

## Session D: Business

### Summary

This session, with a theme of the business environments of Russia and China, examined the changes in the business environments of the two countries of the past quarter century up to the present, and the changes and current situation for the business mindset. I give a summary of the content of the four report-makers' presentations, as follows.

(1) Andrey Yakovlev, Director, Institute for Industrial and Market Studies, National Research University – Higher School of Economics, Russia

At the beginning of the 1990s when Russia shifted to a market economy, a deteriorating industrial environment and rent-seeking predominated, and led to economic turmoil, including asset-stripping and violation of property rights. In the 2000s business groups, including associations of industrial entrepreneurs, played an important role in negotiations with the state, and successful medium-sized companies also appeared. At this time, despite the poor state of the Russian business environment, sufficient incentives were provided for investment and growth. Subsequently, the 2008 financial crisis arrived, and from then on a sense of insecurity and a loss in confidence vis-à-vis economic policy has prevailed. As a result, there was no brake on low growth, capital flight, and decline in investment.

The situation after the incorporation of Crimea only increased the uncertainty about economic policy. Meanwhile the Russian market has the advantages of Russia's natural resources, the existence of market niches, a high level of education, and a high level of urbanization, and they are factors for foreign investors to continue regarding Russia as an attractive long-term market. In order to bring out such potential for the Russian economy, it requires the settlement of the internal systemic conflicts, the creation of new agreements between the elite and society, and the joint formulation of a new national development strategy by the elite and the public.

(2) Zhou Li, Assistant Dean, Cheung Kong Graduate School of Business, China

There are many different aspects to consider when examining what meaning China's "New Normal" has for its economy and the corporate strategies of Chinese firms. Short-term headwinds make it more urgent to introduce reforms in China, reforms that have been repeatedly postponed due to resistant forces, such as vested interests.

The primary growth driver of China's economy in the future will come from consumption, especially in the services sector, which still has a lot of room to grow. Chinese companies are, slowly but surely, moving up the value chain thanks to a combination of globalization and innovation. As Chinese executives and companies become more global in their business dealings, they are discovering an increasingly globalized business world, although sometimes this can have expensive repercussions. Chinese students and scholars who have studied, worked and lived in other countries, will continue to play a significant role in China's development as they return to China with newly-learned skills.

(3) Yukio Asazuma, Japan–Russia Economic Exchange Consultant

Generally in Japan the view is that Russia has been disturbing world peace and order, using brute force to incorporate the Crimean Peninsula, and supporting separatist, anti-government elements in eastern Ukraine. Economic sanctions against Russia are regarded as inevitable, given its lack of compliance with the Minsk Protocol. However, in conflict between states, one must listen to both sides to gain understanding. In any event, the Ukraine crisis has triggered a further worsening of relations between Russia and the West, and the subsequent problems in the Middle East mean the situation is unstable, in contrast to the stability of the Cold War era.

The Russian economy is now facing a much harsher situation for a much longer period than initially anticipated, due to the blow dealt by plummeting international oil prices which began at around the same time as sanctions. Meanwhile, new business opportunities will emerge, with future ongoing economic structural reforms and when the Russian economy has broken free of its over-reliance on subterranean resources. When Japanese firms pursue business with Russia, the viewpoints and methods will change, including seriously searching for import merchandise and investigating local production, and the potential of the Russian market is great.

(4) Kenji Hattori, Professor, Graduate School of Strategic Management, Chuo University

Entering the twenty-first century, in China modern firms had finally grown up, and genuine company people had come into being. In the course of events after the 2001

accession to the WTO, how the competitiveness of firms has risen has been focused on. This is because the core of the market economy has been seen as the firm. However, what has supported the development of the Chinese economy are actually the state-owned enterprises and not private firms, and while talking of the market economy the state has been controlling the core industries.

Chinese businesspersons have been strongly influenced by two social factors: the people skills which have come from China's long cultural traditions and customs; and a general emerging-country character.

The disposition of Chinese businesspersons has four distinguishing characteristics. The first is being concerned with face. The second is self-centeredness. The third is a propensity to constantly pay attention to those above, from the influence of a hierarchical society. The fourth is a weakness at resolution by legal means, due to society's rule of man.

The workplace stance of Chinese businesspersons has a number of characteristics. The view of people is one of them being fundamentally bad, the work stance is always one of battle mode, and in negotiations people do not like to sing their own praises. The method of negotiation is a contest within the bounds of "not killing the opponent", and the method is common of attacking compromise, making shots to scare and confuse the other side. They stick to winning and losing, and things develop into a systematic war of information rather than using logic and evidence. Decision-making is up and down, and there is a tendency to make moves centered on a certain leader rather than organized behavior. Then, rather than the direct superior, there is a tendency to contact the superior with the higher degree of authority. There is also a tendency to carry out rearrangements, with the executives coming to the front. Recently it is also necessary to watch out for the emergence of managers who differ from those of the past.

SAKEMI, Takeshi  
Director, Business Support Division, ERINA

[Translated by ERINA]