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Global business network: off-shore model's diversification and impact

Abstract

Modern literature lacks systematization and assessment of impact of network of international corporations and their off-shore models on development of national economies in post-industrial times. There is variety of tools besides well-known multinational corporate accounting policies and strategies of MNCs that provide mechanism for the management of transaction costs in reporting period, thus reducing the amount of taxable profit due to application of the method of accelerated depreciation and channels of tax deferrals, which allow to reduce corporate tax payments owing to the objective reduction of real purchasing power of money over time. The purpose of the article is to propose in-depth systematization of balanced pros and cons for further development of national FDI policies aimed at network of MNCs. The paper utilizes a compound methodology of review and systematization to calculate overall impact of offshoring that exceeds 1% of global GDP.

While modern financial and economic activities of MNC's distinguish both internal and external offshoring, the paper focuses upon endogenous one. The key attention is on dominant ones – tax inversion phenomenon is known as base erosion and profit shifting, tax planning strategies, international debt shifting, models of tax treaty shopping, tax deferral, tax hybrids, strategic transfer pricing tools. In business and financial management MNCs resort to the development of extremely complex network structures of parent and subsidiary companies in order to increase international competitive advantages. MNCs make special efforts to recruit staff capable of effectively performing key functions in the field of corporate offshoring.

We find huge regional asymmetries in MNCs impact on development of national economies. On one hand, a number of highly profitable corporations pay almost zero tax in favour of their countries of registration; on the other, MNCs create jobs, markets, innovations and FDI, which outweighs negative impact. We find fluctuations in growing

Keywords

offshoring, tax inversion, profit shifting, tax planning, strategy, MNC, budget, capital, double taxation

JEL: F42, F38, G31

volumes and asymmetries of geographical structure of differences in the value of goods and services supplied through international trade between developing and developed countries due to enormous scale of business offshoring.

1 Statement of the problem

Globalization of economy and internationalization of markets and development strategies have brought huge potential for development of off-shore corporate models. Their exploration constitutes a task for all stakeholders especially companies and governments which are the most interested and opposite parties. Therefore, there is a need for periodic systematization of state of art in this field in order to find ways for better realization of national interests and more effective corporate development within global financial regime.

2 Latest scientific progress and publications review

The colossal scale and diversified forms achieved by modern activities of multinational enterprises are due to the fundamental processes of increasing concentration of their capital and production at the international level. In the first quarter of the XXI century they got the features of global monopolization, which determines the main driving forces of the dynamic development of global networks (industrial, commercial, research, innovation and financial), thus forming the key proportions of all structural segments of the global market.

The material content of global monopolization of capital and production carried out by multinational enterprises is, first of all, the strengthening of their market power and dominance of oligopolistic competition mechanisms, which together generate powerful forces that are structuring the global economic system and reconfiguring its institutional and regulatory system. Researchers are talking about global business cycles and steady increase in the market capitalization of MNCs, systematic diversification of their financial and economic activities, implementation of large-scale investment and innovation projects, intensification of mergers and acquisitions, as well as accumulation of huge capitals and raw materials, financial capital and innovation, skilled workers and scientific and technical personnel [Zhivikhina, 2013; Puzakova & Shepel, 2015].

Corporate development strategies within national economies and in exploring global economic potential have been in focus of researchers for decades which brings in review of old and emergence of new forms, tools and regulations of FDI. It resulted in evolution of theoretic basis – from market power and monopolistic advantages to oligopolist reaction and competitive advantages, from endogenous development and internalization to exogenous and heterogenous multinational corporations, from product lifecycle and stages of MNC to fragmentation of international production networks and value chains [Desai & Hines, 2002; Ilnytskyy, Bezrukova & Svichkar, 2018]. Moreover, variety is even more diversified when we analyse development from eclectic paradigm to new economic geography, knowledge-based development, networks, value chains and internationalization models, as well as, behaviouristic theory of MNC and MNC–government bargaining power relationships [Mudrak, 2019; Makarova, 2017; Kheifets, 2008].

