

Gr-Strategies Specifications in Emerging Economies

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Abstract

This paper analyses the problem of relations between government and business in countries with developing economies. These states deserve special attention due to the lack of legal regulation of the Government Relations (GR) sphere. Being formally unsettled, relations between power and business in such states have special features that make it possible to declare the existence of a non-Western model of GR implementation, which opposes to the Western model with its clear formally defined order of interaction between business and the state. Being based on an analysis of the characteristics of relations between government and business in developing countries, the authors identify such features of a non-Western model as non-publicity, the desire of business actors to have personal informal contacts with representatives of government bodies; the dominance of the executive branch of government over the legislative one; the structure of power relations with the concentration of power in the hands of ahead of the state; the distance between representatives of small and medium-sized businesses and authority, their lack of opportunities to protect their interests contrary to big businesses; the state acts as a defender of the interests of big businesses. In addition, the paper provides an assessment of GR implementation methods used in countries with developing economies. In general, the results indicate the close relationship between business and government is the key to the development and strengthening of statehood in Chile, Brazil and Russia.

Keywords: Government Relations (GR), business actors, neo-institutionalism, economic neoliberalism, lobbyism, interest groups

I. INTRODUCTION

The formation of stable relations with state authorities is carried out by the implementation of a GR-strategy by business actors. The implementation of the GR-strategy may be formal or informal in conditions of economic development of the state. The formality and informality of methods in the GR-strategy are set at the stage of determining tactics of influence on decisions of public authorities. It is worth noting here that these two extremes (pure formal and pure informal) are rare in practice in public relations. On the one hand, the impossibility of applying formal rules to regulate all aspects of public life has been verified in practice [8]. On the other hand,

formalization is necessary to maintain the stability of public life. In practice, a combination of these two forms takes place, where the ratio of the formal and the informal depends on the specific economic-geographical, socio-cultural, political, and legal conditions for the implementation of relations between government and business. To a greater extent, the formal implementation of GR strategies is inherent in developed Western societies (such as Europe, North America), while informal ones are characteristic of transforming societies in Latin America, Asia, and the post-Soviet space. Two models for the implementation of GR strategies are distinguished on this basis: the western one, which is characterized by the formal regulation of the relationship between business structures and authorities, as well as the majority of the use of formal methods of interaction due to the wide institutionalization of the norms of relations between government and business, as well as their legislative regulation. The opposite model is non-Western, in which informal strategies, tactics, and methods for achieving GR goals are predominant.

Countries identified by the MSCI index as developing are characterized by a low level of institutionalization of the relationship between business actors and government and the use of informal GR strategies. A feature of such countries as Russia, Brazil, Chile, China, and India is that, despite the leading positions in economic indicators, they have not reached the level of Western Europe and North America in the development of liberal democracy and a market economy. For example, China demonstrates the features of a rapidly developing market economy, but at the same time authoritarian power remains. In Russia, there is a rollback of democratic achievements against the backdrop of economic fluctuations. For this reason, we examined in this paper cases that are characterized by a developing market economy and a varying degree of transformation of the socio-political lifestyle.

II. METHODS

This study was carried out using a neo-institutional approach, which allows us to consider the institutions of government, political parties, social and business organizations, as well as their relationships as the main elements of the political development of society. In the interpretation of neo-institutionalists, institutions are “constraints that structure political, economic and social interactions” [10]. In the theory

of neo-institutionalism, constraints are understood not only as formal norms and external regulators, but also as constraints regularly used by actors, but not consolidated in law. Thus, institutions act as interaction rules based on "agreements" that help reducing transaction costs related to the level of uncertainty in the behaviour of other actors.

The work used index data for countries with developing economies and democratic development of states. Using the MSCI Emerging Markets index, as well as statistics from the International Monetary Fund, and The Economist magazine, we have selected case studies for countries with developing economies in Asia, Latin America, and the former Soviet Union.

The comparative method allowed us to identify common and distinctive GR features, and the ratio of formal and informal institutions in conditions of a developing economy.

