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# FOCUS

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## China visit changed my perception

Contrary to popular belief, Chinese manufacturers are focusing more on producing quality products under their own Chinese brand. Many examples can be seen in local market. Their total involvement in developing world-renowned brands and using sophisticated technology has helped them acquiring such international knowhow. Every factory in China, has enhanced its productivity and has attributed its tremendous growth to the country's manufacturing industry.

We've seen this on the QC side as more Chinese factories, independent of their customers, insists third-party product inspection services. These factory owners are very receptive to consumer's needs and thus their products are a clear reflection in serving those needs. These owners allow customers access to their production unit to build brand loyalty.

## China's growing competitiveness in high-tech manufacturing

China has been developing in the electronics especially the cell phone industry. Chinese mobile phone brands have quietly entered the global market in the last few years with ambitions to challenge established competitors like Apple and Samsung and further the nation's reputation as one of quality and innovation. The growth is not only restricted to the mobile phone industry but it has also penetrated in the drone industry. Titan Dajiang Innovation, or TDI for short, control around 70 percent of the drone market in 2015 due to its leading quality and sleek, cutting-edge product lines.

The industries in most countries have moved towards 'Smart Factory Manufacturing'. These are highly digitized and connected facilities that rely on complex technology and methods. China is taking a step further with

incorporating robotics and artificial intelligence (AI) to their manufacturing process. This high-tech manufacturing is rapidly entering Chinese companies to become a strong player in highly competitive industries such as mobile phone electronics.

China has launched a strategic plan Made in China 2025, this industrial policy is aimed at enhancing the current rapidly expanding high-tech sectors and further developing its advanced manufacturing base. Some of major sectors shall be advanced electrical equipment, bio-medicine, high tech rail infrastructure and maritime engineering, agricultural technology and aerospace engineering to name a few.

These companies have high-tech capabilities and constant improvement is being made to enhance Chinese quality. In 2025, China is aiming in transforming its nation into a lean, innovative and green world manufacturing power.

China has continued to source its requirements from domestic suppliers. This has led to a great boost in technological innovation.

My recent visit to China has changed my perception/image about China. Not only their products/services, technology is far superior, but also their hospitality and attitude towards tourists is at their best. My recent visit was with a purpose as Crowe had organized an event to promote Dubai as a gateway for Chinese entrepreneurs to do business globally through Dubai. This event was co-hosted by Dubai International Financial center, a government entity of Dubai - UAE.

I am personally thankful to our member firm in China for helping us to organize and conclude such a successful event. My family and I were so welcomed and taken up with their love, respect and attention we all received from our Crowe Global co-chair and Chinese member Mr. Jiantao Yang and his family and Ruihua' (Crowe China member) partners.

## Conclusion

Though factories in China sometimes churn out poor quality products (largely driven by the demand of their customers for cheaper product), there are plenty of factories that are capable of manufacturing high-tech and high-quality goods. These days majority look to importing from China which has led to an increasing national manufacturing wage rates. High price will guarantee you a high-quality product and therefore one should not negotiate very low prices as this would lead to them compromising on the quality of the product.

China has great potential in the future and many Chinese brands will supersede the current market leaders. It's a growing formidable promising, lucrative market, therefore let us tap into it which will be to our advantage.



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## Credit Crunch: Call for Caution

Is there a credit crunch today in the market? On one side there are major policy reforms taken up by the government to encourage investments and businesses; on the other side we hear about firms or shops shutting down and people absconding. So, if the latter is to be believed, is the reason credit crunch? Some may agree and some may completely negate any such sentiments prevailing, on the contrary, the majority wouldn't dispute that there is a 'slow-down'.

It is said that 'slow-down' in work is an ideal time to revisit your mistakes, rethink your decision making and reset on your work ethics. Though such cognitive thinking exercise is not easy in a stress situation when there is a problem with cash flows, no easy lending and delayed payments. If you are in such a situation, then its definitely imperative to take a timeout and engage in the aforesaid cognitive rethinking. As an old saying goes, if you continue to do the same things, in the same way – do not expect different results.

