

K.P. Anguelov¹, A.S. Kernebaev²¹Technical University, Sofia, Bulgaria;²Karaganda Economic University of Kazpotreboyz, Kazakhstan

(E-mail: aidyn.kernebaev@gmail.com)

Global experience of development of quasi-public sector of the economy and country wise peculiarities of strategic management

The article examines the world experience of development and country specific features of strategic management of various forms of corporate governance with state participation in the quasi-public sector of the economy (state holdings, state corporations, state enterprises and state commercial enterprises), which are legal entities created by the state to conduct business or business activity on behalf of the state. In many countries of the world, a great deal of experience in the successful strategic management of state corporations has been accumulated as a kind of a «financial and economic framework» of national economies, ensuring their accelerated development, including post-crisis and post-war modernization or the first industrialization and modernization. The authors emphasized that in all countries where the experience of successful use of state corporations for development and modernization has been accumulated, the strategic goals of their activities are clearly fixed at the legislative level, and the results of the strategic development activity are tightly controlled by administrative bodies and legislators. Indeed, the inability of governments to strictly follow one policy can significantly reduce the efficiency of the state company's operations and its strategic management. It was also noted that it is necessary to establish all state corporations only under specific national target priorities for the period of their implementation.

Keywords: quasi-public sector, state holdings, government owned corporations, state owned enterprises, governmental business enterprises, strategic management.

According to global practice, there are following forms of governmental management with state participation: «state holdings» (SH), «government owned corporations» (GOC), «state owned enterprises» (SOE) and «governmental business enterprises» (GBE) – they are legal bodies, incorporated by government for execution of commercial or business activity on behalf of the state. In Kazakhstan all the abovementioned forms of corporate management are included into the quasi-public sector of the economy. In this connection, we will consider the strategic development and management of these forms in different countries.

In the countries with market economies, state corporations were incorporated together with private capital and the sector of state enterprises was for some reason unable to solve the strategic issues of economic development. This was the moment when there appeared a need for such organizations, flexible and proactive as a private enterprise.

USA. In the USA, public corporations are legally non-profit organizations established by the federal or state governments on the basis of a property or financial contribution from the relevant authority. However, in the USA they can also be incorporated on the basis of a mixed state property contribution. Their goal is the implementation of social, managerial or other socially useful functions. Each of them is incorporated on the basis of a separate special enacted law, and it can conduct commercial activities in the relevant markets, directing profits to the implementation of its statutory goals. In the USA, corporation that has completed its statutory functions is reorganized or liquidated.

The main difference between American state corporations and other countries is that the creation of each of them – and the preparation of the corresponding normative act – is preceded by a detailed discussion by state or congressional legislators with the involvement of broad professional expertise. The law on them regulates the following detailed and specifically:

- statutory goals, with the list of «permitted» areas of activity, as well as indicators in development strategies, which determine the degree and quality of achieving statutory goals;
- volumes and nature of use of production and financial assets allocated by the state for the implementation of statutory goals;
- the procedure for reporting in created corporation on its activities and the order of their operation within the framework of strategic development;
- the criteria on the basis of which a decision is made to implement the state corporation's statutory goals and, if these goals are recognized as achieved, the decision on its liquidation [1].

In accordance with the law, state corporations must submit annual budgets, which, after consideration by the President of the USA, are sent for approval to Congress - along with the budgets of government authorities. Some of them are selectively checked additionally by the Congress or its relevant committee.

Thus, in the USA such state corporations were created solely for the purpose of achieving specific, special goals of state policy, supported by the corresponding state financing and property.

A special place is taken by state corporations at the stage of forced development and modernization of the economies of a number of Asian countries. In Japan, since the World War II, in South Korea since the late 1950s, in the PRC since the early 1980s, state corporations have become the main agents of the new industrialization (including the creation from scratch of such industries as machine tools, shipbuilding, automobile manufacturing, electronics) and technological modernization.

In the course of the formation of state corporations in the United States, which took a long time, there was an expansion of the spheres of activity - from insurance of bank deposits (the federal corporation for deposit insurance) to the crisis restructuring of the banking system (corporation for financial reorganization) from the creation of the largest production and technological complexes (the administration of the Tennessee valley) to large-scale road construction (the corporation for the development of the road network in Pennsylvania) from the promotion of small and medium business ENA (National Corporation for the development of business veterans) to the public service broadcasting organization (Corporation for Public Broadcasting) and assist in the provision of affordable legal services to the public (Corporation for the provision of legal services). At the same time, there was a clarification of the legislation providing for improving the definition of the target functions of state corporations, as well as a stable and reliable control over their activities. This institution, despite the presence in the government authorities of influential opinions about it as ineffective and excessive, reproduces and resolves at the level of the federation and individual states of the set of tasks that the state authorities consider priority and with which for one reason or another private business does not cope.

