Are MNC's superpowerful, and do they contribute to a country's GDP?



Created by Axel, Andrea and Emilie

Outline

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2. How big are they?
3. Power: The Apple tax case
4. Power: lobbying and lower taxes
5. Do they contribute to GDP?
6. Conclusion + debate
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What are MNCs?

- A multinational corporation (MNC) is a company that operates in **more than one country**
- They carry out different business activities, such as **design, production and sales**, in several countries.

- **Apple** is an example: it is an American company with its headquarters in California, but it **operates globally**, with production and suppliers in many countries



Source: *Corporate-Power- figures and examples.pdf*

How big are they?

Let's go back to our first question: Can a company be bigger than a country?

- Depends on how we measure it
- Widely citied study from 2000
  - World's 100 larges economies
  - 51 of the 100 were companies
  - 49 of the 100 were countires
  - 200 biggest companies

- Does that sound right to you?

- GDP measures value added
  - iPhone as an example
  - Apple's value added
  - The picture changes significantly
  - 6% of global activity, not 27.5%

Table 1a. *Ranking the World's Largest Corporations by Revenues and Profits*

Rank	Ranked by Revenues		Ranked by Profits	
	Firm	2022 Revenues ($ bil.)	Firm	2022 Profits ($ bil.)
1	Walmart	573	Saudi Aramco	105
2	Amazon	470	Apple	101
3	Saudi Aramco	400	Berkshire Hathaway	90
4	Sinopec	385	Alphabet	76
5	PetroChina	380	Microsoft	71
6	Apple	379	ICBC	54
7	UnitedHealth Group	298	China Construction Bank	47
8	Volkswagen	296	JPMorgan Chase	42
9	CVS Health	292	Meta Platforms	39
10	Toyota Motor	282	Agricultural Bank of China	37
11	ExxonMobil	281	Tencent Holdings	35
12	Berkshire Hathaway	276	Samsung Group	34
13	Shell	262	Bank of China	34
14	Alphabet	257	Amazon	33
15	McKesson	257	Bank of America	31
16	Samsung Group	244	Vivendi	29
17	AmerisourceBergen	221	Toyota Motor	28
18	Hon Hai Precision (Foxconn)	215	Mercedes-Benz Group	27
19	Costco Wholesale	210	Gazprom	25
20	ICBC	208	Novartis	24

The Apple Tax Case

- Special tax arrangement in Ireland
- European Comission ordered back taxes
  - Approx. €13,000,000,000 (billion)