### Careful Lending

Until the very recent time, we had a fairly lenient, oversupplied and weakly regulated credit market wherein banks provided ample credit assistance to the extent that borrowers availed more facilities that genuinely needed. This unwarranted behaviour and spending has not only put many in stressed situations but also resulted in the loss of trust and faith of banks in businessmen. Renowned investor and businessman, Mr Warren Buffet has summed it up well saying, if you buy things you do not need, soon you will have to sell things you need.

## The importance of the discount factor when working on a hotel arbitration

We are aware about the time value of money and how money today is worth more than in the future, owing predominantly to inflation and opportunity cost.

Over the past years, the costs of borrowing in the Middle East has been gradually increasing. Some economists attribute this to continuously depressed oil prices, which directly impact the liquidity of oil dependent economies. Lower liquidity directly increases the opportunity cost of money and hence, the cost of borrowing.

Hence, in a recent arbitration I was working on, the key element of the claim was around the discount factor. Essentially, when the deal was struck 5

The fact of the matter is that banks have become cautious about lending. There is adequate credit being facilitated by the banks but only to those who ought to be deserving borrowers. With the new credit scoring system by Al Etihad Credit Bureau, it has become easier to ascertain genuine borrowers. Clear and regular communication with banks can easily reaffirm their faith in businesses. It's a must that businessmen follow the new norm i.e. fiscal discipline in form of proper VAT filing and following the new regulations.

### Lessons Learnt

If the lenders have become cautious, then naturally the businessmen should also become cautious in their dealing whether it's in spending, investments and even recovery. Business is all about taking a risk and being ambitious, but wise businessmen will always be ambitious in their thinking and be practical in their dealings. The key remains in proper preparation and planning. When you engage in a new dealing make sure that all the terms and conditions are properly written down especially payment terms and you follow it up judiciously. One way of looking at it is when banks are becoming choosy and cautious in deciding whom to lend then you also do the same. Be very choosy and discreet when deciding whom to do business with, try to know the other party well and set the terms clear at the beginning itself.

In my opinion, this is the right time for genuine businessmen and genuine business dealing. With the new regulation of VAT wherein, we are duty-bound to maintain proper books of accounts. This makes the business more transparent, helps businesses being more prudent and facilitates right

decision making. Your books of accounts and audited reports reflect the financial health of your business and that determines healthy growth and future prospects.

Whether it's banks or business who are looking for right people and organizations to engage with, here with 'right', I mean those who are financially prudent and disciplined. It's others who are feeling the credit crunch and probably the reason of credit market's slow-down. For people who are competent and operating their businesses in the right way - there is enough credit available and others being sidelined.

Therefore, the crux of the matter is to slow down and reassess the way we are doing business and with who we are doing business. Temporary slow-down will be helpful for long-term growth and building the financial strength of the business so that it can endure any market conditions or fluctuations. UAE is all about ambitions, opportunities and possibilities which enthuses and fuels our mind but one lesson the new norm teaches us is to exercise restraint and caution for long-term growth.



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years ago, interest rates used to forecast the future earnings of the hotel were significantly lower.

How does the greater cost of borrowing today impact the forecasted earnings? An argument arose that the increased interest costs means the hotel now needs to provide a greater return in future. This is not as simple as increasing occupancy charges to boost RevPAR. Especially in an economy where there is a significant expected inflow of hotel rooms soon, which impacts RevPAR. One may argue that rising tourists will absorb this, however, that is subjective. For example, whilst the London Olympics did boost tourism, many argue that it was not to the levels expected.

Of course, when a feasibility is for internal management purposes it can be easily modified to suit expectations considering changing economic conditions and tourism numbers. When it

is being used for the basis of a financial arbitration, the discount factor can be the centre of attention.

I am keen to know, if other experts who have worked on similar situations, have dealt with varying discount factors. Thoughts?