Japan. In Japan, for example, keiretsu corporations, which were created almost entirely by state funds in the 1950s, were actively used as the main tool for the development and implementation of national indicative plans. At that, their planned targets included such concrete indicators as achievement of a certain share of sales in the core global markets in 7,10,15 years. Later, despite the high efficiency of keiretsu, the government of Japan created state corporations both in various sectors of the economy, and in the financial sphere. Although some of the previously established corporations were liquidated after solving of issues, set for them (in particular, some of the largest in 2005), in Japan there are more than 70 large non-profit organizations that have the status of governmental ones [2].

Japan's experience in creating such corporations as an instrument of industrialization and modernization of the national economy was widely used in Taiwan, Singapore, Indonesia, Malaysia and South Korea. Thus, the «chaebolization» of the South Korean economy in the 1970s and 1980s actually took place in the format of state corporations under strict governmental guidance and control and almost entirely on the basis of public funds.

South Korea. In South Korea, the formation of modern industry-specific corporate modules for the automobile manufacturing, shipbuilding, chemical industry, electronics relies on such state corporations-chaebols as «Hyundai», «Samsung» and «Daewoo».

South Korea is one of the best in the world practice subject to the development and strategic management of state-owned companies. There, the Ministry of Strategy and Finances annually establishes a group of appraisers consisting of about 130 civilian professors, consultants and accountants who meet every February to conduct an estimation in the period from March till June, which is reviewed and approved by the Public Administration Committee.

The amount of remuneration is determined based upon the results of the evaluation. For state corporations, the remuneration amount on the basis of the evaluation results varies from 250 to 500 percent of the basic salary. At the same time, the assessment system is very exact itself, clear and very brief. There are only 3 categories and 20 indicators [3].

Until recently, there were more than 130 state corporations operating in the PRC, which became a kind of «modernization framework» of the national economy. Now the country's leadership reduces their number, but not by liquidation, but by merging into super-large financial and industrial conglomerates that can implement strategic modernization programs in key economic sectors and increase the competitive ability of products in global markets.

China. Post-reform China is characterized by a number of sustainable signs of socio-economic and political development. Among these signs, of course, it is worth noting the creation of a socialist market econ-

omy with Chinese specificity. An important role in these processes is played by the activities of state-owned enterprises, which, along with non-state ones, remain an important stabilizing factor for the country's sustainable industrial and agricultural growth. 2002 was the last year in the implementation of the course of «liberation of state enterprises from difficulties in the period of three years» and, of course, was a turning point. So called course of «elimination of difficulties», of course, is inseparable from the reform of state enterprises in general, and from a formal point of view, almost all state owned enterprises have basically completed the restructuring. «Everywhere the degree of completeness of the restructuring of state enterprises has become a political task, which was placed on the first place among all economic tasks».

State enterprises have not only a commercial but also a non-profit goal: employment of the population, financing of the social sphere, activities in low-profitable, and then obviously unprofitable industries, etc.

In terms of profit, state enterprises do not differ from the preacceptance of other forms of ownership. For a long time in China, the definitions of the state enterprise used the concepts of the planned economy period, that is, «the state enterprise is the organizational form of an enterprise of public property, the means of production of which belong to the public property and which the state owns. The state manages state enterprises at both levels - both in the center and in the field. «The well-known Chinese economist Shi Jin believes that» it is necessary to define the state enterprise based on the management and control over it. The government must have control over the state enterprise, and to exercise this right legally and effectively it is necessary that it, this right of control by the state, be present in the rights of the owner of an enterprise having commercial or non-commercial goals, including holdings and state corporations».

So did the efficiency and effectiveness of enterprises increase after the restructuring? What else should the reform of state owned enterprises change? At the moment, the situation is not so simple. After reformation of state-owned enterprises, their position has certainly been facilitated, the structure and environment have improved, technology has increased, and so on. However, reformed and restructured state owned enterprises have not been able to get rid completely of the anachronism of the times of «cultural revolution» - «eat from one iron caldron» - which means egalitarianism.

Clearly realizing all these moments, the Chinese government will be able to develop and implement the correct policy in relation to state and other enterprises. Apparently, it is necessary to distinguish clearly the enterprises that remain state, and all other manufactures with different composition of the incorporators. Regardless of whether a state is developed or developing one, the state economy in it plays a dominant role. And in some industries, the state economy just has no alternative. After the World War II, many western countries experienced a wave of nationalization, and this circumstance primarily contributed to overcoming the decline and economic growth [4].

