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«International Business» publishes original and informative articles based on the theory and practice of management, covering comparative business environment studies in different countries, the best implemented practical cases of companies, analytical reviews of multinational corporations. This publication serves as a basis for making informed management decisions on various areas of international business. In particular, it aims to provide an interesting combination of two key areas: international business and business analyst. «International Business» welcomes conceptual, empirical and review articles, as well as analytical reviews for publications by specialists in strategy, finance, management, marketing, economics, HRM and organizational science.

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CHIEF EDITOR'S REMARKS

Vladimir V. Shapovalov

MGIMO University

I am pleased to present the first issue of the International Business magazine. Nowadays, we witness a shortage of specialized Russian publications on management, and therefore we decided to improve this situation.

In this magazine, you can get relevant information on international business, discover modern trends in management, get some insights, learn about opinions of professionals — both Russian and foreign ones. We will regularly publish exclusive interviews with top managers, articles by leading experts, descriptions of efficient business cases of Russian and multinational companies, as well as up-to-date analytics and statistics. The main criterion for the papers published in our magazine is their relevance, scientific and, most importantly, practical novelty. The authors of the first issue are scholars and researchers, managers, and specialists from various sectors of the modern economy. They are all united by the willingness to convey the results of their work to the Russian and international community of managers and entrepreneurs. International Business has a wide geographical footprint. In addition to Russian authors, we publish materials from various countries, including France, Mexico, and Belarus.

We have set ambitious goals aimed at promoting modern academic knowledge in the field of management and stimulating international scientific cooperation. This magazine will always be open to intellectual discussions and exchange of opinions. I am confident that International Business will become a meaningful platform for discussing relevant issues of modern management. On our part, we will do our utmost to inspire our readers to get new ideas and make further accomplishments.

I hope to see you soon in the International Business magazine!

Sincerely,
Chief Editor,
Vladimir Shapovalov

WELCOME REMARKS

Anatoly V. Torkunov

MGIMO University

By the nature of my work, being in contact with colleagues from abroad for many years, I have noticed different, often opposite views on the same events, phenomena, or problems. It takes effort to explain your position, clarify some «basic» concepts. As I reflect on this, I come to the conclusion that it takes some kind of integration platform to facilitate the exchange of views.

Obviously, there are a number of people in the world taking interest in economic history, business, who are well aware of what is going on in the present-day business environment. There are plenty of people who devoted their research activities to these issues. However, we live in dynamic, turbulent times, where changes are too rapid and significant. Not every person on the planet reads scientific publications but it is these publications that accumulate both theoretical and practical analytics, objective information that many people need. The selection of articles in the new magazine *International Business* will certainly contribute to replenishing and updating the scientific basis on the theory and practice of management, providing the reader with an opportunity to get acquainted with the world's best scholars and researchers in this field.

In 2022, the government of the Russian Federation announced the start of a decade of science. Representatives of different countries and peoples make their contributions to international science. Among others, these are eminent researchers, including MGIMO academic staff, Irina Nikonovna Gerchikova, the author of the first textbook on management in Russia, and professor, Honored Worker of Science of the Russian Federation Raisa Borisovna Nozdreva. By the way, they were the first members of academic staff at the Faculty of International Business established at MGIMO thirty years ago.

From this issue on, the editorial board is determined to set high standards both in terms of the geography of cases considered (Japan, France, Belarus) and the variety of subjects in question. Apart from that, a professional publication in the field of management cannot leave out the analysis of the best practices, and I am glad that the first issue focuses on the Rostec Corporation specifically. Rostec and MGIMO have been in partnership for over 10 years now. This joint effort is aimed at training specialists in the field of high technologies and scientific research. Over the years of this partnership, entry-level positions at Rostec have been covered almost completely. Rostec is a leading enterprise in the field of implementing research and development projects into production, and I

am pretty sure that all readers of our magazine will find the experience of our partner informative and exciting.

The first issue of the International Business magazine in your hands is intended to become an integration center for research and practice through publication of articles by business leaders from all regions of the world, as well as representatives of science whose research is consistent with the goals and objectives of this magazine. The main language of the magazine is the language of the international scientific community, English. At the same time, all submissions will be accepted in Russian as well. This will allow Russian-based researchers to effectively integrate into the world scientific community and join efforts with scientists and partners living abroad.

I thank all members of the editorial and advisory boards of the magazine and its staff for their input and I wish further scientific and creative achievements to all future contributors!

PLANNING SYSTEM IN MODERN JAPAN

Raisa B. Nozdreva

MGIMO UNIVERSITY

Abstract

The article defines the role of planning in countries with a developed market system — in particular, Japan. Modern types and methods of planning at the state macro-level are revealed, the importance of indicative plans and solving tasks defining strategically important directions of economic, social, and environmental development is emphasized. The diversity and effectiveness of policy plans at the micro-level of enterprises is also noted. In conclusion, the author emphasizes the importance of Federal Law No. 172-FZ «On Strategic Planning in the Russian Federation» for the socio-economic development of our country.

Keywords

Planning, transformation, scenario planning, digital tools.

