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FINANCIAL MANAGEMENT INDICATORS TO AID DECISION-MAKING (STATISTICS)

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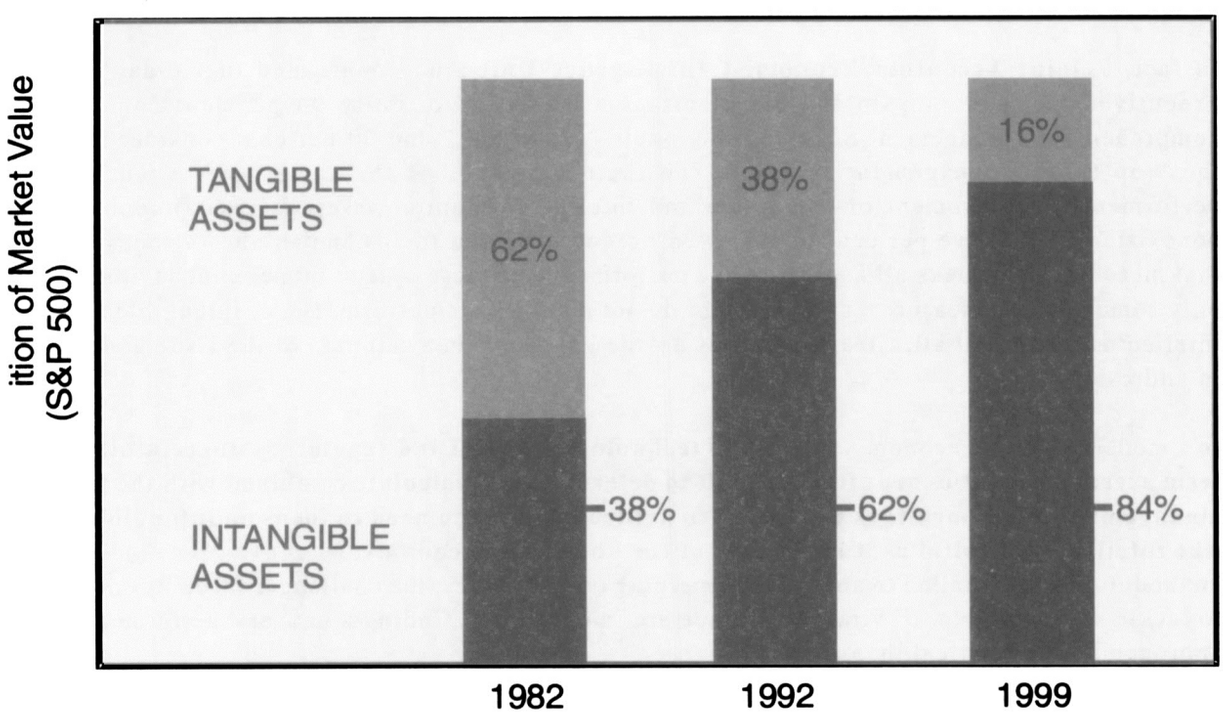
STATISTICS 1
INTANGIBLE ASSETS SUPPLANT TANGIBLE ASSETS AS PRIME MOVERS OF A COUNTRY'S ECONOMIC DEVELOPMENT



HIGHLIGHTS

It is true that as traditional accounting has remained focussed on tangible assets ignoring intangible assets a significant portion of corporate assets go under recognised and underreported. During the past 25 years, intangible assets have supplanted tangible assets as the key value drivers in the economy (rising from 38 per cent of total assets in 1982 to 84 per cent in 1999) and as it is difficult to manage what is not being measured (intangible assets) many of the assets that are most responsible for creating value in to day's economy are not managed as well they could be. Many C-

level executives rely on fiscal-year accounting-based financial data to run their businesses. They focus on current operating results, and they use those results to form strategies that do not necessarily optimize future growth. In managing for today, they use relatively straightforward accounting methods to link their own management decisions to the expected stock market impact. But when it comes to managing for tomorrow, the basis for making these connections is far more tenuous and at this point, It is pertinent to recall the views of accounting professionals, Johnson and Peterson:

Accounting for the assets and liabilities relies on historical cost valuation; however, market values of financial assets and liabilities move inversely with interest rates, making it possible for traditional balance sheets and income statements to present Information that might mislead financial statements users. Formal methodologies such as economic value added and the balanced scorecard are just some of the more visible evidence of the lively interest in the subject among financial regulators, accounting professionals, consultants, stock exchange officers, and business people.

In fact, a **Joint Accenture/Economist Intelligence Unit** study confirmed that today's senior executives see managing intangible assets as a major issue. Fully 94 per cent consider the comprehensive management of intangible assets "Important," and 50 per cent consider it one of the "top three" management issues facing their company. At the same time executives say performance measurement of intangible and intellectual capital assets is insufficient or even nonexistent. Only five per cent of surveyed executive; claim their company has a robust system that measures and tracks all aspects of the performance of these assets; 60 per cent say they apply only some of these measures, and one-third do not measure the performance of intangible assets or intellectual capital at all. Clearly, there is a wide gap between awareness of the issue and success in addressing it.

In a modern dynamic economy, because of **technological, legal and regulatory uncertainties long-term accrued liabilities are often difficult to determine and calculate combined with the fact that management of corporations embedded to natural capitalism need to focus on intangible assets like intellectual capital as it is the core of the knowledge economy.** As conventional accounting methodologies have failed to answer the emerging crucial issues, the challenges faced by enterprises to tackle such problem, of vital importance are immense and finding a new and better accounting approach is more critical than ever.

