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Proposal aimed at saving jobs could have opposite effect

It's hard to imagine in today's economy – at a time when investment and job opportunities in America are needed more than ever – that our own government is considering institutionalizing a 15 percent to 20 percent cost and cash flow penalty for U.S. multinational companies versus our foreign competitors.

As unbelievable as it sounds, it is a scenario that many American companies, like P&G, could face if elements of President Barack Obama's budget outline are adopted. At issue is a proposal to increase taxes on U.S. companies that are competing for business in international markets. Together, these companies – along with their business partners like suppliers and retailers – provide millions of American jobs that depend on our ability to compete in the global economy.

Today, American companies can defer payment of U.S. taxes on foreign income until those funds are brought back into the U.S. This is similar to our personal IRA investments, where we defer paying taxes on earnings until we withdraw them. Industrialized countries around the world apply a similar principle to help maintain a level playing field.

The Obama administration budget suggests repealing or severely limiting this widely accepted practice in order to raise more corporate tax revenue. This single measure would have a dramatic, negative impact on the net income of American companies like P&G, and put us at a substantial disadvantage to our foreign competitors like L'Oreal, Unilever, Nestle and Kao. It would be like penalizing a winning U.S. Olympic runner by tacking on extra seconds to his time just because he's American, and causing him to lose the race to his competitors from other countries.

Over 10 years, this Obama budget proposal would cost U.S. multinational companies as much as \$210 billion. This is \$210 billion our foreign competitors would not have to pay, and it's \$210 billion less to be invested by American companies in research and development, infrastructure and jobs.

Here's why. Global demand for American products creates investments and jobs here at home. Roughly 40 percent of P&G jobs in Ohio are connected to our global operations. And these are high-paying jobs, in areas like product formulation, engineering, design, packaging, and broad marketing and sales support. In addition, our global growth provides us with higher earnings, which allows us to invest more here in America. This year, for example, we're investing \$1 billion in capital in the U.S., including the construction of a new state-of-the-art manufacturing facility in Utah that will initially produce 300 new jobs and provide as many as 1,000 jobs for our suppliers and contractors building the facility.

At P&G, we support efforts by the Obama administration and Congress to promote job growth, improve infrastructure and invest in innovation. And we take our responsibility as an American corporate citizen seriously. We dutifully pay among the highest corporate tax rates in the world as

a U.S.-based company.

We also understand the need to produce new revenue to help pay for economic stimulus plans designed to produce or preserve jobs. But if the budget proposal to eliminate tax “deferral” is adopted, it would have the opposite effect. It would create an uneven playing field and give our foreign competitors an unfair advantage. Foreign-based competitors would be able to reinvest more, expand faster and sell their products at lower prices than U.S. companies.

Over time, American multinational companies would be unable to effectively compete against foreign corporations. This would lead to reduced employment and lower wages for American workers, reduced corporate investments, and higher prices for American consumers because increased tax costs are passed through to them.

As the president’s budget proposal moves forward, I hope all citizens will take time to understand the unintended consequences of a proposal that may sound good on the surface, but could undermine American companies, workers and consumers.

A.G. Lafley is chairman of the board and CEO of Procter & Gamble.