



МИРОВОЙ РЫНОК КАПИТАЛА GLOBAL CAPITAL MARKET

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Features of the American foreign direct investment: the role of the American holdings

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Abstract. Article is dedicated to the determination of key features of the United States participation in the international capital movement on the example of FDI' outflows and inflows, and confirmation of its heterogeneous nature. Tax reform that has been implemented in the end of 2017 led to the result when USA was deleted of the list of TOP-20 world investors of 2018 (by UNCTAD). The scientific opinion and fears were connected with the forecasts that the tax reform could change the movement of FDI flows back to the USA from foreign countries, especially, and the countries with the low taxes and the most favorable investment regimes. At the same time, it needs to underline that the analysis of U.S. FDI inflows and outflows showed that the negative indicator of U.S. FDI outflow (export) in 2018–2019 was connected with the repatriation of U.S. holding companies' profits, that were doing business in countries with the most favorable tax and investment regimes. The authors tried to investigate the nature of the American holdings role and the integration of U.S. in to the global system of FDI and capital movement.

Keywords: international capital movement, FDI, USA, specialization, tax reform, low tax jurisdiction, holdings, FDI inflow, FDI outflow, foreign affiliates

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Особенности американского прямого инвестирования: определяющая роль холдингов США

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Аннотация. Рассматриваются основные черты участия США в системе международного движения капитала на примере прямого иностранного инвестирования (притоков и оттоков). Налоговая реформа, проведенная в США в 2017 г., привела к тому, что показатели американского оттока/экспорта инвестиций переместились в плоскость с отрицательными величинами, что вытеснило США из списка TOP-20 мировых лидеров по объему вывоза ПИИ (ЮНКТАД, 2018). С научной точки зрения опасения главным образом связаны с изменением глобального тренда и возвращением американских ПИИ (через репатриацию прибылей американских холдингов) обратно в материнскую экономику. Продемонстрированы география и динамика американских ПИИ, а также определены их роль и место в структуре американских холдинговых компаний.

Ключевые слова: международное движение капитала, ПИИ, США, специализация, налоговая реформа, низконалоговые юрисдикции, холдинговые компании, притоки и оттоки ПИИ, аффилированные предприятия

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Introduction

Over the past 12 years, indicators of international capital flows, and in particular the volume of foreign direct investment, have been very volatile. Pre-crisis maximum in 2007, which amounted to \$1.8 trillion US dollars, was restored only by 2015 (\$1.76 trillion US dollars), followed by a drop in global FDI flows: in 2016, the volume amounted to \$1.75 trillion US dollars, in 2017 – \$1.43 trillion US dollars, in 2018 – \$1.3 trillion US dollars.

UNCTAD experts associate the latest disappointing data with the tax reform carried out in the United States in the fall of 2017. Moreover, the repatriation of profits of the American multinational enterprises (MNEs) has led to the fact that the United States (according to UNCTAD data for 2018) was absent from the list of TOP-20 world foreign direct investors and influenced global FDI flows.

Among the factors that at one time influenced a significant drop in global FDI volumes, not only the consequences of the global financial and economic crisis of 2008, but also the reduction in the number and volume of cross-border mergers and acquisitions due to TNCs/MNEs.

TNCs are not only subjects of the global economy, but also become the main investors in the system of international economic relations. An extensive network of foreign affiliated enterprises confirms the scientific thesis of the “second economy”, which has been effectively implemented by the United States for a long time.

In accordance with the BEA USA, in 2019 the volume of outflows of American FDI amounted to \$93,5 billion US dollars, a detailed analysis of this indicator revealed that it was based on the repatriated profits of the American holding companies located mainly in low-tax jurisdictions in the European Region.

The object of this study is the American foreign direct investment, especially their outflows, areas and geography of application. The time period that the work covers is 19 years – from 2000 to 2019.

Methods

Methods that have been used in this research: induction and deduction, analysis, generalization, synthesis. In this article the authors tried to solve some scientific issues, such as:

- to determine key features and tendencies of U.S.’ participation in the system of FDI movement on the example of FDI inflow and outflow, geography, specialization;
- to understand the place and the role of Holding companies in the U.S. participation in the global system of capital movement;
- to understand the reasons of Holding companies’ to be located in low-tax jurisdiction regions and countries.