Sources :

i) Johnson, R. E., and Peterson P. T. Current Value Accounting for S&L's : A Needed Reform, **Journal of Accounting** (January 1984)

ii) Ballow, J. and Thomas R., Future Value : The $7 Trillion Challenge, **Journal of Applied Corporate Finance** (Winter 2004)

iii) Daum, J. H., **Intangible Assets and Value Creations** (John Wiley & Sons, 2002).

STATISTICS 2
MASTER LIMITED PARTNERSHIP DEPOSITARY UNITS AND COMMON STOCK : A COMPARISON

COMMON STOCK	DEPOSITARY UNITS
Personal Liability	
No Personal Liability	No personal liability for limited partners, except to the extent that return of capital contributions are wrongfully made or are necessary to meet obligations to creditors. General liability for partnership debts is imposed only on those limited partners who are, in effect, silent general partners.
Organizational Life	
Infinite life	Has finite life but can be structured to have infinite life. However, majority approval of unit holders is required to continue with a new general partner if and when the general partner withdraws, dies, or is declared bankrupt. The general partner may be a corporation. Must be reformed if over 50 per cent of units are traded in one year.
Voting Rights	
Each share entitles its owner to cast one vote in the election of directors and any other matter in which voting is permitted or required	The general partner has total management responsibility; there is no board of directors. Limited partners have limited voting rights on matters relating to the partnership.
Cash Distributions	
Each share entitles its owner to common stock dividends from funds legally available for that purpose as declared by the board. No cash distributions are specified in the corporate charter	Each unit entitles its holder to distributions from available partnership cash flow legally available for that purpose as designated by the general partner. Intended cash distributions may be stated in the partnership agreement.
Liquidation Rights	
Each share entitles its owner to receive a prorated share of any assets available for holders of common stock on liquidation of the corporation.	Each unit entitles its owner to receive a prorated share of any assets available for holders of common stock on liquidation of the partnership
Liquidity	
Liquid markets for publicly traded shares on organized exchanges and over-the-counter.	Liquid markets for publicly traded shares on organized exchanges and over-the-counter

Ability to Attract Funds

Established record of acquiring large levels of funding in financial markets attributed to divisibility of ownership into transferable shares, limited liability, liquid market for shares, and infinite life.	Expected to establish a record of acquiring large levels of funding based on attributes of divisibility of ownership into transferable units, limited liability, liquid market for units and infinite life.

Reporting Requirements

Subject to the requirements of the Exchange Act of 1934 must file quarterly and annual reports. Must report net taxable income and dividends paid to shareholders.	Subject to the requirements of the Exchange Act of 1934 must file quarterly and annual reports. Must allocate income or losses among the partners, report on form K-1 to the partners their shares of income or loss in total and by state, allocate each partner's gain on the sale of partnership interests as to ordinary income or capital gain. If a Section 754 election is made, the MLP must prepare individualized computations for each transferee partner. Must report to partners any adjustments proposed by auditors.

Restrictions on Ownership

Citizens of some foreign countries are restricted from owning stock in firms in certain industries	Citizens of some foreign countries are restricted from being partners in certain industries under U.S. or state statutes. Oil and gas leases are one example

Taxation

Taxable entity with respect to income after allowable deductions and credits, Shareholders are not taxed with respect to company income, but are taxed on dividends from the company after allowable exclusions. Capital gain or loss based on the difference between shareholder's cost per share and amount realized per share is recognized on the sale of shares.	Not a taxable entity. Each unit holder includes his/her share of the income, deductions, and credits attributable to the partnership operations in computing his/her taxable income, without regard to the cash distributed to him/her. Cash distributions themselves are not taxable. Gain or loss based on the difference between unit holder's basis and the amount realized recognized on the sale of units. Losses on unit sales are capital losses: gains may be a combination of ordinary income and capital gain.

Source : Collin. J.M., and Bey, R.P. The Maller Limited Partnership: An Alternative to the Corporation ... **Financial Management** (Winter 1986)

STATISTICS 3

CULTURAL NEW YEAR HOLIDAYS AND STOCK RETURNS : SELECTED COUNTRIES

(Bergsma, K. - Jiang, D. Research Findings)

A. COMPARISON OF DIFFERENT MARKETS BY ECONOMIC ENVIRONMENT-CUM-INSTITUTIONAL SETTINGS

Market	% of World Population	% of World Market Cap	GDP per Capita	Institutional Ownership (%)	Employee Bonus	Short Selling	Capital Gains Tax
China	18.65	8.41	$9.800	12.70	Yes	No	No
Hong Kong	0.10	4.79	$52,700	12.00	Yes	Yes	No
Indonesia	3.54	0.64	$5,200	11.30	No	No	Yes
Israel	0.11	0.39	$36,200	27.70	Yes	Yes	Yes
Malaysia	0.42	0.73	$17,500	6.70	No	Yes	No
Pakistan	2.72	0.07	$3,100	N.A.	No	No	Yes
Singapore	0.08	0.65	$62,400	15.30	Yes	Yes	No
South Korea	0.69	1.92	$33,200	16.60	Yes	Yes	Yes
Sri Lanka	0.31	0.04	$6,500	N.A.	Yes	No	No
Taiwan	0.33	1.42	$39,600	13.50	Yes	Yes	No
Thailand	0.95	0.49	$9,900	12.10	No	Yes	No

B. CULTURAL NEW YEAR HOLIDAYS AND TIME OF YEAR BASED ON THE WESTERN CALENDAR

Market	New Year Holiday	New year in Calendar Time	% Population Celebrate (%)	Firm-Month Obs.	Unique # Firms	Starting Year of Data
China	Chinese	January or February	91.50	231,563	2,279	1993
Hong Kong	Chinese	January or February	95.00	166,403	1,269	1992
Indonesia	Islamic	Varies	86,10	53,348	433	1991
Israel	Jewish	September or October	75.60	85,492	538	1991
Malaysia	Islamic	Varies	60.40	140,073	940	1991
Pakistan	Islamic	Varies	95.00	38,867	246	1993
Singapore	Chinese	January or February	76.80	70,209	588	1993
South Korea	Korean	January or February	99.96	206,797	1,626	1994
Sri Lanka	Sinhalese	Mid - April	69.10	39,897	255	1991
Taiwan	Chinese	January or February	98.00	179,013	1,633	1995
Thailand	Thai	Mid - April	94.60	82,982	570	1991

We are grateful to the Financial Management Association International and to the authors for making their research study available to us and for extending rewarding academic cooperation....Editor

Source : Bergsma, K., and Jiang, D., Cultural New Year Holidays and Stock Returns Around the World, **Financial Management**, (Spring 2016).