III. RESULTS AND DISCUSSION

We specify and characterize the main features of the GR-strategy in conditions of a developing economy and an unstable institutional system.

1) The non-Western model of GR is characterized by non-publicity, the desire for personal informal contacts with representatives of the authorities due to the lack of legislative regulation of lobbying and GR-activity. On the one hand, this way of interaction can lead to corruption and reliance on personal ties. Thus, according to The Economist magazine, the development of Crony capitalism is observed in such countries of Southeast Asia as China and India. It is characterized by the fact that the success of business development depends on the presence of personal ties with government officials [3]. On the other hand, business actors operating in a developing market economy strive to establish long-term and stable relations [12].

2) The form of government also determines the nature of the GR strategy. The structure of power relations with the concentration of power in the hands of ahead of the state (president) contributes to the dominance of the executive branch over the legislative and judicial branches. In turn, this trend is pushing the subjects of GR to establish relations with representatives of the executive branch, ignoring the weak parliament.

For example, in countries with developing economies, including Brazil, Chile and Russia, the change of regimes and the transformation of forms of government led to a strengthening of the executive branch in the person of the president and his/her administration. At the same time, we note that, despite the differences in the democracy level of these states (in 2018, the index of democratic development in Chile reached 7.84, in Brazil - 6.84, in Russia - 3.17) [6], the policy development process is concentrated in the hands of a strong executive branch. The president forms his/her own administration and influences on the choice of the prime minister's candidacy, which gives the president the opportunity to control the activities of the executive branch, most of the legislative initiatives de facto come from the presidential administration or cabinet. For example, in Chile

and Brazil, the president controls the national budget and can also determine the legislative process in a state of emergency. In turn, "the legislative branch acts as agents of the executive branch" [11]. Therefore, GR-strategies of business actors in Brazil, Chile and the Russian Federation are developed and implemented mainly in relation to the executive branch [13]. It is worth noting that there is an active involvement of power structures in economic issues in the conditions of the centralization of power [5].

3) In contrast to the Western model, a low level of involvement in GR-activity for the main part of the population is noted in non-Western countries: a distance between representatives of small and medium-sized businesses and the authorities, the lack of opportunities to defend their interests as big businesses do [15]. This trend is observed due to the lack of a democratic culture of ordinary citizens' participation in public activity, and they may be representatives of small and medium-sized businesses. For example, administrative and legal barriers, over-complicated bureaucratic procedures, manifestations of corruption, the artificial appearance of competition in tenders are an obstacle to the GR development in small and medium-sized businesses in Russia. The latter is manifested, for example, in the predetermination of the results of state and municipal tenders for the construction of facilities in the Republic of Tatarstan, in which the main selection criterion is not the competitiveness of a business structure, but its relationship with political actors.

4) The lack of legislative GR regulation in countries with developing economies determines the application of a wide range of methods and tactics of interaction between business and government as a result of this regulation. GR strategies of business actors combine in their arsenal the methods of professional GR managers from Western companies with elements of clientelism [4]. It is worth noting that in some cases the creation of a formal framework for the interaction of business actors with government representatives does not guarantee their effective application. For example, in 2014, a law on lobbying was adopted in Chile [1]. However, this law has a large number of shortcomings, which leads to actual disregard and non-compliance with formal rules, such as upcoming meetings prior informing of government and business representatives [2]. Therefore, the adoption of the relevant rules governing business relations with the authorities does not guarantee the formation of a transparent GR institution.

The methods of interaction used by business actors in the conditions of economic development determine the content of tactics in the GR strategy: direct and indirect methods are identified. Direct methods include face-to-face contacts of GR procedural entities with decision makers in state authorities. Within the framework of such meetings, there are methods of political consulting, lobbying, presenting arguments and information in the form of research reports, supporting the legislative process, financial support of candidates and parties, using personal contacts of former officials who became stakeholders of business organizations, creating coalitions of business actors to influence on government bodies, force pressure, etc.