Offshoring activities affect many stakeholders and types of economic activities. Most tools (like tax treaty shopping) that MNCs use in their offshoring have two-side impact on nations' FDI balances in short- and long-run [Weyzig, 2013]. Several island states provide corporations with variety of tools to minimize taxes on legally sound base [Shaxson, 2019; Hebous & Johannesen, 2015]. Researchers describe that other forms of international economic relations (trade, migration) are also used to move, store and hide corporate financial resources [Trade-Related Illicit Financial..., 2020].

Post-industrial development has brought us a better understanding that globalization makes both positive and negative impact on national economies and interests of many stakeholders should be taken into account. In total one may find a well-developed network of institutions with offshore financial centers serving as nodes [Garcia-Bernando, Fichtner, Takes & Heemskerk, 2017]. Knowledge economy gets even more developed due to the options and arguments that researchers provide regarding offshoring activities [Bierly, Damanpour & Santoro, 2009]

Corporations purposefully diversify their geographical structure in order to increase international competitive advantages by:

1) restructuring existing business models,
2) minimizing transaction costs and tax payments,
3) improving the efficiency of supply chain management or redistribution of organizational and economic functions [Jurušs & Kūma, 2016],
4) simplification of accounting,
5) withdrawal of its business activities from

regulatory arbitrage,
6) better protection of investments from regulatory decisions of national governments.

Collectively, these strategic goals fit into the model of "3-E", namely: efficiency – reduced transaction costs; exploration – access to knowledge and qualified personnel; exploitation – development of foreign markets [Contractor, Kumar, etc, 2010]. Although most scholars emphasize that the main motivation for offshoring of corporate sector is still to reduce transaction costs of operating activities [Flaaen, 2016; Metters, 2008; Stringfellow, Teagarden & Nie, 2007], however, in the last decade international trends show a significant increase of strategic importance of the last two goals [Bierly, Damanpour & Santoro, 2009]. This indicates a significant complication of operations and technologies of international business, and a significant expansion of global resources and competitive models of its offshore.

Variety of literature in the field of off-shore corporate models discloses numerous corporate strategies, tools and cases, but it lacks their systematization and assessment of impact on development of national economies. International organizations (especially IMF) support various research on financial consequences that influence national budgets and currency stability, but it lacks identification of links with off-shore corporate models [Beer & Loeprick, 2018; De Mooij & Sjef, 2011].

We have come to decision to use a compound methodology of review of researches of off-shore corporate models and systematization of their influence on the financial resources available in national economies. System analysis added to the methodology to proceed better quality of results taking into account as many arguments as possible. This methodological approach allowed us to make assessment of total impact of use off-shore corporate models by MNCs on development of national economies.

3 Purpose and problem of research

Asymmetries in the levels of regulation of international capital and goods movement constitute one of the forces that make emerging economies less competitive in comparison with developed countries. This makes vital periodic systematization of current knowledge on models, tools and mechanism in regulation of corporate offshore activities. The purpose of the article is to propose in-depth systematization of balanced pros and cons for further development of national FDI policies aimed at network of MNCs.

4 Results of the research

4.1 CORPORATE MODELS: THEORETIC TOOLS AND CASES

Growing concentration of capitals and profits in hands of the global monopolized sector, strengthening the dominance of large corporate property in the world economy while strengthening the market power of MNCs (as direct subjects of global institutional and regulatory coordination) increasingly motivate them to implement diversified strategies of offshoring. In modern financial and economic activities MNCs distinguish both **internal and external offshoring**, which differ in the list of functions transferred to external partners, number of jurisdictions involved, and level of control over production tasks, forms and flexibility of interaction with partner firms, degree of transformation of internal business processes and competitive strategies.