HIGHLIGHTS

The six cultural New Year Holidays - - **The Islamic New Year** begins on the first day of Muharram, the first month in the calendar year; Rosh Hashanah, the **Jewish New Year** occurs around September/October; The **Korean New Year**, Seolall, coincides with the **Chinese New Year**; The **Sinhalese New Year** falls between April 13 and 15 according to astrological calculations; The **Sinhalese New Year** is similar to the **Thai New Year** (Song Iran) which always falls on April 13 every year.

In **Panel A**, the 11 countries are inhabited by 27.9 per cent of the world population or nearly 2 billion people according to the 2013 CIA **World Facebook** estimates. The combined total market capitalization amounts to 19.54 per cent of the world capitalization (U.S. Census Bureau's 2010 **International Statistics**).

Panel B provides information regarding the cultural New Year holiday with available data for each country. Since several countries follow their traditional (often lunar) calendars to determine their New Year, the cultural New Year falls on different days or even different months depending upon the year.

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STATISTICS 4

AVOIDABLE FINANCIAL WASTE IN NATURAL RESOURCE-ENDOWED COUNTRIES : CASE STUDY

(Based on the Government Advising Oil Economist's First-Hand Study of a Developing Country in the Middle East

(M. R. Kumara Swamy Analytical Research Findings)

A. GOVERNMENT DEPARTMENT OF MEDICAL AND HEALTH SERVICES: SMALL ENVELOPES' PURCHASE

(to insert doctor's /physician's prescribed tablets/pills)

(QDR at 1970 values*)

Procured (No.)	Cost (£)	Air Freight (£)	Without Use of Prudent Financial Management Total Cost (£) (cost + air freight)	With Judicious Financial Management Total cost (£) (cost + sea freight)	Net Financial Loss to the Government Department (£)
150000	75	185	260	24	236

Analysis of Data

There was no rationale in airfreighting paying 2.5 times higher price than the cost price and that, too, from a higher-cost country like the U.K. With proper and prudent demand management, the consignment of the same or better quality could be procured from a lower- cost country and by sea freight at a fantastically low price of £ 24.

• NURSING STAFF CAPS

(QDR at 1970 values*)

Procured (No.)		Without Use of Prudent Financial Management Total cost @ 20 QDRs per cap)	With Judicious Financial Management (Total cost @ 6 QDRs per cap)	Net Financial Loss to the Government Department (QDRs)
508		10160	3048	7112

Analysis

One yard of cloth is sufficient to make two caps at a total cost of 6 QDRs (cost of one yard at ctoth : 3 QDRs + stitching charge: 3 QDRs).

B CEMENT INDUSTRY

The engineering contractor Frank 0.1 (who has licensing from Westinghouse for building gas turbines only) has employed his own process called the Tosi process which is highly uneconomic and non-standardized at an estimated (initial) cost of 16 million QDRs. In his own country the cement plants in Italy use standardized processes adopted by Krupp like KHD: Polysuuh & FL Schmidt.

Production Cost (QDRs)		Marketing Cost (QDRs) per Bag	Production Capacity (Tons per Day)
Per ton (20 bags)	Per bag		
80	4	About 5	300

HIGHLIGHTS

As the work on the grounding (powdering) place was not completed, only killinker prodiction started (not for selling purposes) in the first stage.

Financing Gimmick : Without an Iota of external financing, funds worth 35 million QDRs were fully realized from the (local) shareholders

The **Engineering Consultant** who promised to build the plant in 16 months kept on dragging without completion and used inferior (sub-standard) quality materials and the cost escalated for one clumsy & silly reason or another (known fully to the member of the cheating league - - contractor, consultant and the engineer who is officially incharge of the cement plant and who knows nothing about the cement factory.

The cement plant is located at a place where there is no jetty which is a very highly uneconomic plan as it involves transporting cement by trucks to the jetty, and thus, among other reasons, will explain for the marketing cost being much higher than the production cost.

In this context, the words of renowned techno-management consultants are highly relevant to recall:

> Many times one finds that consultants retained for me design of a project - - and especially those from or trained in the western world have an in-built bias towards the establishment of capital-intensive facilities. This may be so because they hope that eventually they will be involved in the actual construction of the plant often, it is so, because they believe that only large scale plants will help to modernize the developing economies.