This is currently the real state of affairs in China, including among companies that have entered the stock market. Hence, we can conclude that the advantages of SOEs are the advantage of their property, namely in a special form existence, a special distribution of property rights. In terms of form of existence, the biggest advantage is that the SOE is a «normal government body» and enjoys the privilege of implementing government policies that ordinary companies do not have. The state-owned enterprise also has the most favored nation's rights, which is not the case with an ordinary company: additional government investment, preferential rent for land, exchange of debts for shares, debt cancellation, support of all government ministries and departments; therefore, state enterprises reform is from the beginning to end of the central link of economic system reform. In addition, the relatively stable rights of shareholders of the state enterprise create a good organizational base for medium-term and long-term consistent development. The nature of the enterprise to some extent establishes its functions, and the functions of the enterprise are mainly to minimize the cost of production and trade costs.

The distinctive features of state enterprises from economic entities of other forms of ownership shall be emphasized.

From the point of view of control over rights, all state owned enterprises are controlled to some extent by the government.

Russia. In Russia, the problem of state corporations both at the time of their incorporation and later caused heated disputes. The main argument of the supporters was as follows:

- significant number of enterprises in these industries are in a state of debtors, corporatization and privatization actually mean their inevitable liquidation (on the basis of existing Russian legislation);
- without active state support of the relevant industries, the risks of their complete loss are increasing, with disastrous consequences for the country's development potential;

– preservation of these enterprises in the current state being state-owned means not only a growing burden on the budget, but also the development of tendencies for their degradation;

– in the country there is a gradual degradation of large strategically important segments of the national economic system. And neither Russian nor foreign private business shows interest in investing in these segments, as well as in the development or at least in preserving their production apparatus, technological level and human resources;

– in most sectors of the domestic economy that opened up to the global world, there is no corporation that by capitalization, scale of production and technological level is able to ensure the competitiveness of its products in global markets, and in many cases even on the domestic market;

In the course of economy marketization in a number of critically important industries, no private entities have emerged that are able to take on the solution of the problems of preserving, developing and modernizing the production potential [5].

The laws on the establishment of state corporations in Russia were adopted hastily and without extensive professional discussion, as a result, they include extremely vague target functions of newly established structures and mechanisms for monitoring the achievement of strategic goals, including the justification for the use of production assets and financial assets received from the government.

Most of these corporations in their field of activity are actual monopolists. As a result, their wider and free access to financial resources, priority inclusion into the state order system, customs preferences and other benefits, as well as the impact on prices sharply limit the effectiveness of competition in the relevant domestic markets.

The contradiction, included initially into the laws on state corporations, between their non-commercial status and the right to conduct commercial activities creates a permanent situation of conflict of interest. In particular, the board of directors of corporations may be tempted to invest not to core activities, but to increasing the market capitalization of assets received from the state that are recognized as «non-core» for the state corporation, with their subsequent sale. Another temptation is to send the money received from the state not to profile production investments, purchase of new technologies and innovative developments, but to a speculative game in financial markets that brings quick and steady income.

Countries of Europe. In the largest countries of Europe, a huge role in post-war reconstruction and modernization of industry was played by such state corporations as the Italian Finmeccanica, the British BAESystems, the French Thales and KEA.

In other countries, governmental participation in economics of the country amounts in average 20-40 % (Italy, Germany, France), which, according to the nature of management, are subdivided into the following:

– state-owned enterprises under direct government control;
 – joint-stock companies with mixed state-private capital, controlled indirectly by the state, through relevant bodies, institutions and holding [6].

In turn, the system of holding companies consists of diversified holdings and branch-wise joint-stock companies operating in the market in accordance with the same legislative norms as private companies.

Together with abovementioned, foreign countries have the following trends:

– tightening of control and responsibilities of member of board of directors;
 – strengthening of requirements to internal and external audit;
 – strengthening of requirements to reporting and transparency of public companies (as well, due to strengthening of requirements of exchanges).

At the same time, the board of directors bears collective responsibility for the administration, management and control of the company's activities, the objectivity of decisions made in the interests of the company, shareholders and other concerned parties, and guarantees the implementation of effective management in the company.