Literature review

In the scientific community, a significant number of studies have been dedicated to the problems of U.S. in the global system of capital movement and FDI, especially. The issue of U.S. participation in the global flows of FDI is covered in works of P.A. Aksenov, I.Ju. Arhangel'skij, N.A. Volgina, R.I. Zimenkov, N.B. Kondratyeva, Yu.A. Konovalova, N.E. Petrovskaja, V.B. Supyan, S.A. Ushanov (Aksenov, 2018; Arhangel'skij, 2019; Volgina, 2015; Zimenkov, 2017; Kondratyeva, 2017; Konovalova, 2020; Petrovskaja, 2018; Supyan, 2019a, 2019b; Ushanov, 2017; Ushanov, Fedjakina, 2019; Ushanov, Konovalova, 2019; Ushanov, Konovalova, Zarubin, 2020). The tax reform that has been implemented in USA in 2017 was investigated in the scientific works of V.S. Vasilev, V.A. Filippova (Vasilev, 2019; Filippova, 2019). At the same time, it needs to pay great attention to the investigations of the Russian scientists, such as V.V. Sogrin, A.P. Portanskiy, V.O. Pechatnov (Sogrin, 2016; Portanskiy, 2019; Pechatnov, 2020).

U.S. in the system of capital movement and FDI

FDI statistics provided by BEA USA and UNCTAD are different. In almost 20 years from 2000 to 2019, the pattern of U.S. FDI outflows and inflows has not acquired a clear-cut dynamic (Figure) and rather confirms the opinion of UNCTAD analysts, who argue that both global and regional FDI dynamics are anemic: neither tax reforms, nor the reduction in cross-border mergers and acquisitions, as such, has led to any significant change in the global trend. At the same time, there are rather serious changes in the American statistics.

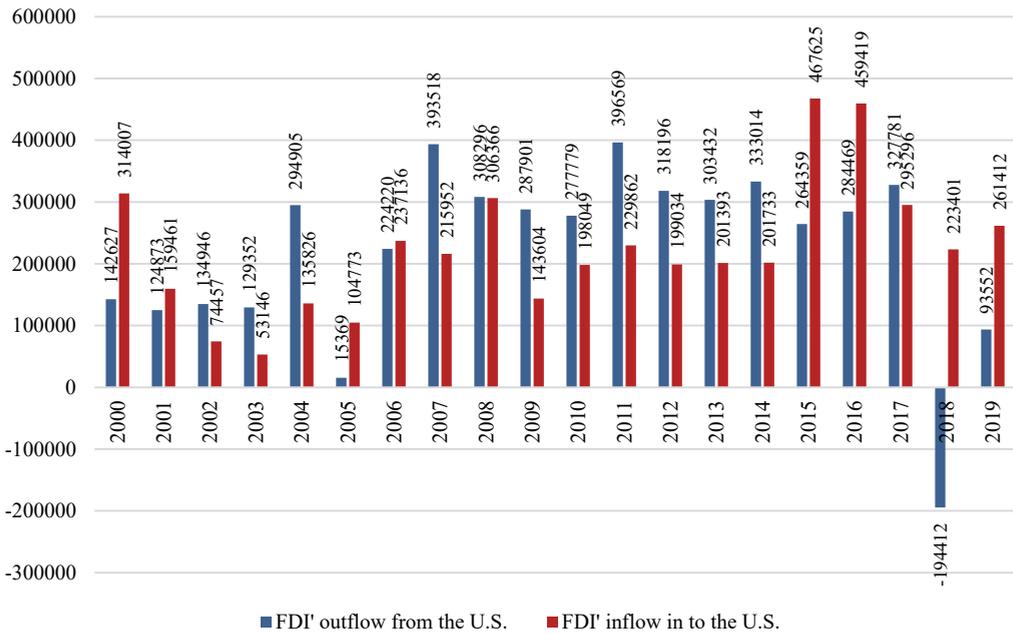


Figure. Dynamic of U.S.' FDI outflow and inflow in 2000–2019, mln US doll.

Source: compiled on the basis of: BEA. (n.d.). U.S. foreign direct investment in the U.S. and abroad. *International Trade and Investment*. Retrieved February 11, 2021, from <https://www.bea.gov/data/intl-trade-investment>

In 2005, a significant reduction in the outflow/export of U.S. FDI followed a year earlier, the “Law on the creation of jobs”, which provided for taxation at reduced rates (5,25% instead of 35%) on the profits of those companies that repatriate the profits of their foreign affiliates (for 2004 or 2005 at the choice of the owner of the company). In 2018, the decline in U.S. FDI and the return of overseas profits, which led to the negative displacement of the indicator, followed as a result of the U.S. tax reform in the fall of 2017.

The dynamics of U.S. FDI outflows over the past 20 years has been volatile, but relatively growing. It is important to note that the financial and economic crisis did not have any significant impact on the outflows of the American FDI, and the reasons for the decline in the indicator lie in the field of economic policy implemented in the country.

For the period from 2000 to 2019 the volume of the American FDI abroad and FDI in the USA showed the absence of any tendency not in the direction of growth, nor decrease. This feature is connected with several factors, such as: tax reforms, orientation on the low tax jurisdictions, orientation on the holdings and service sector of the economy.