Note :

*QDR = Qatar and Dubai Rials

Sources :

i) Timmer. P. C ., The Choice of Technique in Indonesia, in Timmer P. C. *et, al.*, **The Choice of Technology, in Developing Countries: Some Continuing Tales** (Cambridge. Mass, 1975);

ii) Helmers F. & Leslie C. H ., **Choice of Technology**, (World Bank, 1979)

STATISTICS 5

OFFSHORE FINANCE CENTRES (OFCs) INTERFACE BETWEEN CORRUPTION AND ECONOMIC DEVELOPMENT

(Mark P. Hampton Empirical Research Findings)

A. MAIN OFFSHORE FINANCIAL CENTRES

Caribbean & South Atlantic	Europe, Middle East, Africa	Asia-Pacific
Anguilla	Andorra	Cook Islands
Antigua	Bahrain	Hong Kong
Bahamas	Channel Islands	Labuan
Barbados	Cyprus	Marshall Islands
Belize	Gibraltar	Nauru
Bermuda	Isle of Man	Philippines
British Virgin Islands	Liberia	Singapore
Cayman Islands	Liechtenstein	Vanuatu
Costa Rica	Luxembourg	Western Samoa
Dominica	Malta	
Grenada	Monaco	
Montserrat	Netherlands	
Netherlands Antilles	Switzerland	
Nevis & St. Kitts	United Arab Emirates	
Panama		
St. Lucia		
St. Vincent		
Turks & Caicos Islands		

B. FUNCTIONAL OFFSHORE FINANCIAL CENTRES

	Licensed Banks	Banks (real presence)	Number Employed in OFC	Percentage of Labour Force (%)	Assets (A) or Liabilities (L) (US $ Million)	OFC est. contribution to GDP (%)*	Offshore Companies	Captive Insurance Companies**
Bermuda	3	3	2,600 (1992)	15	8,832 L	30 (1992)	7,297	1,357
Isle of Man	61	na	5,800	18	19,650 L	35	4,180 (1992)	141
Guernsey	73	5	5,000	16	63,300 L	56	14,000	280
Jersey	76	67	8,000	20	97,437 L	54	29,259	0

Notes :

*Estimated

**Captive Insurance is where a wholly subsidiary company is used to insure particular risks of its parent company, e.g., Oil Tanker Fleets

C. COMPOUND OFFSHORE FINANCIAL CENTRES

	Licensed Banks	Banks (real presence)	Number Employed in OFC	Percentage of Labour Force (%)	Assets (A) or Liabilities (L) (US $Million)	OFC est. contribution to GDP (%)	Offshore Companies	Captive Insurance Companies**
The Bahamas	396	177	3,330	3	200,000 L (1993)	16 (1994)	12,600 (1993)	30 (1993)
Bahrain	47 (1993)	na	na	na	65,000 A (1994)	na	na	na
Barbados	16	na	na	na	2,500 L	na	794	236
British Virgin Islands	8 (1993)	na	na	4	255,000 A	23	100,000 (1993)	35
Cayman Islands	534	78	1,600	10	427,000 L	na	29,298	378
Cyprus	19	19	1,500 (1992)	10	427,000 L	na	29,298	9
Gibraltar	29	na	na	na	3,750 L	na	4,000	na
Netherlands Antilles	37 (1993)	na	na	8	6,000 A	12.8	30,000	na
Vanuatu	100	na	386 (1994)	na	5,000 A (1988)	10 (1993)	900 (1993)	25 (1993)

Notes : *Estimated

**Data for Netherlands Antilles and BVI 1988; Barbados, the Cayman Islands and the Bahamas 1992; Cyprus, Gibraltar & Vanuatu 1993; unless otherwise indicated.

D. THE LEAST, MODERATE AND THE HIGHEST CORRUPT COUNTRIES*

Country	Scale (Maximum 10)	Country	Scale (Maximum 10)
Block-I (Least Corrupt)		Malaysia	5.2
Finland	9.7	South Korea	4.3
Iceland	9.6	Brazil	3.9
Denmark	9.5		
New Zealand	9.5	**Block - III (Highly Corrupt)**	
Singapore	9.4	India	2.8
Sweden	9.3	Russia	2.7
		Pakistan	2.5
Block - II (Moderately Corrupt)		Nigeria	1.4
Taiwan	5.7	Bangladesh	1.3
Italy	5.3		

Source : *Computed from data downloaded from **www.transparency.org**

Hampton, M. P., Where Currents Meet : The Offshore Interface Between Offshore Finance Centres and Economic Development, **IDS Bulletin** : (2 : 1996)

We are grateful to the author and to the editorial board of **IDS Bulletin** for extending rewarding academic cooperation...

Editor

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HIGHLIGHTS

OFCs are often located in small places: inland or mountain enclaves (Liechtenstein, Andorra), coastal enclaves (Monaco), or most commonly, in small islands. Although there is some confusion with tax havens, OFCs can be defined as sites hosting a range of economic activities (private and wholesale banking, offshore trusts and funds, holding companies, captive insurance and shipping registers),

whereas tax havens are based upon tax differentials with other countries (see **A**)

Offshore centres have become internationally prominent since the 1960s although some centres (e.g. Switzerland, Monaco and the Lebanon) existed before this. Bank deposits in tax havens increased from an estimated US$ 11 billion in 1968 to US$ 385 billion in 1978 (OECD 1987). Difficulties of estimation not withstanding[2], by 1991 estimates of the total size of the global offshore business had risen to over one trillion US dollars.

Despite the lack of published data due to OFC secrecy, it is possible partial tabulations that attempt to characterize offshore centres. The following tables use three categories of OFC : functional, notional and compound. A functional OFC can be defined as the place where financial activities physically take place, where full branches of banks, plus other financial services such as fund management trust companies etc., are sited. Functional OFCs employ a significant proportion of local labour (over 12 per cent of the labour force), and OFC activities contribute over 25 per cent of GDP (see **B**).

Notional OFCs are where 'shell' or brass-place offices of banks make book entries of financial transaction. However, their employment and GDP data is fragmented and incomplete, so that all we an note is a nominal contribution to both (under 3 per cent and under 10 per cent respectively). Compound OFCs host a mixture of functional and notional activities. This category includes centres (e.g. the Bahamas) that have an increasing number of shell offices that eventually become fully operational branches. Such OFCs employ a smaller proportion of the local labour force than functional OFCs (3-10 per cent) and contribute an estimated 10-24 per cent of GDP (see **C**).