Internal (endogenous) offshoring is implemented through the channels of internationalization of MNC's business functions on the basis of creation of foreign branches and divisions in offshore jurisdictions [Elizarova, 2014]. It involves the convergence of MNC's linked financial and economic activities or fragmented production, sales, marketing, logistics or financial functions within a company. In most cases it is used when there is a need to maintain confidentiality of information in the production of goods and services, ensuring strict control of MNC over a particular activity or exploration of competitive advantages [Kheifets, 2008] in a way to combine the key competencies of commercial cycle within one company [Berezhnov, 2003].

The tax inversion phenomenon is known as base erosion and profit shifting (BEPS) which is a set of corporate tax planning strategies that allows companies to "transfer" profits from jurisdictions with higher level of taxation to jurisdictions with lower income tax rates [4] without a formal violation of current legislation. These strategies are possible by the use of offshore financial centers (OFC), which provide MNCs with a low level of corporate income taxation and liberal regulation of cross-border transactions with capital assets. In recent decades, OFCs have become central nodes of global financial networks with specialization in wealth management, banking and corporate taxation. This is the way the world economic system implements large-scale transactions of accumulation, preservation and redistribution of global financial capital into most profitable industries and sectors.

In order to implement **tax planning strategies**, MNCs resort to development of extremely complex network structures of parent and subsidiary companies, which ensure both the implementation of their international operations and effective structure of corporate property. In the process of management decisions on FDI in addition to political and economic indicators (effective demand, professional staff, market availability and capacity, political and economic stability, current investment regime, etc.) MNC assess tax systems of host countries. The lion's share of corporations chooses the location of production capacity in host countries, based on the current rate of income tax [Jain, 2017]. Variety of good cases of complex network structures includes British HSBC with 828 affiliates that are located in 71 countries, brewery Anheuser-Busch InBev has at least 680 structural units in 60 countries.

In order to implement tax inversion strategies MNCs have developed diversified toolkit for transferring profits to offshore jurisdictions. The most common of these are: transfer of debts to offshore jurisdictions, purchase of tax agreements using contractual networks to route corporate income; localization of the sale of assets in low-tax offshore jurisdictions to avoid capital gains taxes; strategic transfer pricing [Beer, Mooij & Liu, 2019; 17]. Implementation of these instruments requires MNCs to have in-depth knowledge of the peculiarities of functioning of national tax systems and existing interstate tax asymmetries, which allows to effectively avoid regular audits of financial activities and reduce all potential risks of reputational losses in interaction with shareholders [Bozanic, Hoopes, Thornock & Williams, 2017; Graham, Hanlon, Shevlin & Shroff, 2014].

International debt shifting in corporate offshore operations is associated with manipulations of intra-firm lending. They involve MNC's excessive borrowing in countries with high taxation and lending to units located in countries with low taxes. So, structural parameters of corporate debt are changed to significantly ease the consolidated tax pressure without any impact on overall debt or risk of bankruptcy.

International practice uses tax treaty shopping as one of instruments for transfer of profits to offshore jurisdictions. Its essence is to obtain MNC's economic benefits from agreements between states to avoid double taxation, which provide both opportunities for residents not to pay double income taxes, and prevent third country economic entities from the use of tax benefits provided by bilateral interstate agreements.

There are two most common operational models of MNC's tax treaty shopping the use of 1) direct conduit structure (DCS), or 2) stepping stone conduits (SSC). While DCSs are registered in low-tax jurisdictions, where revenues from MNC subsidiaries are taxed at reduced rates; in the case of the SSC the tax base is reduced by the method of paying interest, commissions or other expenses in favour of conduit companies registered in low-tax jurisdictions [Masyakin, 2018].

Tax deferral linked to investment income received (interest, dividends or capital gains) are accumulated without taxation until the investor decides to repatriate profits. The implementation of this tool of internal offshoring emanates from the general international practice of income taxation of MNC, when the taxation of foreign profits occurs only after their repatriation.