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## Women and Finance

Over the decades, women have become an integral part of the decision-making process in corporates and made their place at the top. However, with women representing only 2 percent of board positions in the GCC and only 20% of the worldwide CSuite executive positions held by women, are we expecting too much of a change in gender diversity?

The statistic in the below figure is a position-wise representation of women across different industries. Although women are present across most industries, their representation is decreasing overall at the top management level. One of the reasons for most women not being able to build their career to the top is because they decide to give space to build a family, leaving a “scar” on their career. While men on the other hand face no such commitments. Few forward-thinking companies of today have taken a big step by introducing parental leave as an opportunity for both parents to take an equal career break. In the world of finance certifications, the number of women taking up CFA, ACCA, CA, CPA and many others have seen tremendous growth over the years showing a promising participation of women in shaping the future of finance. Various scholarships in these certifications have been introduced to encourage women participation.



There are some amazing finance leaders who have set examples for us to know there are no limits to what we can achieve and what difference we can make. One such woman is

Sallie Krawcheck, formerly the CEO of Bank of America and often noted as one of the most powerful women on Wall Street who initiated Ellevest - A company that has redefined investment for women. This is a financial investment advisory platform designed especially for women, helping women around the world to digitally manage their finances and make the best financing decisions while still meeting their needs.



Ellevest regularly rolls out investor spotlight on key investors who have in some way changed finance. One such investor spotlight was focused on Ajay Banga, CEO and President of

MasterCard. Here's why he's a phenomenal personality worth sharing - Ajay partnered with the World Bank to help millions of women around the world to open their bank accounts. On noticing the stark contrasts in pay scale of women over men, he decided to sort pay gaps in his own company, MasterCard. Today MasterCard holds no gender pay gaps and has equal representation of men and women at ALL levels of the management.



The recent appointment of Stacey Cunningham as the first female president of the New York Stock Exchange is also a clear statement to the industry. Stacey began

## Representation of Women across Industries

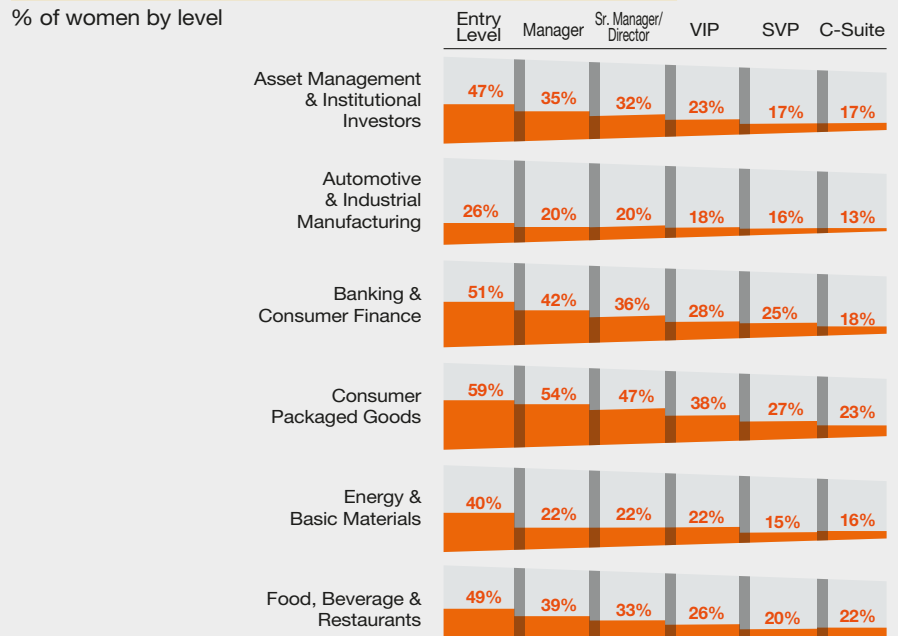


Figure 1 Representation of women across industries

(<https://business.linkedin.com/talent-solutions/blog/diversity/2017/11-stats-from-sheryl-sandbergs-gender-diversity-report>)

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her journey in NYSE as an intern back in 1994, and has walked her way through a remarkable journey, inspiring millions of women around the world to pursue finance. Another addition to NYSE, is 23-Year old Lauren Simmons who recently joined the team is the only female stock broker on the floor.