The overall lack of data on OFCs means that this statistical information is indicative rather than authoritative, but it does give a sense of the relative scales of the main OFCs. When this partial information is combined with the estimated total size of offshore business (over one trillion US Dollars), it provides some idea of the significance of offshore finance in the global economy. The phenomenal 1960s growth of the 'offshore' Euro-currency-markets initially centred in London created a massive pool of unregulated, highly mobile private capital. OPEC funds, swollen by the early 1970s oil price rises, in combination with low real interest rates created excess systemic liquidity which the international banks attempted to mop up by extensive loans to LDCs. These developments were facilitated by significant technical advances in telecommunications and computer power that enabled the rapid transfer of funds from centre to centre across the globe.

A significant proportion of these international loans to LDCs were creamed off corruptly through rent-seeking activities by local elites in the form of over-payments, bribes etc. The funds thus obtained were then transferred into banks located in the offshore interface, ironically often to 'private banking' branches of the very same international banks that has issued the international loan to the LDC country in the first place. The offshore interface means that an extremely fine distinction exists between various OFC activities, particularly between legal and illegal, as both types require strict secrecy and are subject to low taxation. Thus, it provides a continual potential for abuse by individuals, corporations and the state, although what may be perceived as abuse in one country may be a legitimate business activity else-where. This ethical relativism is illustrated by the offshore industry's use of catch-all euphemisms such as 'private banking' or 'asset protection'. Offshore 'private banking' facilities can also he used for money laundering, although the older functional centres appear more selective in their clien-tele. As centres 'gentrify', funds of questionable origin tend to move to less selective, newer OFCs (usually notional centres). Alternatively, there may be a layering of shell companies (as in the 'Baby Doc' Duvalier case) to hide the real origin of certain fund acting as a further interface between legality and illegality.

STATISTICS 6
A. OPERATIONAL PERFORMANCE OF PUBLIC ENTERPRISES IN BANGLADESH: FOCUS ON CORRUT PRACTICES AND INADEQUATE-CUM POOR REPORTING

(Million Taka)

Indicator	Actual						Revised Budget	Authorised Budget
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
a. Total Value Addition by Public Enterprises	11,042	13,747	14,690	16,979	22,042	24,976	29,256	36,281
b. Annual Growth of Value Addition by PEs		24.50%	5.86%	15.58%	29.82%	13.31%	17.14%	24.01%
c. GDP at Market Prices	406.933	466.227	539.201	597.136	659.598	750.409		
d. Annual Growth of GDP		14.57%	15.65%	10.74%	10.46%	13.77%		
e. Contribution of PEs to GDP	2.71%	2.95%	2.72%	2.84%	3.34%	3.33%		
f. Gross Savings of PEs	2,376	-18	972	550	5,669	1,981	3,180	7,667
g. Gross Domestic Savings (GDS)	7,669	10,076	17,052	15,289	12,935	12,717		
h. Contribution of PEs in GDS	30.98%	-0.18%	5.70%	3.60%	43.83%	15.58%		
i. PE Annual Investment	7,639	17,475	28,349	19,988	19,581	24,708	29,884	28,219
j. Total National Investment	52.012	57.267	61.517	71.857	80,708	87,046		
k. Share of PE Investment	14.69%	30.51%	46.08%	27.82%	24.26%	28.38%		
l. Total PE Net Profit	237	-3,010	-2,880	-2,090	-990	-5,989	-3,895	-831
m. Dividend Contributions by PEs	574	584	654	671	623	643	2,699	2,510
n. Total PE Equity	29,606	36,970	54,080	54,500	73,670	93,224	119,724	95,072
o. Dividend Return on Equity	1.94%	1.58%	1.21%	1.23%	0.85%	0.69%	2.25%	2.64%
p. Non-Tax Revenue of Govt.	6,700	8,450	8,664	7,790	9,265	9,968		
q. PE Share in Non-Tax Revenue	8.57%	6.91%	7.57%	8.61%	6.72%	6.45%		
r. Total PE Debt	90,529	125,300	175,820	200,720	223,670	276,900	315,055	340,408
s. Debt-Equity Ratio	75:25	77:23	76:24	79:21	75:25	75:25	72:28	72:28

Notes : 1984-85 figures are for 10 major corporations, 1985-86 figures are for 20 major corporations: 1986-87 figures are for 24 major corporations : 1987-88 and 1988-89 figures are for 25 major corporations: 1989-90 to 1991-92 figures are for all 37 non financial corporations.

Source: Analysis based on official data released by Bangladesh Bureau of Statistics: Monitoring Cell, Ministry of Finance (see Mazumdar, M.A.K., The information system on public enterprises in Bangladesh, **Public Enterprise** (September-December 1992)

HIGHLIGHTS

The quality of accounts varies between public enterprises - while some annual reports provide extensive information, other are sketchy and almost useless. Therefore, there is a need to supplement and standardize the accounting system, particularly with respect to data quality. In general **public enterprise accounts are out of date, poorly designed, not properly consolidated** and invariably produced in English. The public enterprises in Bangladesh are generally subject to three type of audit. These are: statutory or external audit, commercial audit and internal audit. Statutory audits must be conducted by professionally qualified chartered accountants. The commercial audit is conducted annually by the Director General of Commercial Audit, a wing under the Comptroller and Auditor General (CAG). Internal audits are conducted by the managements of the corporations as a part of their internal control system. The **audit reports are far from satisfactory** - - There is no standardization of wording and hence it is difficult for layman to understand their significance. Besides, unexplained qualifications are made frequently in the audit reports and these diminish the effectiveness of the reports in fulfilling their primary role of lending credibility to accounts. **Despite statutory requirements, the public enterprises often do not include audit reports in their annual statements of accounts.**

The **poor audit and accounting standards in the public enterprises have also provided scope to the public enterprise managers for distortion of the actual position.** This is partly due to the fact that there is no proper accountability of the public enterprise managers. One of the reasons for this is the system of appointment of auditors. The auditors are recommended by the corporations and payment of fees as well as submission of reports take place at the corporation level. Efforts are being made to change the present system of appointment of auditors and expedite the audits. This would contribute to quality reporting of public enterprise data.