Another business model of internal offshoring is corporate inversions and HQ location, which make it possible to reclassify the company as a foreign one, and thus get away of obligation to pay taxes on profits that were received abroad. Consequently, corporate inversions are often associated with a significant accumulation of tax liabilities by MNCs [Desai & Hines, 2002], allowing them to effectively avoid paying capital repatriation taxes through "profit sharing". The essence of this manipulation is narrowing of tax base and reducing of tax payable by artificial formation of corporation's debt to foreign counterparties, if interest payments on debt are deducted from the income.

MNCs widely explore such tax manipulations and use tax hybrids, due to which a combination of tax and debt instruments, when firms that are registered in high-ranking jurisdictions become tax residents (in terms of filing returns and tax payments) in low-tax jurisdictions [2]. Tax hybrids create opportunities for development of corporate tax evasion schemes for cross-border groups of companies located in tax jurisdictions that have signed double taxation agreements.

The mechanisms of tax hybrids are most actively used in business practice by such MNCs in global high-tech sector as Facebook, Apple, Cisco, Pfizer, Google, Amazon, Hewlett-Packard and Microsoft, avoiding a 35% corporate income taxation in the USA. In particular, the shell company "Apple Ireland", which sells the iPhone to another shell company-operator, which sells the product to end customer. In such conditions the Dutch franchise accumulates the revenues, returning it to Irish shell company by way of inflated license fees. This allows Apple to declare minimum income in Netherlands, taxing it at a rate of 25 %%, while in case of declaring income in the USA the income tax rate would be 39% [Snowden, 2017].

Finally, the ability of MNCs to apply strategic transfer pricing tools stems from the current global distribution of national tax rates between countries of their localization of production units and countries of registration of profits, which has a significant impact on balance and structure of intra-corporate trade [Clausing, 2006 & 2013].

As a tool for internal managerial analysis the transfer pricing in recent decades has become a key tool for interaction of MNC's structural units within corporate governance in terms of assessing the performance of each firm and accounting for intra-corporate flows of resources, products and services; and making management decisions on choice of strategic directions for development of each unit and MNCs as a whole.

5 Impact on national economic development

The material content of global monopolization of capital and production carried out by MNCs is, first of all, the strengthening of their market power and dominance of oligopolistic competition mechanisms, which generate powerful mechanisms for structuring the world economic system and reconfiguring its institutional and regulatory system. MNCs make a significant impact on development national economies, which is perfectly shown by the fact that sales of foreign affiliates constitute about 1/3 of global GDP. It's also about the steady increase in their market capitalization, systematic diversification of financial and economic activities, implementation of large-scale innovation projects, intensification of mergers and acquisitions, as well as the accumulation of huge capital and control over raw materials, financial capital, skilled workers, scientific and technical staff (table 1). During 1990-2019 most indicators increased more than world average, while global GDP increased by only by 3,87 times.

On the other hand, there are numerous evidences on negative impact of MNCs. OECD experts have calculated the total amount of unpaid income taxes by MNCs (by managing the tax base and moving profits) which is USD 100 to 240 bln annually or 4 to 10% of global corporate profits [1]. According to estimates by P. Jansky & M. Palansky MNCs move about USD 420 bln annually to 79 offshore jurisdictions [Janský & Palanský, 2019, p. 1049]. Meanwhile in 2016 the share of corporate income tax in global tax revenues did not exceed 13.3% in 88 jurisdictions, and averaged 3% of global GDP.