As already mentioned, in the fall of 2017, the United States carried out a tax reform and signed the “Tax Cuts and Jobs Act”. The essence of the bill came down to serious cuts in tax rates, in particular, the federal income tax rate was reduced from 35 to 21%, and the tax rate on repatriation of assets of legal entities from abroad (from 35 to 15.5% – for cash, and up to 8% – for illiquid assets) (Vasilev, 2019).

The “stagnation” of the American sphere of taxation and the inflexibility of this institution in USA allowed the American big business, until 2017, to locate its

assets and capital in foreign low-tax havens with more attractive regimes (Supyan, 2019a). However, it is too early to say that the tax reform has formed the prerequisites for the development of a new trend, expressed in the launch of a reverse process for the return of profits of the American MNEs to the parent economy, whose economic and production locations are located abroad – this is clearly seen in the data obtained from the results of 2019, in particular.

The first results of the tax changes in 2017 followed in the first half of 2018, and were expressed precisely in the repatriation of profits of the American holding companies. This led to the fact that the overall indicator of the outflows of the American FDI abroad are “negative”, namely: (–\$194,4 billion US dollars) is made up of repatriation of U.S. holdings’ profits and annexed investment (Supyan, 2019a). In 2019 the volume of U.S.’ FDI abroad made up 93,55 billion US dollars, of course, this volume was formed from positive and negative scores of the same indicator.

Mainly, the 2018 indicator in (–\$194,4 billion US dollars) consists of: (–\$36,1 billion US dollars) from Ireland, (–\$67,7 billion US dollars) – from the Netherlands, (–\$149,9 billion US dollars) – from Bermuda, (–\$38,4 billion US dollars) – from Singapore. In 2019 the volume of U.S.’ FDI abroad showed the different tendency, and in spite of the positive total indicator, it was formed by repatriation too (Konovalova, 2020) (Tables 1 and 2).

The trend towards a large-scale return of the American capital from abroad has not yet emerged: this is confirmed by the results of 2019. In particular, the volume of U.S. FDI exports abroad at the end of 2019 amounted to \$93,55 billion US dollars. Here, like the results of 2018, the indicator is made up of repatriated capital and those that remained in foreign economies.

The geography of the distribution of the American investments by countries and regions of the world in 2019 showed that \$29,8 billion US dollars invested to Canada, European Union countries accumulated (–\$575 million US dollars) of the American FDI at the end of 2019, of which \$14,4 billion US dollars – in Germany, (–\$73,9 billion US dollars) – in Ireland, \$12,2 billion US dollars – in Luxembourg, \$32 billion US dollars – in United Kingdom and so on (Table 2.).

It is noticed that in 2019 the volume of repatriated U.S.’ FDI was, mainly, from Ireland, Bermuda. In 2018 the volume of repatriated U.S.’ FDI was, mainly, from Ireland, Netherlands, Bermuda, Singapore, European Union.

Data for 2017–2019 show that it is too early to talk about a clearly formed trend in the dynamics of the outflows of the American FDI and their return in one form or another. However, we can say that Ireland and Bermuda can be distinguished in the structure of the main recipients of the American FDI.

Obviously, both the results of the 2004–2005 tax indulgence and the 2017 reform and the repatriation of profits from American holdings were not convincing motivation for the large American businesses on the part of the American government to “conditionally” return to the parent economy. The American economy received a much greater effect, rather, from the implementation of protectionist policies and import duties on a wide range of Chinese products, which led to a reduction in the foreign trade deficit by more than \$200 billion US dollars, and the transformation of the NAFTA free trade zone into USMCA in favor of the American foreign economic interests.

Talking about FDI in to the American economy, the authors underline the absence of any tendency, inconstant dynamic of foreign capitals' interests in to the American economy. It needs to mark almost the same movement of FDI into the U.S. as U.S.' FDI abroad: it means that the direction of the growth by FDI outflow is associated with the growth of FDI inflow, and vice-versa. The dynamic of FDI in the U.S. is represented on the Figure, distribution of FDI in the U.S. by countries in 2019 showed that the main investors in to the American economy are: Canada (36,4 bln doll.), European Countries in a whole (120 bln doll.), France (7,7 bln doll.), Germany (42 bln doll.), Netherlands (13,1 bln doll.), United Kingdom (23,2 bln doll.), Bermuda (21,5 bln doll.), Australia (16,2 bln doll.), Japan (38,5 bln doll.), EU (106,5 bln doll.) (Table 3).

The analysis and comparison of the geography of U.S. FDI abroad and FDI in the U.S. in 2019 showed that European Union countries and such countries as Bermuda, Singapore, and Japan accumulated on themselves the biggest volume of FDI flows. At the same time, it needs to underline the next issue that U.S. is interested in the countries with the most favorable investment and tax regimes.

Table 1

U.S. Direct Investment Abroad in 2018 by countries and industries, mln doll.