The quality of the information collected from the public enterprises is poor in respect of accuracy, reliability, timeliness and usefulness. The Monitoring Cell collects the information from the corporations (not from the enterprises) and most of these corporations in turn depend on information from the enterprises or regional offices. Most of these individual units do not have computerised data recording and processing facilities. Moreover, the engagement of less qualified and experienced personnel in these units has led to poor quality of information reporting to the corporate office. For instance, **most of the public enterprises take two to four months after the expiry of the quarter to report quarterly performance data.** The margin of error of the reported information varies up to 30 per cent. This poor quality of information has constrained the effectiveness of the monitoring operations.

The administrative ministries, which have a central function, do not have the required skills and knowledge of the affairs of the public enterprises. This has resulted in dependence on the public enterprises for most of the operational and technical evaluation aspects, leaving the public enterprise managements free to report the information to their own advantage.

STATISTICS 7

TECHNO-ECONOMIC GLOBALIZATION OF THE CHINESE ECONOMY : FINANCIAL MANAGEMENT STRATEGIES

A. CHINA'S TWELVE LARGEST MULTINATIONAL CORPORATIONS

Rank	Corporation	Industry	Assets (U.S. $ million)		Sales (U.S. $ million)		No. of Employees	
			Foreign	Total	Foreign	Total	Foreign	Total
1	China Ocean Shipping (Group) Company	Transportation	9,382	16,926	2,149	6,757	4,124	74,669
2	China National Offshore Oil Corp. (CNOOC)	Petroleum	4,814	8,635	976	3,669	13	24,406
3	China State Construction Engineering Corporation	Construction	3,739	8,099	1,818	5,790	6,833	236,464
4	China N at'I Cereals, Oils and Foodstuffs I & E Corp	Trade	3,707	5,014	6,446	13,004	359	25,000
5	China National Petroleum Corporation (CNPC)	Petroleum	3,350	83,254	1,600	41,089	4,400	1,167,129
6	China National Chemicals I & E Corp. (Sinochem)	Trade	2,788	4,928	9,148	16,011	350	7,950
7	Capital Iron & Steel (Group) Corporation	Iron & Steel	969	6,675	467	4,401	2,086	179,997
8	China National Metals and Minerals I & E Corp.	Trade	729	2,797	998	4,277	570	7,145
9	China Harbor Engineering Company (Group)	Construction	520	3,271	6,579	17,826	812	70,160
10	Shanghai Baoshan Iron & Steel (Group) Corp.	Iron & Steel	383	19,389	1,211	8,643	50	113,896
11	Haier Group Corporation	Refrigeration	328	3,188	976	7,260	803	31,281
12	ZTE Corporation	Telecom Equipment	17	1,205	260	1,685	120	12,961
	Total		**30,726**	**163,381**	**32,628**	**130,412**	**20,520**	**1,951,058**

Source : UNCTAD : FDI/TNC Database; **World Investment Report**: 2002: stars uncrad.org (accessed February 2003)

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i) **Foreign Direct Investment in the People's Republic of China** (New York, January 1988);

ii) **Banking and Financial Institutions in China** (Heisinki, 1996)

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Editor

B. EVOLUTION OF CHINA'S AGRICULTURAL 'GO OUT' KEY POLICIES : 2014

Year	Government Body	Document	Key Developments
2006	SC	Opinions of the Central Committee of the Communist Party of China and the State Council on Proactively Developing Modern Agriculture and Solidly Promoting the Socialist New Countryside Construction	Raised agriculture "going out" strategy with main focus on trade, imports and exports of agricultural commodities
2006	MOA	Eleventh Five-Year National Plan on Agriculture and Rural Economic Development	Supported agriculture "going out" strategy
2008	Central Committee of the Communis Party	Decision of the Central Committee of the Communist Party of China on Several Important Issues on Promoting Rural Reform and Development	Included foreign agricultural cooperation in agriculture "going out" strategy
2008	NDRC	National Food Security Medium and Long- Term Plan Outline (2008-2020)	Supported agriculture "going out" strategy and encouraged domestic companies to invest abroad
2010	Central Committee of the Communist Party	Suggestions of the Central Committee of the Communist Party of China on Making the Twelfth Five-Year Plan for National Economic and Social Development	Supported enlarging agricultural international cooperation
2011	NPC	Twelfth Five-Year Plan for National Economic and Social Development	Supported enlarging agricultural international cooperation
2011	MOA	Twelfth Five-Year National Plan on Agriculture and Rural Economic Development	Supported more support for and expansion of agricultural international cooperation and also encouraged SFEs to invest abroad
2012	SC	Opinions of Supporting Agricultural Industrialization Leading Agricultural Enterprises Development	Encouraged LAEs to invest abroad
2012	NDRC	Twelfth Five-Year National Plan on Rural Economic Development	Encouraged large enterprise groups, SFEs and LAEs to invest abroad

Source: Kevin May, Chinese Agricultural Overseas Investment Trends, Policies and BCSR (Corporate Social Responsibility, **Transnational Corporations** (3 : 2015)