Bulgaria. In Bulgaria, all companies are private. In addition to the energy sector, since Bulgaria is a net exporter of electricity, the public interest in this sector is very high. Today, the Bulgarian Energy Holding (BEH) is the only state agent in the energy sector and operates as a department of the Ministry of Energy. The holding exists as 100 % state-owned. BEH is 100% owned by the state through the Ministry of Energy BEH owns 100 % of all subsidiaries. BEH is the successor of the state-owned company Neft i Gas (Oil and Gas), established in 1973. Strategic management of state property – BEH subsidiaries are identified as critical energy infrastructure facilities whose depreciation or destruction will have significant consequences for the vital social functions, health, safety, security, economic or social well-being of the population of Bulgaria [7].

Strong operational communication with the state - BEH is an instrument of the Ministry of Energy for the implementation of policy in the energy sector. Thus, the company is authorized to manage all important public projects in this sector, including cooperation with the World Bank and the Bulgarian Academy of Sciences to develop recommendations in the sphere of policy, roadmaps and energy sector reform strategies.

Singapore. The laws of Singapore (Companies Act) and New Zealand (Companies Act 1993), in addition to distinguishing the functions, powers and responsibilities of the board of directors and the executive body of the company (corporation), also provides fiduciary responsibility of each member of the board of directors to the company and shareholders, including possible measures punishments (types, sizes of fines) for an action (inaction) of an official, which caused damage (harm) to the interests of the company and its shareholders.

The Harvard Business School «SingaporeInc» in August 2005 gave the following data: «In the first years of independence, Singapore was a country with an underdeveloped private sector. Under these conditions, the government established state-related companies and official boards of directors whose task was to create the infrastructure necessary both for improvement of the living standards of the population and for increasing the country's attractiveness for foreign investment. Taking the original responsibility for the basic public services (Public Utilities Board), the banking sector (Development Bank of Singapore), ports (Port of Singapore Authority), construction (Jurong Town Corporation), public housing (HDB), air transport (Singapore Airlines) and defense industry (Singapore Technologies), the state soon provided its presence in almost all sectors of the economy, including such sectors as food industry and tourism.

The supervision of the activities of many of the state-related companies was carried out by Temasek Holdings, the state investment structure. In 2002, Temasek owned more than 40 companies, taking 20% of the market capitalization in Singapore and 13% of the country's annual GDP. Despite the fact that Temasek owned large blocks of shares in companies, each company was managed independently [8].

Singapore Airlines (SIA), one example of the success of state companies, has evolved from a small regional airline to one of the world's leading passenger carriers. Having emerged from the joint venture of Malaysian-Singapore Airlines in 1972, SIA set a priority task to ensure the highest standards of quality and service.

Thus, in many countries of the world there is a great experience of successful strategic management of state corporations entering the quasigovernmental sector as a kind of «financial and economic framework» of national economies that ensures their accelerated development.

In all countries where the experience of successful use of public corporations for development and modernization has been accumulated, the strategic objectives of their activities are clearly fixed at the legislative level, and the results of the strategic development activity are tightly controlled by the administrative bodies and legislators.

The above examples show that the opinion widely held among Kazakhstan's government and business about the fundamental inefficiency of state corporations in comparison with private corporations has no serious grounds. And the absence of visible large results of activity of a number of Kazakhstan corporations is directly related to specific miscalculations during their establishment, as well as when drawing up a strategic development plan. In the course of their establishment, there was no broad professional discussion of the question of which sectors of the economy and for what reasons exactly such an institutional form is required. Accordingly, the adopted laws on their establishment did not clearly regulate their goals, criteria and mechanisms for monitoring the achievement of goals, nor ways of monitoring the effectiveness of their activities by the executive, legislative and judicial authorities.

But if the goals are blurred, there are no clear criteria for their achievement and control in the strategic development plans, under these conditions, the activity of state corporations can not fail to cause serious negative effects.

First, in this case, their activities are deprived of guarantees of strategic target orientation. It may exist, but it may be absent – it all depends on the professional quality and motivation of the corporation management. If so, then it can not be ruled out that its activities will at best be ineffective, and at worst – just destructive (including misuse of funds, corruption, «dead projects»).

Second, there appears a temptation to judge the effectiveness of public corporations, since there are no other criteria, for purely market indicators of capitalization and profitability.

However, this does not take into account the most important fact that the criterion of the effectiveness of the activities of the state and shareholders of private corporations is often fundamentally different.

Targeted priorities and efficiency criteria for shareholders are in increase of the current value of shares and the amount of dividends distributed. And not always, which is especially peculiar for the modern market economy of public corporations, they plan to ensure high capitalization and profitability for the long term.