Ireland corporate tax rate
12,5%

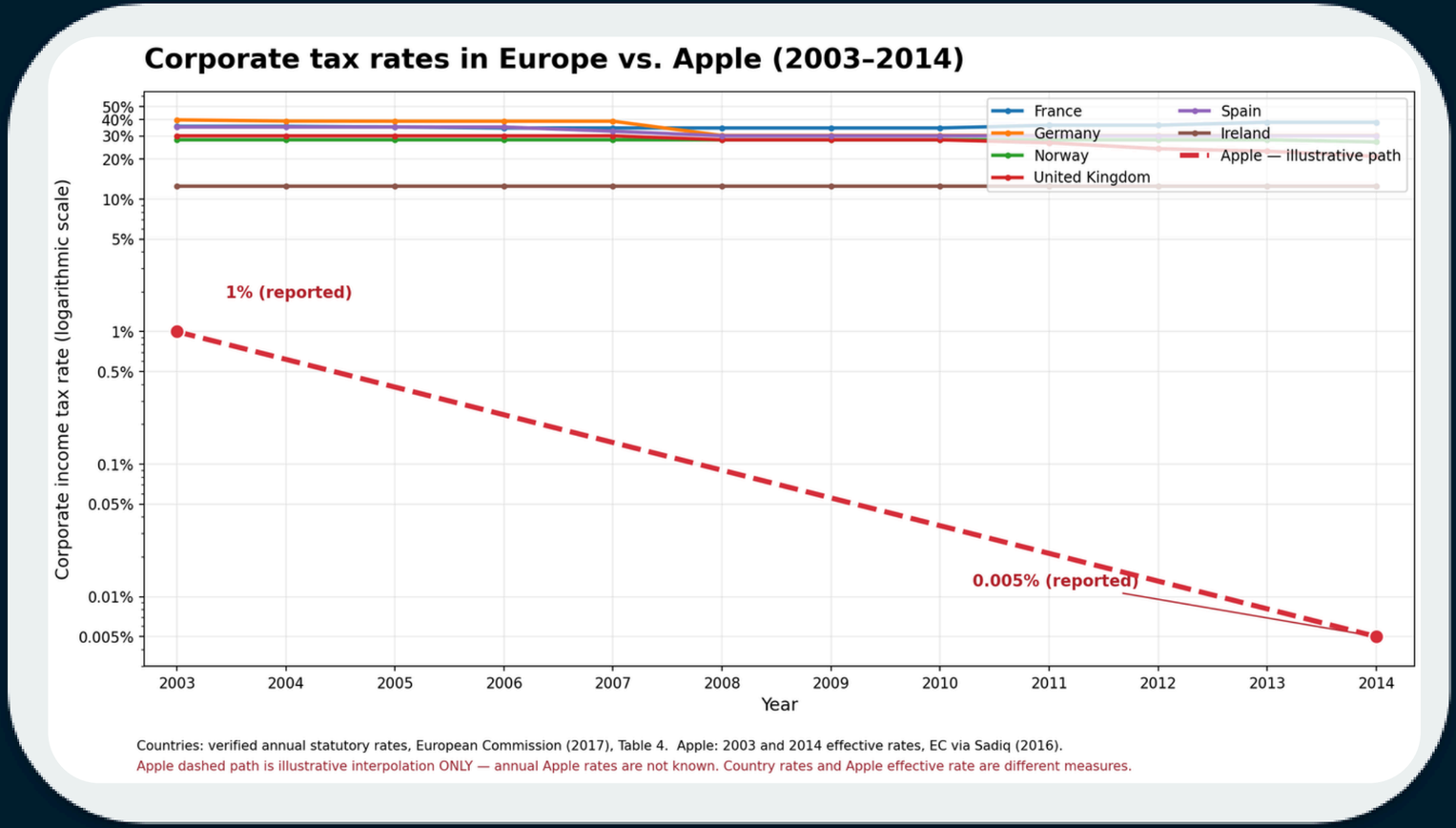
↓

Apple tax rate from
1%

↓

0.005%





- *Why is this an example of corporate power?*

MNCs → Tax Havens (2019)
969,000,000,000 $

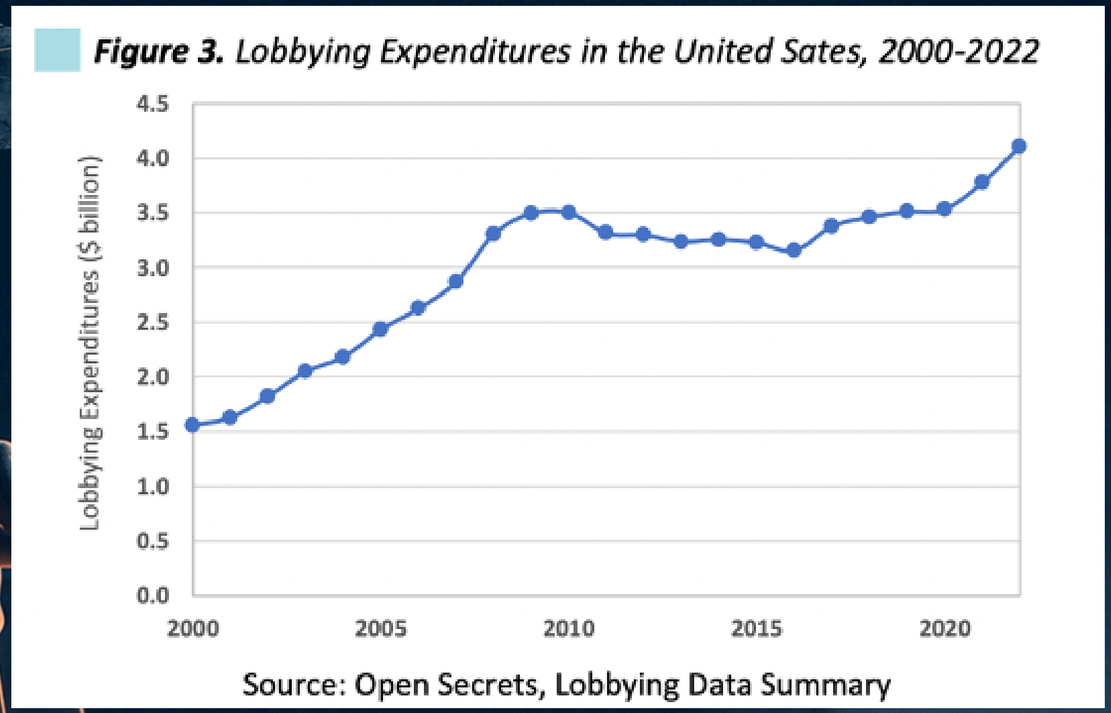
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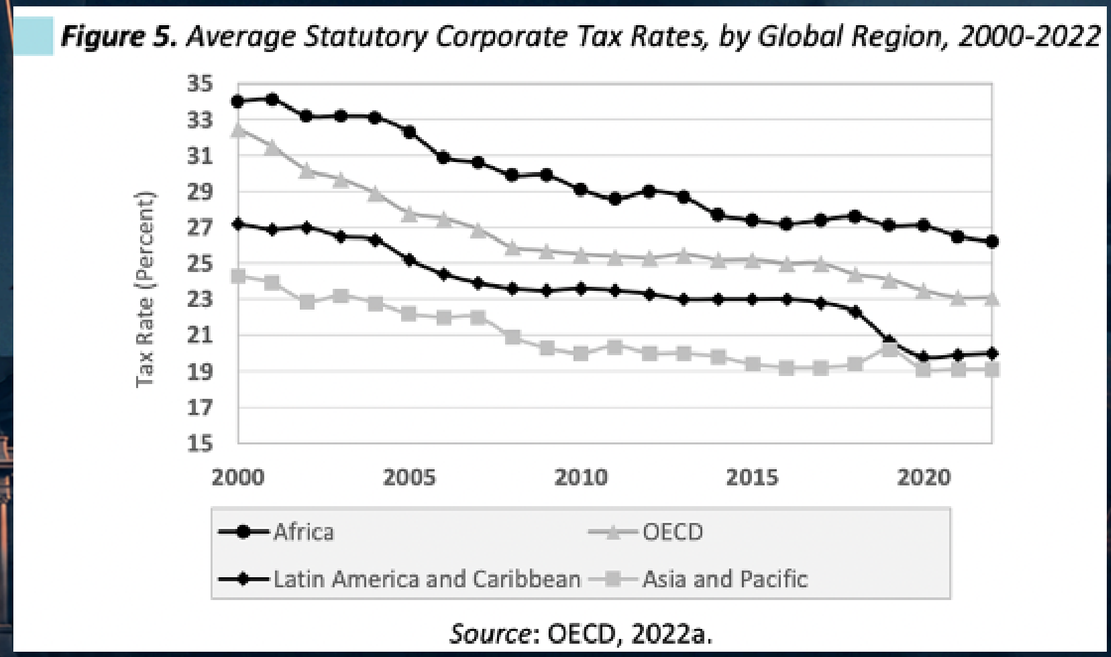
Governments worldwide lost
250,000,000,000 $

- *What does this tell us about corporate power?*

Power: lobbying and lower taxes

- Companies try to influence politics and rules
- Lobbying has increased over time
- 2004: 283M lobbying → 62.5B tax savings
- Lower corporate taxes may reduce public revenue





Source: *Corporate-Power- figures and examples.pdf*

Do MNCs contribute to GDP?