	All industries	Mining	Manufacturing	Wholesale trade	Information	Depository institutions	Finance services and insurance	Professional, scientific, and technical services	Holding companies	Other industries
All countries	-194412	-3756	46 199	-19350	52 178	-2840	76 342	12 136	-368 620	13 300
Canada	17 752	700	3614	1870	517	466	3073	428	7105	-20
Belgium	9552	n/d	3053	1846	-89	n/d	4586	137	-158	n/d
Germany	6040	19	1938	8	4273	n/d	135	2449	-7027	n/d
Ireland	-36 161	n/d	5198	495	10 094	n/d	50 149	3734	-113 406	n/d
Luxembourg	32 823	-4	884	72	4	n/d	5915	-599	18 005	n/d
Netherlands	-67 749	276	5644	489	-1034	n/d	13 776	-350	-86 343	n/d
Switzerland	-3972	n/d	2014	68	1126	-337	-6719	1171	-365	n/d
United Kingdom	8151	1948	4693	-486	20 971	-3246	4682	2448	-19 430	-3429
Argentina	-3792	-503	623	-149	596	n/d	-4621	-53	117	n/d
Mexico	5998	n/d	3739	308	-498	n/d	218	181	170	403
Bermuda	-149 922	9	-277	n/d	657	5	24 910	n/d	-175 426	-1459
United Kingdom Islands, Caribbean	8688	-36	404	798	34	n/d	-9476	-57	15 957	n/d
Australia	-3048	-1257	-1631	292	1757	1	-16	835	-4402	1375
China	6228	-1984	5050	968	471	261	565	-100	564	434
Singapore	-38 450	23	4121	-27 641	553	473	-3097	-6	-15 206	2330
European Union	-29 282	2562	23 944	2402	42 893	-1135	83 198	8536	-204 875	13 194

Source: compiled on the basis of: BEA. (n.d.). U.S. foreign direct investment in the U.S. and abroad. *International Trade and Investment*. Retrieved February 11, 2021, from <https://www.bea.gov/data/intl-trade-investment>

Table 2

U.S. Direct Investment Abroad in 2019 by countries and industries, mln doll.

	All in- dustries	Mining	Manufac- turing	Whole- sale trade	Infor- mation	Deposi- tory insti- tutions	Finance services and in- surance	Profes- sional, sci- entific, and technical services	Holding compa- nies	Other indus- tries
All countries	93 552	-2807	63 370	18 339	2716	7233	-1114	2306	-26 838	30 346
Canada	29 889	-2493	5611	165	411	593	10753	-474	15 332	-10
Austria	1009	n/d	70	-7	13	n/d	39	-7	634	n/d
France	3549	-187	1237	521	-682	449	2399	187	57	-431
Germany	14 423	23	2323	-117	569	n/d	1790	368	2940	n/d
Ireland	-73 956	13	7353	-46	-6156	n/d	-42 114	821	-49 627	n/d
Luxembourg	12 195	35	-229	n/d	553	n/d	18 331	-1452	-9425	2686
Netherlands	5497	-346	5641	1171	2964	n/d	-2448	-175	-2310	n/d
Norway	-3592	-487	169	31	-147	n/d	25	n/d	n/d	n/d
Switzerland	13 723	59	7341	3553	609	46	47	550	-45	1563
United Kingdom	32 010	-930	7017	1617	1085	-1618	6730	1395	14 868	1845
Mexico	4507	n/d	1575	714	-557	39	1853	-816	-358	n/d
Bermuda	-32 554	-47	313	n/d	-224	5	-5890	-7	-27 453	n/d
United King- dom Islands, Caribbean	21 252	-402	1035	-223	-53	n/d	2091	-117	17 738	n/d
China	7454	267	2478	2108	-91	243	1079	169	289	912
Hong Kong	2786	0	993	-2679	18	54	-109	-47	4304	252
India	3932	-11	620	406	1009	502	328	1818	44	-784
Japan	6046	0	4406	1022	682	-36	-917	-374	234	1029
Singapore	27 798	108	2623	7401	1309	642	184	-161	11 554	4138
European Union	-575	-1556	32 100	902	-1462	4914	-16 165	1421	-43 385	22 657

Source: compiled on the basis of: BEA. (n.d.). U.S. foreign direct investment in the U.S. and abroad. *International Trade and Investment*. Retrieved February 11, 2021, from <https://www.bea.gov/data/intl-trade-investment>

Table 3

Distribution of U.S. FDI' flows by industries in 2019, mln doll.

