, the International Tax Policy Forum is an independent group of over 40 major US multinationals with a diverse industry representation. The primary purpose of the Forum is to promote research and education on US taxation of income from cross-border investment. To this end, the Forum sponsors research and conferences on international tax issues and meets periodically with academic and government experts. The Forum does not take positions on specific legislative proposals.

The February 2017 conference on Tax Competition was co-sponsored with the Georgetown Law Center. The Forum has commissioned over 20 papers on international tax policy topics (see www.ITPF.org).

The Board of Academic Advisors includes ITPF Research Director James Hines (University of Michigan), Alan Auerbach (University of California, Berkeley), Mihir Desai (Harvard), Michael Devereux (Oxford), Michael Graetz (Columbia), Michelle Hanlon (MIT), and Matthew Slaughter (Dartmouth).