An iconic personality who can't be missed is Dhivya Suryadevara. Coming from Chennai (India), she is a Financial Analyst, Chartered Accountant and Harvard

MBA; perfectly well deserving her new position as the 39-Year old CFO of General Motors. The first female CFO to the company in 110 years. She relentlessly worked through her education to pay of loans she took to finance her studies and finally achieved success.

To all the young women who are about to embark their journey into the world of finance and to those who are relentlessly working to find their space in the modern workplace, know that these are the men and women who have made a difference and so can we.

Innumerable initiatives have been launched to support women on the path of their career. 'Lean In' is one such initiative launched by Sheryl Sandberg, the Chief Operating Officer of Facebook. The network connects women all over the world locally under the same umbrella of women empowerment at workplace and provides them advise for dealing with situations based on experiences from other women around the world.

It has come to be known that companies having women leadership have scored higher on performance than those governed by men. If we care to represent them on no more than 20% of our board, we are depriving ourselves of phenomenal potential.

We at Crowe, are living the change at our workplace. Our team has grown into a diversified set of professionals who welcome and encourage participation of ignited minds from all walks of life, irrespective of their gender. The organization believes in women empowerment and embraces it from top to bottom.

Let us begin the change with us, starting by encouraging the women in our lives – Mothers, Daughters, Wives and our Sisters, who have made this world possible.



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## Tax Agents/ Agencies who are approved by the Federal Tax Authority (FTA) of UAE

The concept of Tax Agent is to help businesses to be compliant in respect of their tax obligations:

- A person is allowed to appoint another person(s) as its Tax Agent(s) to act in his name and on his behalf with regards to his tax affairs with the Federal Tax Authority (FTA).
- A Tax Agent assists the person in the fulfilment of his tax obligations and the exercise of his associated tax rights.

A Tax Agent is usually engaged by his or her clients through the Tax Agency with which he or she is associated in order to provide tax related services which could include:

- Facilitate and offer assistance during a Tax Audit, both during and after the expiry of the agency engagement or your dismissal as the Tax Agent for that Taxable Person(s);
- Provide the FTA with all the information, documents, records and data required for any Taxable Person represented by the Tax Agent upon the FTA's request;
- Helping the businesses register with the FTA;
- Preparing and submitting tax returns to the FTA on behalf of the businesses;
- Maintaining tax related records and/or information;
- Enquiring about tax related matters with the FTA; and
- Submitting requests for reconsideration of decisions issued by the FTA.

**IMPORTANT:** The Taxable Person who appointed the Tax Agent/Agency bears the ultimate legal responsibility for the dealings with the FTA by the Tax Agent/Agency on their behalf. However, professional due care must be observed by the Tax Agent throughout the practice to prevent malpractice/negligence and consequential liabilities.



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## About Us

Your global partner

Crowe is ranked as the 6th largest accountancy network in the United Arab Emirates with globally more than 35,000 partners and staff in over 130 countries.

We share a common purpose of building value for clients through international business. Still placing great emphasis on establishing long-term relations with each of our clients. This enables to work together in an atmosphere of openness and trust. Simply stated, it is how we live our core values – care, share, invest and grow.

The firm continually demonstrates a commitment to quality while serving clients through our international expertise and talent. Our commitment to the highest technical standards and integrity, ensures that our clients receive the most accurate and relevant advice.

We provide professional services by leveraging through extensive local experience and high level of partner involvement. Our aim to provide due diligence with care has enabled us to serve a diverse range of clients ranging from small family owned businesses to large multinational conglomerates.

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\*Source: the ranking is based as per the International Accounting Bulletin's publication, April 2018, Issue 584.

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