	Mining	Manufac- turing	Whole- sale trade	Infor- mation	Deposi- tory insti- tutions	Finance services and in- surance	Profes- sional, scientific, and tech- nical services	Holding compa- nies	Other indus- tries
U.S. direct investment abroad	-2807	63 370	18 339	2716	7233	-1114	2306	-26 838	30 346
Foreign direct investment in the United States	94 944	33 015	5452	8262	1725	27 004	10 294	16 428	64 287

Source: compiled on the basis of: BEA. (n.d.). U.S. foreign direct investment in the U.S. and abroad. *International Trade and Investment*. Retrieved February 11, 2021, from <https://www.bea.gov/data/intl-trade-investment>

Specialization and distribution of U.S. FDI flows in 2019, for example, showed the next one tendency: U.S. FDI abroad are, mainly, accumulated on the manufacturing, whole trade, holding companies and other industries. In this case it needs to underline that the Holding companies are the main destination and point of U.S. direct investment abroad. Explanation of this tendency is connected with the accumulation of U.S. FDI in the regions and countries with the most favorable regimes. The score of (–26,8 bln doll.) showed that Holding companies are implementing the policy and measures of profits repatriation as the result of the tax reform in 2017.

At the same time, an absolute indicator of FDI in the U.S. in 2019 showed that foreign countries, mainly, are interested in the real sector of the American economy, and especially in Mining, Manufacturing, Finance and insurance services and other industries. Unfortunately, there is the lack of data, and a lot of cells are empty (Table 3).

Holding companies stay the main recipients of the U.S. Direct investment abroad and the biggest volume of repatriation is coming from low tax jurisdictions. For example, the data on U.S. Direct Investment Abroad: Income Without Current-Cost Adjustment showed that Holding companies accumulated 52% (or 275,3 bln doll. from 532,7 bln doll.), Finance and insurance services – 10%, Manufacturing – 15%. Ireland, Netherlands, Luxembourg, United Kingdom, Bermuda, Caribbean Islands, Singapore – accumulated on themselves 90% of Income Without Current-Cost Adjustment.

U.S. FDI stock abroad

The dynamics, geography, and specialization of U.S. FDI stock also require some attention. Thus, for the period from 2010 to 2019, the volume of U.S. FDI stock in countries and regions of the world followed a growing trend: in 2010–2017 the volume of U.S. FDI stock has almost doubled – from \$3,74 trillion US dollars to \$6,1 trillion US dollars, and as a result of the tax reform in the United States, the volume of FDI stock in 2018 also decreased and amounted to \$5,8 trillion US dollars, in 2019 this indicator made up \$5,9 trillion US dollars.

2019 data show that out of \$5,9 trillion US dollars of accumulated FDI abroad is almost half, namely, 47,1% is accounted for by “Holding companies”, 14,21% – by “Financial and insurance services”, 15,16% – by “Manufacturing industries”, 4% – by “Wholesale trade”, 4,77% – for the “Information Sector”, 2,27% – for “Depository Institutions”, 2,59% – for “Professional, Scientific and Technical Services”, 7,34% – for “Other Activities”.

In relative terms, the volume of U.S. FDI stock by 2019 by countries and regions of the world tells us the following: Canada accounts for 6,75% of the total U.S. FDI stock by 2019, and European countries account for 59,93% (at the same time, the EU-28 accumulates 55,36% of the total), Germany accounts for 2,49%, Ireland – 5,96%, Luxembourg – 12,85%, the Netherlands – 14,44%, 3,84% – Switzerland, 14,29% – to the UK; the countries of Latin America and the Western Hemisphere accumulate 15,3% of U.S. FDI stock (of which: 1,37% is in Brazil, 1,69% is in Mexico, 4,4% is in Bermuda, 5,04% is to the Caribbean; 1,26% of US FDI stock by 2019 came from the Middle East, and 16,03% from the Asia-Pacific

region (of which: 2,73% – Australia, 1,95% – China, 1,37% to Hong Kong, 2,21% to Japan, 4,83% to Singapore).

A study of the distribution of U.S. stocks of FDI by countries and regions of the world in relation to types of economic activity shows that the prevailing types of activities for the application of U.S. stock of FDI are “Manufacturing” (\$903,6 billion US dollars), “Financial and insurance services” (\$847,1 billion US dollars) and the activities of “Holding Companies” (\$2,8 trillion), while the prevalence of a very narrow set of recipient countries of U.S. FDI stock.

The table below (Table 4) quite clearly shows the distribution of weight by the prevailing types of activity and the dominance of individual countries in them. A characteristic feature is not only a significant prevalence of the EU (28) in the structure of American accumulated investments, but also the presence of states among recipients belonging to low-tax jurisdictions (the Netherlands, Ireland, Luxembourg, the Caribbean Islands). The presence in the list of United Kingdom is explained by the status of London as a world financial center: according to the latest data from the Z/yen think tank, TOP-3 in the rating of world financial centers are occupied by New York, London and Tokyo¹.