TABLE 1 Key indicators of MNCs' capital movements

Indicator	Values at current prices, USD bln					2019 compared to 1990, times
	1990	2005-2007 (pre-crisis average)	2011	2015	2019	
FDI inflows	205	1 414	1 524	1 762	1 540	7,5
FDI outflows	244	1 452	1 694	1 474	1 314	5,4
FDI inward stock	2 196	14 484	21 168	24 983	36 470	16,6
FDI outward stock	2 255	15 196	21 913	25 045	34 571	15,3
Income on inward FDI	82	1 027	1 359	1 404	1 953	23,8
Rate of return on inward FDI, %	*5*	*9*	*7*	*6*	*7*	1,3
Income on outward FDI	128	1 102	1 470	1 351	1 841	14,4
Rate of return on outward FDI, %	*8*	*10*	*7*	*6*	*6*	0,7
Sales of foreign affiliates	6 929	24 610	23 866	27 877	31 288	4,5
Value added (product) of foreign affiliates	1 297	5 308	7 183	7 903	8 000	6,2
Total assets of foreign affiliates	6 022	55 267	82 131	105 778	112 111	18,6
Employment by foreign affiliates, th	27 729	58 838	69 065	79 505	82 360	3,0
Gross fixed capital formation	5 793	12 456	15 770	18 200	21 992	3,8
Royalties and licence fee receipts	31	172	242	299	391	12,6

Source: author compilation after [48, p. 22; 47, p. 29]

There are huge regional asymmetries in MNCs impact: in OECD countries the share of corporate tax in the structure of tax revenues in 2016 averaged 9% with average corporate income tax revenues at 2.9% of GDP, but in Africa – 15.3% (for 21 tax jurisdiction) (2.8% of GDP), Latin America and the Caribbean – 3.4% (25 jurisdictions) (3.4% of GDP) [16, p. 2]. This state of affairs significantly intensifies interstate competition for the ways to circumvent systems of taxation, information disclosure and financial regulation, as well as the right to collect taxes from economic entities engaged in international transactions. Such a "race of concessions" is traditionally qualified in the global regulatory system as a problem of collective action [Shaxson, 2019, p. 10], which requires jointly developed and implemented multilateral solutions.

Tax inversion gives MNCs huge competitive advantages over SME, which are still forced to pay taxes at national rates (25 to 35% of total revenues in most developed countries) [Garcia-Bernando, Fichtner, Takes & Heemskerk, 2017], and therefore are under constant pressure from national tax authorities. MNCs growing demand for offshore financial services has led to a dynamic increase in the number of offshore companies as a key institutional link in the use of offshore jurisdictions. For example, the British Virgin Islands alone now have more than 700 th. offshore companies, or about 40% of the world's, there are about 80,000 various offshore companies in the Cayman Islands. They have accumulated financial assets totalling almost USD 2 trln, which is four times the value of assets accumulated in New York banks [Puzakova & Shepel, 2015, p. 61].

Total profits of subsidiaries of US-based MNCs in classic offshore zones (Cayman Islands, Bahamas, Bermuda, Cayman Islands, British Virgin Islands) often significantly exceed GDP of these states. Taking in mind their contribution to global GDP of less than 4%, the profits of US-based MNCs in 12 offshore jurisdictions now account for almost 55% of revenues of all foreign divisions of US-based MNCs [Mudrak, 2019, p. 6].

Withdrawn credit capitals may not even be used for the purposes of company's operating activities, and its value is usually regulated by two variables: volume of loan and its interest rate. This scheme, based on overestimation of the amount of credit capital against the value of company's share capital, is aptly named "thin capitalization" and is a part of transfer pricing mechanism [Lutsyshyn & Mehdiyev, 2017]. Current empirical researches indicate a close correlation between the level of tax rates in countries of MNCs subsidiaries location and size of their debt. For instance, tax elasticity of MNCs' intra-corporate debt averages 0.5, which is based on average ratio of intra-firm debt to asset value at 0.24 [De Mooij & Sjef, 2011].

These reasons underlie the rapid decline of private corporate taxes in filling state budgets. The demonstrative trend was in the US, where in 1955-2019 the share of corporate income tax in the federal budget decreased from 27.3 to 6.6% with simultaneous increase in the share of social insurance and payroll taxes from 12.1 to 35.5% (fig. 1). This testifies both, the transfer of lion's share of tax burden on people, and also ample opportunities of corporate sector to deftly minimize its tax obligations.