Political changes in Chile, Brazil and Russia at the end of the 20th century weakening the role of the state in the economic sphere, as a result of which new actors emerged in the economic and political arenas: large regional corporations, TNCs and influential interest groups (for example, Cruzat-Lorraine in Chile, an agricultural association in Brazil, the Renova group of companies in Russia).

Nevertheless, the wave of crises affecting the stability of economic development and the policy of democratization in these regions ensured the stability of the relationship between government and business. In Chile, the existence of successful channels of interaction between business and government is explained by the fact that the leaders of private corporations and firms were closely interconnected with the privatization process in the 80s. So, many of them were surrounded by A. Pinochet, were ministers, or held other senior positions. An interesting fact is that in 1983 the government of Chile sold nationalized banks to transnational corporations, but retained the obligation to pay the external debts of these banks [7]. Thus, the public sector has de facto subsidized a new big business.

A similar situation could be observed in the policy of privatization of state property in Russia during the period from 1992 to 1999, which led to the formation of big business actors in the Russian Federation.

The most important element in the implementation of relations between government and business is a personal contact between representatives of business and government. In the political culture of these states, it is believed that it is more important to "know with whom" to realize interests than to "know how". The reason for such processes is the historically established continuity in the political elite, when the "senior" politicians switched to the business elite, transferring power to the "young", but retaining access to political structures [14]. Of course, this practice of relationships takes the form of an informal institution. According to Minchenko Consulting, the interests' protection of big businesses occurs through appeals to former ministers and government officials who act as implementers of GR strategies in the Russian government [9]. The main tools of GR-strategies are the creation of joint public-private enterprises, public companies focused on public audiences, the creation of coalitions and associations, etc. An example is the role of I.I. Sechin, the former head of the presidential administration, now chairman of Rosneft Board of Directors. Thanks to the preservation of relations with political decision makers, regional business structures with the help of I.I. Sechin successfully implements GR-strategies to expand its own commercial assets. For example, the Region group of companies closely associated with Rosneft acquired the state insurance company Ugoria in 2018.

Indirect methods include interaction with government representatives without direct contact with them. These include rallies, demonstrations and public events that can attract the attention of the authorities to the problems of business actors, as well as addressing the media and using social networks, and assisting election campaigns without direct contact with candidates. In our opinion, the closer the system to the legislative regulation of GR-activities, the less

informal institutions of corruption, clientelism, nepotism appear in this area due to the limitation involved in the degree of unpredictability of competitors' behaviour with the help of interaction formally fixed rules.

IV. SUMMARY

Based on an analysis of the relations characteristics between power and business in the developing states of Chile, Brazil and Russia, the authors identify such features of a non-Western model as non-publicity, the desire of business actors to have personal informal contacts with representatives of government bodies; the dominance of the executive branch of government over the legislative, the structure of power relations with the concentration of power in the hands of ahead of the state; a distance between representatives of small and medium-sized businesses and state authorities, the opportunities lack of the former to protect their interests along with big business: the state acts as a defender of the interests of big businesses.

V. CONCLUSIONS

Summing up, we note that today, in the conditions of a developing economy, big business features influencing the policy of state power, thereby reflecting its involvement in the political process. On the one hand, the political authorities of Chile and Brazil understand that business is a key player in overcoming the economic crisis and its consequences. On the other hand, according to the theory of interest groups, business seeks to provide the most favourable conditions for its own existence, influencing public policy with the help of economic and social instruments (in particular, acting as employers). The close relationship between business and government is the key to the development and strengthening of statehood in Chile, Brazil and Russia. Business actors strive to realize their own economic well-being through influencing the institutions of the political system or persons with real political weight, who can influence the decision-making process. These may include parties and their leaders, the prime minister, key ministers, heads of legislative committees, members of parliament, etc. On the other hand, the process of implementing strategies and tactics of lobbying for interests implies taking into account the specifics of the current form of government and particular institutional the system.

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