Table 4

Distribution of U.S.’ FDI stock in 2019 by types of economic activity, bln US doll., %

5959,59 billion US dollars				
Manufacturing	15,16%	903,6	Canada	11%
			Netherlands	13%
			United Kingdom	11%
			EU (28)	46%
Finance and insurance services	14,21%	847,1	Japan	7%
			United Kingdom	27%
			Caribbean islands	11%
			EU (28)	47%
Holding companies	47,1%	2804,9	Luxembourg	23%
			Netherlands	22%
			United Kingdom	12%
			EU (28)	65%

Source: compiled on the basis of: International Trade and Investment. Retrieved February 11, 2021, from <https://www.bea.gov/data/intl-trade-investment>

Specialization of U.S. FDI outflows in 2017–2019 by type of activity shows a pronounced reaction of holding companies to export the profits received as a result of the tax reform. At the same time, data on income received by the United States from direct foreign investment for 2017–2019 (Table 5) confirms the tendency for the location of large businesses in low-tax jurisdictions: Ireland, Luxembourg, Netherlands, Caribbean and Bermuda, Singapore. Despite the fact that the overwhelming share of profits obtained from direct foreign investment falls on the EU (28) and has remained at the same level for the last 3 years – 46%, the Netherlands and Ireland are the main generators of American profits.

¹ Z/Yen, China Development Institute. (2020, September). *The Global Financial Centres Index 28*. Retrieved February 11, 2021, from https://www.longfinance.net/media/documents/GFCI_28_Full_Report_2020.09.25_v1.1.pdf

Table 5

Distribution of profits from U.S.' FDI by types of economic activity, countries and regions in 2017–2019, mln US doll., %

Year	All industries	Mining	Manufacturing	Wholesale trade	Information	Depository institutions	Finance (except depository institutions) and insurance	Professional, scientific, and technical services	Holding companies (nonbank)	Other industries
2017	6097690	162908 3	806448 13,23	255235 4	240143 4	124044 2	781180 13	140179 2	3176645 52	410909 7
2018	5801025	155221 3	773622 13,34	229232 4	292184 5	124671 2	835500 14	150492 3	2843122 49	396982 7
2019	5959592	154267 3	903664 15,16	238632 4	284224 5	135374 2	847075 14	154099 3	2804997 47	437261 7

Source: compiled on the basis of: International Trade and Investment. Retrieved February 11, 2021, from <https://www.bea.gov/data/intl-trade-investment>

The countries of the European Union, and in particular those with the most attractive tax regimes, prevail in the structure of the main recipients of the American investments. The specialization of the U.S. FDI application shows the dominance of “Holding Companies” (over 45%), which, it is worth noting, in the U.S. BEA data, as recipients of U.S. FDI, have appeared only since 2003.

“Holding companies” accumulate on themselves (according to the latest data for 2019) more than 45% of the profits from the invested American accumulated investments, while they account for more than 47% of the total American accumulated investments abroad.

Despite the repatriation of the American FDI, up until 2017, there was a re-orientation of the American FDI exports not to the real economy (industrial sector) and the service sector of the EU countries, but to their own holding companies registered in countries with attractive FDI regimes (Netherlands, Luxembourg, Ireland, UK) (Supyan, 2019b; Ushanov, Konovalova, 2019; Konovalova, 2020).

Features of the participation of the American TNCs and foreign affiliates in the flow of the American FDI

Most American multinational enterprises (MNEs) have a rather complex and extensive ownership and management structure, in which one overseas subsidiary owns other overseas subsidiaries. BEA U.S. statistics on U.S. MNEs cover all overseas affiliates owned by U.S. parent companies, directly or indirectly through a subsidiary, so the data provides the most complete picture of U.S. MNEs.

The data presented in the scientific article and provided by BEA USA reflects account balances and statistics on the profits of branches of the American MNEs. Some U.S. MNEs have a complex and multi-tiered ownership system and the lower branch is included in the assets and account balances of the higher branch, and so on up to the parent company. This allows users to analyze the entire data set of U.S. MNEs and provides access to an understanding of the U.S. large business ownership system. However, such accounting leads to duplication of data, which is also reflected in the profit indicators.

BEA USA gives the following example: the American parent company owns a holding affiliate company located in the Netherlands, which in turn owns a manufacturing subsidiary in Germany. The German company earns \$100 mln US doll. in

net profit for conducting its economic activities, while the statistics of the branch in the Netherlands show that its income is \$110 mln US doll.; the \$110 mln US doll. is made up of \$10 mln US doll. in own operations of the Netherlands subsidiary and \$100 mln US doll. in equity investment in the Germany subsidiary. Thus, the statistics of the BEA USA takes into account both the German indicator of \$100 mln US doll. and the Dutch indicator of \$110 mln US doll. Thus, the aggregate data for the American MNE are overestimated by \$100 mln US doll., however, they are objective in relation to the activities of the Dutch and German subsidiaries.

In order to avoid double counting, BEA USA separately provides statistics on the income earned from equity investments in foreign affiliates (in this case, a German affiliate and a profit of \$100 mln US doll.). Thus, the net operating income of Germany will be \$100 mln US doll., the Netherlands – \$10 mln US doll., the total net operating profit – \$110 mln US doll.