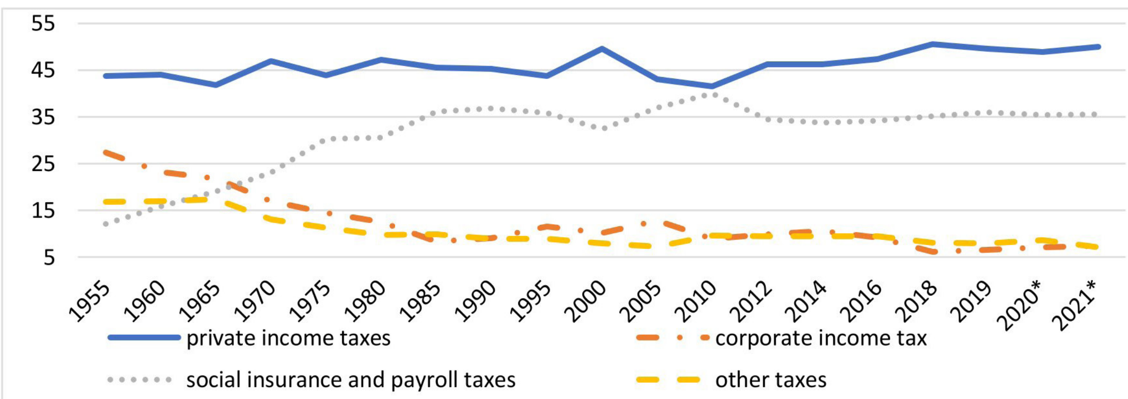

Figure 1 Structure of tax revenues of the US federal budget (trends and forecast), %
Source: compiled after [22, p. 420]

In real business practice there are about 3000 interstate agreements on double taxation that allow MNCs to effectively skip the tax laws of countries of their locations based on the use of appropriate financial tools. The essence of the latter is to create in countries that have concluded relevant agreements a number of intermediary companies, through which large-scale flows of financial resources actually circulate. In this way, MNCs get tax benefits in various forms (reduction of tax payments in countries of agreements; reduction or zeroing of tax rates in countries of income; reduction of income tax rates in host countries of subsidiaries that actually receive income) [Kuznetsov, 2014].

Significantly lower tax rates on dividends in Dutch tax treaties result in a significant deviation from FDI by local special purpose companies, and as a result of tax purchases the losses are substantial for countries where they are generated [Weyzig, 2013]. OECD calculations of annual losses of national budgets from the use of this tool of the intra-corporate offshoring in part of dividend reparation alone are about USD 75 bln. Given the average global tax on reparation of dividends at 12%, the use of tax treaty shopping reduces it to 6% [Neubig, 2015].

The use of transfer prices in order to minimize the tax burden was greatly facilitated by dynamic development of small states. Deprived of any significant competitive advantages in the field of industrial and agricultural production, they entered into fierce tax competition with former metropolises due to introduction of an extremely low level of tax burden on business.

Tax treaty shopping causes a 15% reduction in total corporate income tax revenues in sub-Saharan Africa [Beer & Loeprick, 2018]. The losses of Ukraine's budget due to the agreement on double taxation with Cyprus alone amounted to USD 77 mln in 2015 or 1% of total corporate income taxation [Balabushko, Beer, Loeprick, Vallada, 2017]. The largest number of existing double taxation agreements are in partner countries such as Mauritius, South Africa, Canada, France and Belgium [Beer & Loeprick, 2018]. All of these countries have fairly large pools of potential investors among resident companies, but only Mauritius has a relatively small base of potential domestic investors, maintaining the lowest income repatriation tax rates for global business companies. If the latter act as residents, they are subject to a standard internal corporate income tax rate of 15%, but with the possibility of obtaining unilateral tax credits, which significantly reduces tax burden to 3%. The exceptional importance of Mauritius as a global investment centre stems from frequent inclusion into existing corporate groups of intermediate holding companies specializing in coordination and centralization of group activities (mainly factoring and insurance), group financing, property ownership and tax reduction for MNCs. Therefore, investment centres, 1) have a fairly extensive network of existing tax treaties with low or zero income tax rates in countries of income generation; 2) adhere to strict rules on non-disclosure of banking secrecy; 3) tax corporate profits at minimum rates [Beer & Loeprick, 2018, p. 8].