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HIGHLIGHTS

Technology-Seeking Investment: Successful Ventures

In mid- 1988, **Shougang Iron and Steel Corporation spent $3.4 million to purchase a 70 per cent equity share in Masta Engineering & Design Co. in the U.S.A.,** in an attempt to obtain high-tech design capability instead rolling and casting equipment. Founded in 1989, Masta is one of the top international design and manufacturing

companies for metallurgical equipment. About **half of the hot strip rolling mills in the world are designed by** Masta. Through this investment Shougang is able to use Masta's 650 blueprints and microfilms, 46 software packages, 41 technical patents and two registered trade marks in well-advanced rolling and continuous casting technologies. Masta became Shougang's research-and-development basis overseas. This investment has significantly strengthened Shoughang's abilities to design and manufacture heavy metallurgical equipment and increased the international competitiveness of China's iron and steel industry. Due to its solid technological know-how and international reputation, **Shougang has won, since 1989, a number of important contracts in India, Indonesia, Macao, Malaysia and the Philippines** - - Masta was responsible for the design of these projects, and Shougang foe manufacturing. The equipment and accessories. In 1992, for example, Masta won the bid for a hotplate leveller project for Morgan steel Mills Inc., in Portland (U.S.A.). The leveller was designed by Masta and manufactured by Shougang in China. It was the first time that metallurgical equipment produced in China was exported to a developed country.

In late 1989, Shougang and its subsidiary Masta established a joint venture in Beijing, Masta Engineering Beijing Co. Ltd. With the advanced technology from Masta, the venture undertook a number of large technological renovation projects in China, including one research-and-development project listed as a key one in China's Seventh National Development Plan. Through joint research and development with U.S. experts and hands-on training in both China and the U.S.A., Chinese engineers soon became familiar with the most advanced technology and know-how in the metallurgical industry.

- **Shougang Corporation : Going International**

Shougang Corporation is one of the largest enterprises in China, with nine major subsidiary groups in iron and steel, mining, electronics, machinery, construction, ocean-shipping, trade and finance (including banking), stretching over 16 industries and possessing 105 large and medium-sized plants and mines, 41 Sino-foreign joint ventures with more than 200,000 employees and domestic fixed assets of more than 30 billion Chinese Yuan (RMB). Shougang Corporation's international operations started in mid-1980, and became full-fledged in 1992. Within a few years it established over 20 affiliates with overseas fixed assets of U.S. $ 500 million, and a strategic base in Hong Kong through acquiring six listed companies and restructuring them into two large groups (i.e., Shougang Concord International Enterprises Ltd. and Shougang Concord Grand Group Ltd.), with a market value of HK$2.35 billion of net assets. In the meantime, it won the international bidding for purchasing **Hierro Peru Mining Ltd.,** in Peru. In addition, the Company has formed its own fleet with a capacity of 1.3 trillion tons in 1993, and is now establishing a South-East Asian regional headquarters in Singapore and a strategic base in Latin America (located in Peru).

One of the successful examples of access to proprietary technology is the investment made by **China Bicycles Corporation of Shenzhen**. The company bought an American bicycle company to learn how to produce the high specification models in demand in the U.S.A. and Europe, then transferred the technology back to its Shenzhen plant, which now has a highly successful export market. In this way, not only was the technology itself transferred but also the ability to translate it into practical commercial use.

Some of China's investments in Hong Kong and in other countries are also motivated by the wish to acquire modern technology. In January 1994, the **Shenzhen Electronic Group** invested HK$230 million and formed a majority Joint Venture (JV) with local partners to manufacture complex integrated circuits. And a **Hanzhou TV factory** invested $10 million and set up a JV in South Korea in 1990 to produce colour TV tubes and obtain production know-how. In obtaining proprietary technology, the Chinese are more likely to acquire an existing foreign firm rather than start a new operation. That way, they may access the firm's entire package of advantages. They may also channel back advanced technology to upgrade their domestic manufacturing and develop new products for international markets.

- **International Financing or Chinese MNCS**

A joint venture between CITIC Canada Inc. (a subsidiary established in **Canada by the China International Trust and Investment Corporation (CITIC) and Power Corporation of Canada** provides an example for raising funds locally for an FDI project. The two companies bought in 1986 the Canadian Celgar Pulpmill which had an annual output of 180,000 tons of bleached long-stabler kraft pulp. Each partner holds a 50 per cent share and is committed to provide half of any required additional investments as well as working capital. The Consolidated Bathurst Inc, (later called Stone Consolidated Inc.) was entrusted with providing expertise for managing the newly purchased factory. As regards the funds required for the acquisition, CITIC Canadian Inc., raised the funds locally. It obtained financing of Canadian $60 million in the form of a syndicate loan through the Royal Bank of Canada, on the condition that half of its share in the pulpmill be mortgaged to the Bank and a long-term sales contract be signed with its parent company in China. The business was so successful that, in less than three years, CITIC managed not only to pay off its loan with the profits from the pulpmill, but also to reinvest the balance of the profits (together with Swedish and Hong Kong companies) in a sawmill with an annual processing capacity of 310,000 cubic meters of log, at a value of Canadian $40 million addition, CITIC Canada Inc. and Stone Consolidated Inc., also succeeded in 1991 in obtaining a loan of Canadian $ 4700 from the **Royal Bank of Canada and the National Westminster Bank of the U.K.** to expand the production capacity pulpmill to 420,000 tons annually, upgrade its technology and improve its pollution control methods.