It should be borne in mind that not all statistical series are tied to a multi-level property system, in particular: the data on the conduct of economic activities take into account each employee and each dollar spent on R&D once. Data on FDI transactions also do not fall under the “double counting”, as only direct transactions are taken into account. Thus, going back to the example of Germany and the Netherlands, the statistics will not take into account Germany’s figures, however, they will take into account the Dutch figures for ownership and profit from the activities of the German company.

According to the latest data released by the U.S. BEA, in 2018, “U.S. MNEs – the parent companies had assets worth \$43,37 trln US doll., the cost of liabilities amounted to \$32,08 trln US doll., equity capital amounted to \$11,28 trln US doll., capital expenditures – \$721,6 bln US doll., sales volume – \$14,3 trln US doll., net profit – \$1,4 trln US doll., added value – \$4,2 trln US doll., expenses of the parent company on R&D – \$323,1 bln US doll., wages – \$2,3 trln US doll., the number of employees – 25,5 mln people” (Ushanov, Konovalova, 2019).

A detailed analysis of data by type of economic activity shows that out of 43,37 trln US doll. of assets of the American parent companies, 55,19% (or 23,94 trln US doll.) are accounted for by “Financial and Insurance Services”, while 22,16% of the total assets are accounted for by “Depository Institutions” (banking activities, 16,89% falls on “Financial services” (except for banking) and “Insurance services”; 20,58% (8,9 trln US doll.) falls on the “Manufacturing Industry” (5,01% – falls on the “Chemical Industry”, of which 3,11% – “Pharmaceutical Industry”; 2,94% – “Manufacture of computers and electronics”; 3,37% – for “Production of transport equipment”), 4,46% – were the assets of “Wholesale trade”, 2,59% – accounted for “Retail”, “Information sector” accumulated 7,02% of the assets of the American parent companies, 6,86% falls on “Other activities” (Ushanov, Konovalova, 2019).

In the structure of sales of 14,33 trln US doll. 34,24% falls on the “Manufacturing Industry” (4,94% – on the “Chemical Industry”, of which 2,68% – on “Pharmaceuticals”, 4,7% – on the “Production of computers and electronics”, 7,21% – on production of “Transport equipment”), 15,2% of sales are accounted for by “Wholesale trade”, 12,22% – on “Retail trade”, 8,21% – on “Information sector”, “Financial and insurance services” accumulate on themselves 15,82% of sales (8,59% falls on “Insurance services”), on “Other activities” account for 9,67% of sales.

The statistics of the branch network of the American corporations shows the following: as of 2018, the American companies had 35296 foreign branches/majority-owned foreign affiliates (the volume of assets, sales, or net profit (+/-) over \$25 mln US doll.); these foreign branches had assets in the amount of 27,38 trln US doll., sales amounted to 6,77 trln US doll., net profit – 1,4 trln US doll., wages of workers – 626,6 bln US doll., the number of workers – 14,4 mln people.

The half (50,63%, or 17 871) of foreign branches of the American corporations are located in Europe, while 45,82% (or 16 173 branches) are in the European Union, 1316 foreign branches are located in France, 1851 – in Germany, 1289 – in Luxembourg, 2371 in the Netherlands, 4067 in United Kingdom, 1157 in Mexico, 1310 in the Caribbean, 1750 in China.

Of the total value of assets held by all 35 296 branches, more than 60% (or \$17,1 trln US doll.) falls on the European Region, while the EU accounts for 57,24% (or \$15,67 trln US doll.); 10,2% (or \$2,7 trln US doll.) of assets belong to branches located in Luxembourg; 10,8% (\$2,9 trln US doll.) falls on the Netherlands; 19,63% (\$5,37 trln US doll.) of assets is accounted for by branches located in the UK.

An analysis of the specialization of branches (majority-owned foreign affiliates) of the American corporations located abroad reveals that 3,24% of 35 296 branches operate in the “Mining”, 30,98% – in “Manufacturing”, 7,48% in the “Chemical Industry”, 2,87% in the “Transportation Equipment industry”, 11,27% – in the field of “Wholesale trade”, 4,98% – in the field of “Information services”, 14,91% of branches specialize in “Financial and insurance services”, 27,05% – on “Other activities”.

It should be noted that the share of “Holding Companies” in the structure of dividends received by branches of the American TNCs is very insignificant – in 2017 (2.36%, or \$3.6 bln US doll.), in 2018 (0.44%, or \$3.4 bln US doll.) (Table 4).

The trends described above show that the geography of the outflows of the American investments, as well as the accumulated the American FDI, gravitates towards low-tax jurisdictions: Ireland, the Netherlands, Luxembourg, the Caribbean Islands, and international financial centers – London (UK) and Singapore.

