How do global corporations affect national economies key economic indicators

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How do Global Corporations Affect National Economies — Key Economic Indicators The growing size of the Multinational Companies around the world; their global operations and financial practices pose some serious questions about the implementation of best practices that do justice to everyone, including the countries with less developed economies, where many of these corporations operate. Global Corporations may create problems regarding the national balance of accounts. Every company operates globally, to maximize its profits and pay less tax. To gain the optimum advantage, they follow accounting practices that contravene the domestic ones, used within the countries where they operate. For example, corporations charge their own internal transactions and present them as expenditure. This matter has evolved in such a way, that today, global corporations are the winners, and most of the times the countries where they operate are the losers. Multinational Corporations and the Distribution of Income There is an increasing tendency among multinational corporations to transfer their intangible assets to non-domestic associates. These foreign affiliates are created for a unique purpose: to gain a larger share of their profits, by reducing operational costs. Many international businesses transfer their operations like production and services to the countries where the tax rates are lower, compared to their mother country, where the parent company has its headquarters. According to OECD Statistics, that researchers have performed, there is a remarkable growth in the transfer of all these intangible assets from 13 percent to 37 percent in a period of 28 years, from 1983 to 2011. Corporations continuously pursue the policy of getting tax benefits and find different means to get benefited by lower tax rates in the

countries where the affiliates are located. They keep their main focus on increasing their profits and showing incomes in the countries where there are lower tax rates applied. They do this by transferring their intangible assets, interposing their operations, producing more in the countries where they pay lower taxes. They also tend to shift their manufacturing units to offshore locations, in low tax and cheap labor countries. They also make changes and make an affiliate into an owner and an owner into an affiliate. Naturally, an affiliate in the low tax country becomes the parent company leading to many structural changes in the entire organization and therefore, influencing business in their host countries. According to authors such as John Dunning, the ultimate result of all these activities reflects in showing a recorded low Gross Domestic Product where the tax rates are high and making the recorded Gross Domestic Product higher in the low tax countries. The raise in the lower tax countries is shown as a relative growth.