Resource-Seeking Investments

A good example is **China National Metals and Minerals Import & Export Corporation's $180 million investment in the Channar Mine in Australia.** Averaging an annual output of 10 million tons of iron, the mine will ship back the total output of 200 million tons to China during its 20 years in operation (1990-2010). In the same vein, Shanghai Baoshan Iron and Steel Corporation has invested in six JVs in Australia, Brazil, and South Africa to gain access to both iron-ore mining and steel marketing. Between 1990 and 1994, the company shipped over 10 million tons of mineral back to China, saving an estimated $6 million in fees and charges.

Another natural resource area in which Chinese MNCs have been active in setting up overseas subsidiaries is fish. Between 1985 and 1995, **China Ocean Fishing Corporation,** the country's leading, investor in fishing, established over 50 wholly-owned subsidiaries. JVs, and cooperative subsidiaries in almost 20 countries, including in U.S.A., Iran, Argentina and West African nations. Operating a fleet of more than 800 ships of various types and employing 15,000 sailors and land-based workers abroad, its annual catch of several hundred thousand tons of seafood is all sent back to the rapidly growing Chinese market.

Resource-based FDI, notably in minerals and oil, is usually on a large scale and involves a large portion of Chinese corporate foreign assets. Such large-scale investments are most likely to be realized via acquisition. Through acquisition, Chinese companies can quickly take over an existing company, access new market opportunities, and obtain a local network of distribution and suppliers.

Note : Chinese investments in the resource sector generally succeed, but there are a couple of unsuccessful examples. For instance, when China National Petroleum Corporation acquired a 60 per cent stake in Kazakhstan's second largest oil company for $320 million, it projected that the company would produce 7-8 million tons of oil per year. However, the result was barely 25 million tons. CNPC's other investments in Kazakhstan are equally disappointing; they include a contractual oil JV $5.5 billion and construction of a $ three billion, 4,000 km pipeline linking oil fields near the Caspian Sea to Xinjiang in northwest China, neither of which has turned out as expected.

Diversification-Seeking Investments

A number of Chinese companies, particularly large ones, have engaged in overseas investments for the benefit of risk diversification. They expand abroad often with the encouragement of the government, which is keen to see the development of Chinese conglomerate multinationals modelled on the example of the Japanese and Korean trading houses. This type of investment is featured by **China National Chemicals Import & Export Corporation-**

better known internationally as Sinochem. Directly under the control of MOFTEC, Sinochem, one of **China's largest state-owned Foreign trade companies,** used to hold a monopoly of the country's import and export of petroleum, chemical fertilizers, and raw materials for plastic film. The foreign trade reform of 1987 resulted in more industrial firms gaining trading authority. As a result, Sinochem began to lose its core business and had no alternative but to look for new possibilities. One was to capitalize on its strengths - - its foreign trade skills and overseas connections - - by investing abroad. To survive, Sinochem applied for and was given permission in late 1987 to engage in new business ventures, including overseas investment. It was also designated as the **first pilot corporation in China to diversify its business with the objective of becoming a top multinational.**

In six years, Sinochem transformed itself into a diversified MNC, with business activities of petroleum fertilizer, chemicals, investment, financing, tourism, and consultancy across the globe. Currently, it has set up more than 100 foreign subsidiaries and JVs worldwide, with total foreign assets of $2.8 billion. Among its largest offshore ventures are a 50 per cent stake in the US-based Pacific Refining Co. and 100 per cent ownership of a phosphorus mine and a chemical fertilizer plant in the U.S.A. In 2001, Sinochem's combined foreign sales surged to almost $9.2 billion, more than 57 per cent of the total, from just $1.9 billion in 1988. As a well-diversified multinational, **Sinochem as been ranked by Fortune among the world largest corporations for 13 years in a row.**

China Resources Enterprise, also owned by MOFTEC, is another prominent example of a Chinese firm developing into a diversified multinational by relying on overseas investment as part of a diversification policy. Facing the loss of its monopoly on trade flows between Hong Kong and China, and with the encouragement of the government, **China Resources began to use its Hong Kong base to internationalize its operations.** It now has several trade-supporting subsidiaries abroad, particularly in the U.S.A., Singapore, and Thailand. It has also formed JVs with Indonesian firms to develop forestry projects.

Over the past two decades, **Chinese MNCS have made a huge amount of foreign direct investment abroad, making China one of the world's leading foreign investors.** This important phenomenon has not been widely studied from a business perspective.

Chinese Agricultural 'Go Out' Key Policies : 2014

The Chinese companies which the Chinese government targets in its agriculture "going out" strategy are large enterprises and are the main force of agriculture 'going out'. In September 2011, the MOA (Ministry of Agriculture) issued the **Twelfth Five-Year National Plan for State Farm Enterprises Economic and Social Development (2011-2015)** which states that China should "encourage and guide state farm enterprises (SFEs) to 'go out', (and) forcefully start foreign agricultural cooperation".

In 2012, the State Council (SC) issued the Opinions of Supporting Agricultural Industrialization Leading Agricultural Enterprises Development declaring that China should "provide convenience for the customs clearance of the domestically produced materials and facilities which are needed for the foreign investment projects of leading agricultural enterprises (LAEs)". **Also in 2012, the NDRC issued the Twelfth Five-Year National Plan on Rural Economic Development which states that China should "proactively foster agricultural multi-national enterprises", and "encourage large enterprise groups, SFEs, (and) LAEs" to invest overseas.** These moves by the Chinese government to drive agricultural OFDI make it particularly timely and important to explore whether such investment by Chinese enterprises, especially SFEs and LAEs, will likely become a positive force for the sustainable development of and poverty reduction in the recipient countries. These issues are particularly relevant and crucial to other developing countries such as the ASEAN countries, most of which, as shown above, have been targeted by Chinese investment and in which Chinese agricultural FDI can be a significant share of total investment in agriculture.