A comprehensive analysis of the financial data of 60 US MNCs, that restructured in 1983 – 2015 showed that the average corporate tax savings of each company (and loses for national budgets) in the first year after corporate inversion was about USD 45 mln [Beer, Mooij & Liu, 2019, p. 10].

Mechanisms of tax hybrids also took place in New Zealand, where Apple sold its products for more than NZD 4.2 bln in 2016 without paying any local taxes. New Zealand's government estimates that if Apple has the same profitability in the country as in other parts of the world, it has already owed about NZD 357 mln. tax payments to the budget. According to the European Commission Apple has owed Ireland more than EUR 13 bln in tax payments due to its transfer pricing procedures and state aid received from Ireland [Snowden, 2017].

Under the influence of various endogenous and exogenous factors (intercountry differentiations in interest rates, systems of income tax base, export taxes, subsidies and duties) MNCs seek for any way to set a level of transfer prices that would minimize the overall tax burden to the holding, optimize the distribution of monetary resources, bypass the rules of currency control and improve the efficiency of corporate financial resources. Numerous comprehensive studies of international trade confirm the existence of systematic changes in the ratio of prices of supplies of goods between related and unrelated companies [Bernard, Jensen & Schott, 2006; Clausing, 2003; Cristea & Nguyen, 2016; Flaaen, 2016; Hebous & Johannesen, 2015].

Most countries apply the principle of setting internal prices for supplies of goods and services between related companies registered in different tax jurisdictions in the same way as prices that would be set between independent firms. As a result, MNCs use ample opportunity to significantly reduce their tax liabilities by artificially inflating the prices of purchased products coming from countries with low corporate income tax rates [Beer, Mooij & Liu, 2019]. This makes it possible to artificially underestimate pre-taxable profits in parent countries, while ensuring their profits are transferred to offshore jurisdictions and thus eroding tax base.

Conversely, as part of the implementation of transfer taxation mechanisms, MNCs artificially underestimate the prices of products supplied by related companies from countries with a high level of corporate income taxation. This ensures withdrawal of their profits from jurisdictions of high taxation and their accumulation on the accounts of parent units. Thus, transfer price for exports by companies increase from 0.5 to 6% in response to a 1% reduction in tax rates in countries of their export [Beer, Mooij & Liu, 2019, p. 8].

A number of highly profitable corporations pay almost zero tax in favour of their countries of registration. For example, the effective tax rate on foreign profits from Google and Apple is 3% and 1%, respectively [Dharmapala, 2014], as a result of transfers of profits to offshore jurisdictions and aggressive tax planning. In total, according to the research agency Global Financial Integrity, in 2008-2017 size of the difference in the value of goods and services supplied through international trade between 135 developing and 36 developed countries fluctuates with long-term increasing trend (Figure 2).

In geographical terms, the biggest differences are currently observed in the trade with Asian region, Europe and the Western Hemisphere (table 2). Thus, the enormous scale of business offshoring achieved to date is a natural result of the significant transformational changes that MNC's corporate tax planning strategies have undergone in recent decades.