Here is what the professor of the Swiss University of Sant Gellen, F.Malic, writes about this: «The achievements of any company are evaluated only by financial indicators. Getting quick profits is easy, if you do not have to think about the future. It is enough to reduce the costs of innovation, marketing and training, and the stock exchange rate is skyrocketing. The shareholder in the classic sense of the word is no longer today, only the jugglers remain shares (shareturner). Most of them do not interest the company at all. They come to the general meeting of shareholders and vote for their kind. After a couple of weeks they sell their paper».

The state can have completely different target priorities and efficiency criteria, for which, in fact, state corporations are being established: accelerated development of infrastructure, social needs, creation of new industries or modernization of old ones.

It is imagined, that subject to incorporated and prospectively incorporating Kazakhstan governmental corporations in the limits of strategic management, the following shall be done:

- articulate the target priorities, including the exact ones, subject to stages and directions of activity, criteria of priorities implementation;
- develop the implementation programs of high quality for these priorities;
- select the skilled managerial staff;
- create and adjust, including the legislative level, strict system of reporting and control of activity of state owned corporations.

This is the only chance for their main, successfully tested in global practice, role of the most important elements of «structure framework» of native corporate system and key subjects of quasigovernmental economic sector.

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К.П. Ангелов, А.С. Кернебаев

Экономиканың квазимемлекеттік секторын дамытудың әлемдік тәжірибесі мен стратегиялық басқарудың мемлекетаралық ерекшеліктері

Мақалада квазимемлекеттік секторға жататын, қатысушысы мемлекет болып табылатын корпоративтік басқару формаларын (мемлекеттік холдингтер, мемлекеттік корпорациялар, мемлекеттік кәсіпорындар) дамытудың әлемдік тәжірибесі мен стратегиялық басқарудың мемлекетаралық ерекшеліктері қарастырылған. Көптеген елдерде ұлттық экономиканың «қаржы-экономикалық негіздері» ретінде қалыптасқан мемлекеттік корпорацияларды табысты стратегиялық басқарудың үлкен тәжірибесі жинақталып, оларды дағдарыстан және соғыстан кейінгі қайта қалпына келтіруде немесе бірінші индустрияландыруды, модернизацияны қоса алғанда жедел дамытуды қамтамасыз етті. Авторлармен табысқа жеткен елдердің жинақталған тәжірибесі бойынша мемлекеттік корпорацияларды жаңғырту мен дамыту үшін, олардың стратегиялық мақсаттары мен

қызметтерінің заңнамалық деңгейде айқын тіркелуі, ал стратегиялық даму бойынша қызмет нәтижесі әкімшілік және заң шығарушы органдармен қатаң бақылану қажеттілігі негізделген. Себебі үкімет тарапынан бір саясатты қатаң сақтау қабілетсіздігі мемлекеттік компания қызметінің тиімділігін және оның стратегиялық басқарылуын елеулі түрде төмендетуі мүмкін. Сондай-ақ барлық мемлекеттік корпорацияларды олардың іске асыру кезеңіндегі нақты ұлттық мақсаттық басымдықтар негізінде ғана құру қажет екендігі атап өтілді.

Кілт сөздер: квазимемлекеттік сектор, мемлекеттік холдингтер, мемлекеттік корпорациялар, мемлекеттік компаниялар, мемлекеттік кәсіпорындар, стратегиялық басқару.

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Мировой опыт развития квазигосударственного сектора экономики и страновые особенности стратегического управления

В статье рассмотрены мировой опыт развития и страновые особенности стратегического управления различных форм корпоративного управления с государственным участием, входящих в состав квазигосударственного сектора экономики (государственные холдинги, государственные корпорации, государственные предприятия и государственные коммерческие предприятия), являющиеся юридическими лицами, созданными государством для ведения коммерческой или бизнес-деятельности от лица государства. Во многих странах мира накоплен большой опыт успешного стратегического управления государственными корпорациями в качестве своего рода «финансово-экономического каркаса» национальных экономик, обеспечивающего их форсированное развитие, включая послекризисную и послевоенную модернизацию или первую индустриализацию и модернизацию. Авторами подчеркнуто, что во всех странах, где накоплен опыт успешного использования государственных корпораций для развития и модернизации, стратегические цели их деятельности ясно фиксируются на законодательном уровне, а результаты деятельности по стратегическому развитию жестко контролируются административными органами и законодателями. Ведь неспособность правительств строго следовать одной политике может значительно снизить эффективность деятельности госкомпаний и стратегического управления ею. Также отмечено, что необходимо все госкорпорации учреждать только под конкретные национальные целевые приоритеты на период их реализации.

Ключевые слова: квазигосударственный сектор, государственные холдинги, государственные корпорации, государственные компании, государственные предприятия, стратегическое управление.

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