GDP = value added inside a country's borders - no matter who owns the company

$$GDP = C + I + G + (X - M)$$

That gives us 2 Perspectives:

Host country — GDP ↑

where MNCs produce

- ✓ Production → value added
- ✓ Jobs and investment (FDI)
- ✓ Work for local suppliers
- ✓ Access to world markets and technology

Home country — GDP ↓

where MNCs have their headquarters

Production moves abroad (offshoring)

Exports ↓ Imports ↑ → (X − M) ↓

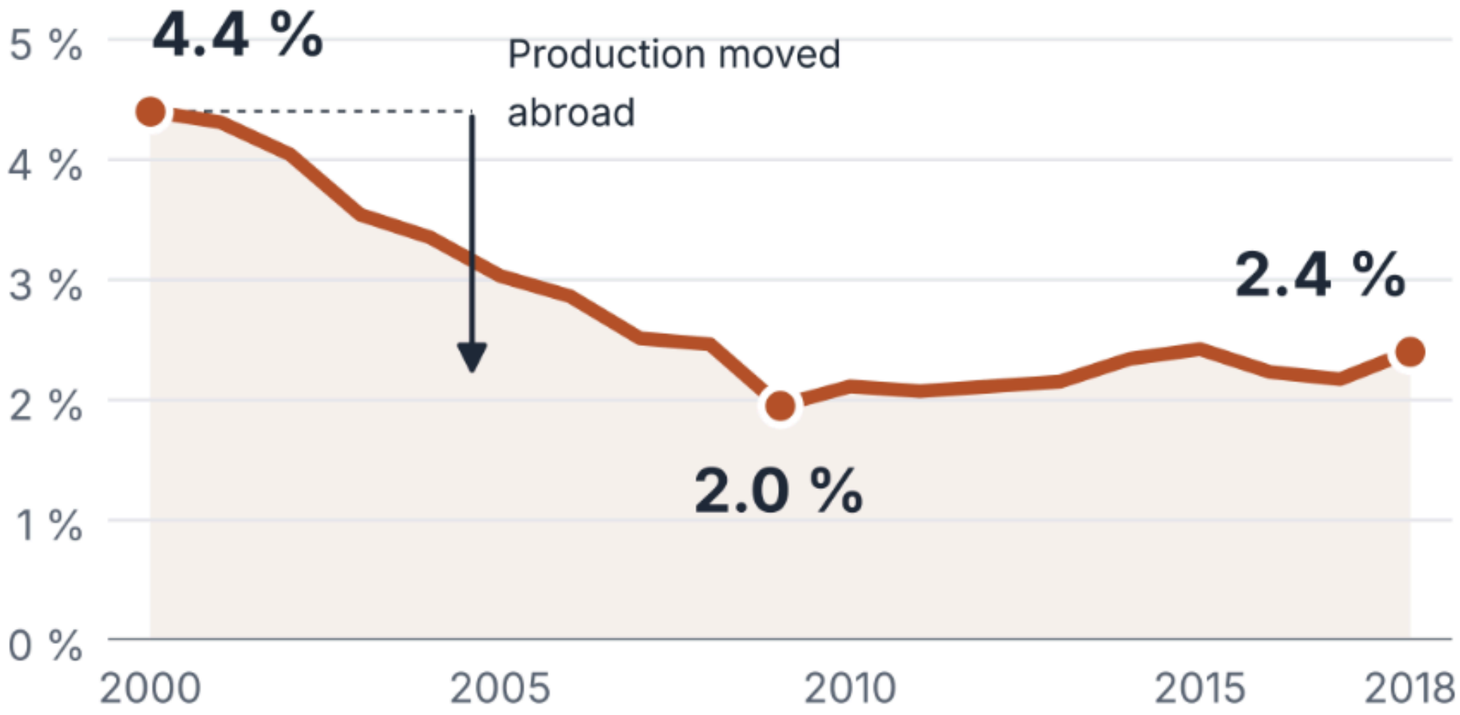
Investment goes abroad, not home

Profits return as income → GNI, not GDP

France: MNC trade surplus 4.4 % → 2.4 % of GDP (CEPII)

Example: France

Trade surplus of French MNCs, % of French GDP



CEPII = Centre d'Études Prospectives et d'Informations Internationales, a French research institute for international economics

Are multinational corporations super powerful, and do they contribute to a country’s GDP?

Final question:
Do you think multinational corporations have too much power over governments?



Sources

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