In total MNCs manage to save from 1–1.7 % of global GDP from national budgets, but has a slight declining trend. Meanwhile the share could be even higher if we turn to the GDP of low- & middle-income countries. However, this is a good price for

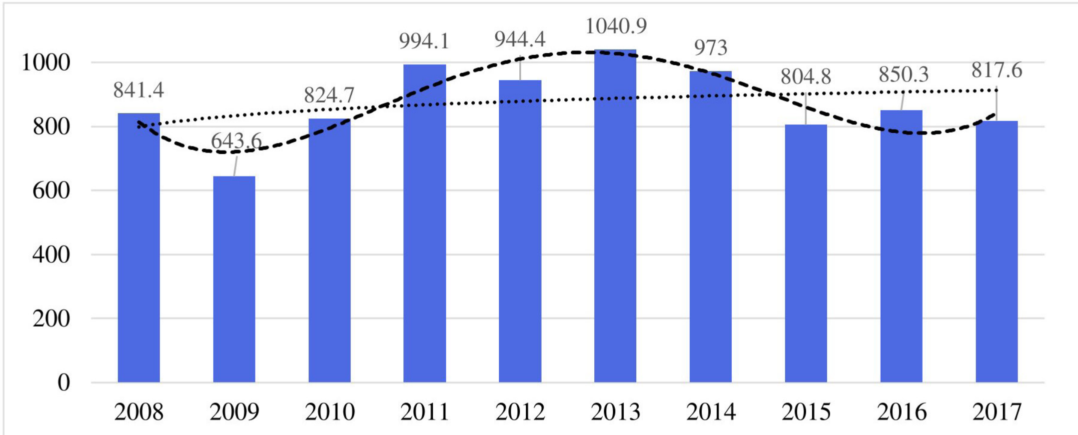

Figure 2 Trends and differences in value of goods and services supplied through international trade between developing and developed countries, USD bln

Source: compiled after [45, p. 17]

TABLE 2 Geographical structure of differences in the value of goods and services supplied through international trade between developing and developed countries

Year	Differences		Developing country regions share, %				
	total, USD bln	share of global GDP, %	Asia	Europe	Middle East and North Africa	Sub-Saharan Africa	Western Hemisphere
2008	841.4	1.32	47.4	22.5	10.0	3.6	16.6
2009	643.5	1.07	53.8	19.0	7.1	4.0	16.1
2010	824.8	1.25	55.0	18.8	7.6	3.2	15.3
2011	994.1	1.35	54.1	19.5	7.3	3.7	15.4
2012	944.3	1.26	54.3	19.9	6.2	3.3	16.2
2013	1040.8	1.35	54.2	19.2	9.2	2.9	14.5
2014	973.0	1.22	52.7	20.4	10.1	3.3	13.5
2015	804.7	1.07	61.3	13.8	7.8	1.9	15.2
2016	850.4	1.11	59.2	17.6	7.5	2.4	13.3
2017	817.6	1.01	53.7	21.0	7.5	3.0	14.8

Source: compiled after [45, p. 27]

their sales and jobs created due to FDI.

6 Conclusions

In the era of globalization, corporate tax planning strategies are radically changing, primarily towards the development of network forms of organization of structural units that can ensure the most effective use of cross-country differentiation in tax rates, increase tax-free income and thus reduce effective tax rates [Zhivikhina, 2013]. It is offshore jurisdictions that create all the necessary preconditions for such a maneuver, both in terms of preferential income tax and investment capital diversification, concluding agreements to eliminate double taxation, ensuring higher return on investment.

Modern offshore models of global corporate business provide prompt and large-scale redistribution of production chains by MNCs on the basis of increasing cross-border movement of their capitals, resources, fragmentation of business operations by countries and regions, significant expansion of foreign networks of subsidiaries and representative offices, branches of the world's largest banks. The high mobility, secrecy and profitability of MNCs economic activities through offshore jurisdictions should not be overlooked. This is the key to their transformation into an integral component of the global financial infrastructure, which accumulates growing scale of global financial rents and provides embedding of national financial capital in the global market through export channels, inflation, indirect withdrawal of investment resources, speculative operations in markets obligations, privatization of state property.

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