



CORPORATE INFLUENCE ON THE GLOBAL ECONOMY

ANSWER SHEET



More and more corporations are challenging the laws and regulations governing labor standards, wages, environmental protection, energy, public health, land use and transportation in countries across the world. Corporations use their size and economic power to pressure governments to put corporate profits above the public interest.

Corporations may threaten to remove their operations from a country and thus reduce employment opportunities, file lawsuits, lobby government officials or, most troublingly, utilize secret courts established under provisions in free trade agreements called “investor-state dispute settlement” (ISDS) that grants an investor the right to use dispute settlement proceedings against a foreign government.



1. Corporations also can shop around for lower tax rates by purchasing smaller firms in other countries and changing their “nationality,” a process known as an inversion. Burger King recently purchased and merged with a smaller Canadian firm, Tim Hortons, effectively renouncing its U.S. “citizenship” and avoiding \$117 million in taxes owed to the United States on profits held offshore in 2013. Burger King and its leading shareholders will dodge an estimated \$400 million to \$1.2 billion in taxes to the U.S. government between 2015 and 2018. At the same time, U.S. taxpayers will provide an estimated \$356 million a year—\$1.4 billion over four years—to subsidize Burger King’s low pay and meager benefits through public assistance programs.

[Americans for Tax Fairness, “Burger King’s Inversion: A Whopper of a Tax Dodge,” Dec. 11, 2015. Available at www.americansfortaxfairness.org/files/WhopperTaxDodge_121114.pdf]



2. In the mid-1990s, BMW spent three years weighing offers from 250 localities in 10 countries for the building of a new plant. BMW chose to build its \$400 million facility in South Carolina. Businessweek said BMW officials were attracted to the temperate climate, year-round golf and the availability of a number of mansions at affordable prices. They also liked the region’s cheap labor, low taxes and limited union activity. When BMW indicated it favored a 1,000-acre tract on which a large number of middle-class homes were located, the state spent \$37 million to buy the 140 properties and then leased the site back to the company at \$1 a year. The state also picked up the costs of recruiting, screening and training workers for the new plant and raised an additional \$2.8 million from private sources to send newly hired engineers for training in Germany. The total cost to the South Carolina taxpayers for these and other subsidies to attract BMW will be more than \$130 million over 30 years. [When Corporations Rule The World, Korten, 2001]



3. The Veolia group—a French multinational that operates privatized utilities like water, waste-management and energy services—challenged

one of the few concessions won by Egyptian salaried workers in the 2011 “spring”—a rise in the minimum wage from \$56 to \$99 a month. As costs rose for Veolia, the multinational fought the increase in the minimum wage by filing a claim in June 2012 for compensation from the government of Egypt using the ISDS process. [<http://corporateeurope.org/sites/default/files/trading-away-democracy.pdf>]



4. Samsung, like many recognizable electronics brands—such as Apple and Sony—source components parts from Malaysia. This means virtually every device on the market today may have come

in contact with forced labor. The Malaysian government amended laws to encourage the growth of the industry (which accounts for 30 percent of Malaysian exports) and the deregulation of recruitment firms that provide services to multinationals, including paying, accommodating and disciplining employees. This dynamic leaves workers, particularly migrant workers who lack meaningful access to justice, vulnerable to conditions of exploitation, while major brands avoid accountability for abuses. [<http://www.verite.org/research/electronicsmalaysia>]



U B E R

5. Uber controls a fleet of permanent part-time workers and temporary full-time workers while evading responsibility for the well-being of its drivers and customers. National governments, local policymakers and taxi unions have argued that the company does not follow local transportation and safety rules. Uber encourages its drivers to ignore regulations and hires high-priced lobbyists and

public relations firms to change the rules in their favor. Uber is part of the new trend of the “on-demand economy.” Under the guise of innovation, employers are using familiar practices like stripping away worker protections, pushing down wages and shifting risk from companies to workers to maximize corporate profits. [<http://graphics.wsj.com/maps/uber-problems>; http://inthesetimes.com/working/entry/17201/uber_s_business_model_screwing_its_workers]

Metalclad Corp.

6. Metalclad, a U.S. waste disposal company, sued the Mexican federal government over a local government’s

decision to deny a permit to operate a toxic waste dump. Local citizens thought the dump would pollute their water supply and petitioned their government to deny the permit. Metalclad won more than \$15 million in compensation using NAFTA’s ISDS provisions.

[Democrats, U.S. House Ways and Means Committee, “TPP in Focus: Investment and Investor-State Dispute Settlement—The Need for Reform,” March 20, 2015. <http://democrats.waysandmeans.house.gov/blog/tpp-focus-investmentand-investor-state-dispute-settlement-%E2%80%93need-reform>]