The specialization of the U.S. FDI application is mainly focused on the “Holding Companies”, which, at the end of 2018, were the main repatriates of the profits received in the first half of the year (more than 50% of the profits received by the American branches on the basis of specialization are provided by the “Holding Companies”; moreover, more than 45% of the total profit is generated in the countries of the European Union).

In accordance with J.R. Hines and E.M. Rice (Hines, Rice, 1994) in the beginning of 1990-s the American affiliate companies that has been located in low-tax jurisdiction took already more than 20% of the U.S. FDI and about 30% of the foreign profits of U.S. firms. The American companies started “to report rather high level of profit rates on their tax haven investments in 1982”. Low tax rates made the American companies to “shift profits out of high-tax foreign countries”. The scientists noticed the American companies tried to avoid high tax rates and tried to set up some U.S. TNC’s foreign affiliates abroad, in the countries that has rather favorable tax and investment climate and policies. According scientists “some American observers have expressed concern that the widespread use of tax

havens could threaten the long-run sustainability of the U.S. domestic tax base, since multinational corporations may be able to shift some of their U.S.-source income to low-tax offshore jurisdictions” (Hines, Rice, 1994).

It means that the scientific researches that had been dedicated to the tax evasion by the American companies concerned scientists for the long time.

Conclusion

The results of the first 2 years after the tax reform show that it is too early to talk about the formation of a new trend. Obviously, the implementation of these changes was dictated by a global and well-established trend, expressed in the orientation towards consolidating the jurisdictions of companies in low-tax locations; taking into account the main idea of the capitalist style of thinking, expressed in maximizing profits and minimizing costs; companies of all sizes are striving for this, therefore, it is natural that American big business is acting in line with the global trend.

The tax reform in this vein is mainly aimed at solving the internal problems of the American economy, consisting in the growth of unemployment, the reduction in GDP growth, the reduction of a number of sectors in the structure of the gross product (the most sensitive sector is the automotive industry), the evasion of the American big business from payment taxes in the parent country because of their magnitude, etc.

However, reducing the tax burden on businesses and households will not lead to the return of American businesses to the parent country in the full sense of the word: the reform contributed to the return of a significant part of the profits of the American holdings, led to the emergence of a reversal trend of the American FDI, but an important aspect that cannot be ignored, is the implementation of foreign economic policy and the protection of national interests abroad.

The “second economy” of the United States, operating overseas through a developed and widely specialized network of affiliated enterprises, makes it possible to achieve and protect the national interests of the United States. In this regard, even the very possibility of returning branches to the parent country and placing them in the United States not only contradicts the foreign economic interests of the United States and the American TNCs, but will also lead to destabilization of the economic situation in the host countries.

According to the latest UNCTAD data, the world leaders-recipients of FDI are the United States, China and Hong Kong, while the status of the latter two is associated with the status of Hong Kong as an international financial center and China as a global factory and the owner of a significant number of special economic zones with a set of attractive FDI regimes. as well as the special practice of China to adopt technology and intellectual property. Therefore, the intensification of the global competition has led the current U.S. Administration to a radical change in foreign economic policy and national economic policy, even if contrary to international practices, agreements and principles.

Reducing the tax rate of profits of the American corporations from 35 to 21%, as the main step taken as part of the tax reform in 2017, could bring up to \$4 trln US doll. to the U.S. economy (i. e. up to 20% of U.S. GDP). However, the first results of the tax reform, expressed in the repatriation of profits of the American TNCs in

the first half of 2018, mainly by holding companies, did not set the stage for the subsequent trend of returning American incomes back to the “parent” economy.

In the current conditions, which can be described as a “period of global turbulence” or “chaos”, it is possible that a drop in world oil prices, the threat of bankruptcy of a number of American oil companies, a global decline in economic activity due to a pandemic, China's transition to a national cryptocurrency – all this can lead, among other things, to the next “global redistribution” and the simultaneous strengthening of protectionism in order to support national economies.

It is clear that the global FDI flows will also undergo significant changes, and the trend is likely to be downward. On the other hand, the largest and strongest players that “survived” the crisis, as a rule, take advantage of the situation and buy companies that are unable to cope with the consequences of the crisis, thereby further redistributing market shares.

Despite the fact that at the beginning of 2020 the United States and China signed the First Package of Agreements aimed at improving relations, the United States will file a lawsuit against China, as the “primary source” of the modern virus, or at least demand damages with parallel demands to make concessions in meeting the foreign economic interests of the United States.

It is very difficult to predict the further development of events, but the trends in the application of the American FDI will continue: low-tax jurisdictions will remain predominant, since during the crisis period all players strive to reduce costs, especially the tax burden; whether the repatriation of profits to the “parent” economy will be resumed is still difficult to say, but it is possible that the trend will most likely be towards reinvestment in the real sector of the economy, which suffers the most today; it is clear that e-commerce will have a significant impetus, which plays into the hands of the United States and the promotion of greater digitalization of international economic relations.

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