THE ROLE OF STATE PLANNING IN JAPAN

In developed market economies, such as the USA, Japan, France, Great Britain, «free markets» face active state intervention. The state acts as a market entity that arranges and defines the key areas of its social and economic development, thus laying the foundation for a mixed economy system. This makes it possible to use the advanced structure of centralized state planning at the indicative (national, sectoral, regional and target planning) and directive levels (state budgeting and planning under state ownership). For instance, in the US the military sector (\$766 billion in 2022), the telecommunication industry and transportation, as well as healthcare (753 billion dollars in 2022) account for a big share of the state budget. This provides strategic incentives for the industries development.

Centralized strategic state plans lay the foundation for mandatory planning in the private corporate sector. Companies, focusing on the national goals and objectives put forward by the government, shape their own corporate level plans.

And Japan particularly stands out in planning. In this state, economic plans are the core of medium and long-term economic policy, which ensured high development and the «economic miracle» in the post-war period. The experience of Japan was used by South Korea, China and the newly industrialized countries of Southeast Asia and Latin America.

Table 1 shows the development of Japan's national planning and the implementation of major national plans.

Table 1

National planning in Japan and the implementation of major national plans

Plan and timing actions	Goals	Average annual growth in real terms, % (planned and actual)			
		Industry		Economy (GDP)	
		Plan	Actual	Plan	Actual
Five-Year Plan for Economic Self-Sufficiency (1956-1960)	Achieving economic independence, ensuring full employment	7.4	15.6	5.0	8.7
New long-term economic plan (1958-1962)	Maximizing economic growth, improving living standards, full employment	8.2	13.5	6.5	9.9
Plan to double the national income Ikeda plan (1961-1970)	Maximizing economic growth, improving living standards, full employment	10.5	13.8	7.2	10.7

Medium Term Economic Plan (1964-1968)	Elimination of disproportions in development	9.9	13.6	8.1	10.6
Plan to double the national income Ikeda plan (1961-1970)	Achieving balanced and sustainable economic and social development	10.2	13.2	8.2	10.2
Medium Term Economic Plan (1964-1968)	Creating favorable environment for the life of the nation through balanced and sustainable economic growth	12.4	3.6	10.6	5.9
Economic and Social Development Plan (1967-1971)	Improving the wellbeing of the nation, expanding international cooperation	10.0*1	2.1*1	9.4*1	4.2*1
New plan for economic and social development (1970-1975)	Sustainable development of the economy and ensuring the sound life of the nation	-	6.9*2	6.0*2	5.7*2
Underlying economic and social plan (1973-1978)	Incremental transition to stable growth, better living standards, higher contribution to the development of the international economic community	5.6*3	5.2*3	5.7*3	5.2*3
Economic plan for the second half of the 1970s (1976-1980)	Ensuring full employment, stabilizing prices and foreign trade balance amid corresponding growth. Implementation of administrative and financial reform	-	-	4.0*4	3.8*4
New seven-year economic and social plan (1979-1985)	Stimulation of domestic demand and reduction of large balance of payments surplus, progress towards the world's highest standard of living, province balanced development	-	-	3.75*5	4.8*5
Economic and Social Prospects and Objectives for the 1980s (1983-1990)	Significant improvement in living standards	-	-	3.5	0.1
New economic plan (1988-1992)	Implementation of a fundamental reform of the economic and social structure of the state	-	-	3.0	1.1
Five-Year Plan to Build a Wellbeing Power (1992-1996)	Significant improvement in living standards	-	-	3.5	0.1
Economic and Social Structural Reform Plan (1996-2000)	Implementation of a fundamental reform of the economic and social structure of the state	-	-	3.0	1.1
Medium-term plan for structural reform of economic and fiscal policies (2001-2004)	Caused by the reorganization of central ministries and agencies. The goal is to create an ideal society. Revival of the economy	-	-	2.0	1.4
Plan to fight stagnation (2004-2008rr.)	Fighting the decline in growth	-	-	3.1	1.2
Anti-crisis plan (2008-2012)	Measures to overcome the global financial and economic crisis	-	-	3.4	-1.9
Abe's «Three Arrows Plan» to revive economic growth (2013-2018)	Measures to promote economic development	-	-	4.0	1.2 3.2*
Major Economic and Financial Management Policy and Reform (2022-2025) Kishida Program				2.0	

Source: 2000 «nen-no rodo» // Japan today. 1993. №2, p. 3

The analysis of the plans proves their high efficiency up to 1992. The most famous plan - «Plan to double the national income» (Plan of Ikeda, 1961) was designed for 10 years, however, was successfully implemented in 2.5 years. The plan ensured a significant increase in Japan's GDP, marked the beginning of an economic «boom» and triggered great enthusiasm in Japanese society. The task of promoting the state to the ranks of high developed states became a reality.

The state economic plan in Japan is a vision of the national future development, sets the prospects and goals of the state's economic policy and determines economic growth based on a specific picture of the future of the Japanese economic society.

The Japanese government, in particular, the Office of the Deputy Minister of Economy, Trade and Industry, is responsible for forecasting the social and economic development of the state. Prior to 2001, Japan used to have the Economic Planning Office, an advisory committee for planning at the government of Japan, which developed nationwide plans for economic and social development, coordinating them with major large businesses - Keidanren, Nikkeiren and Keizai Doyukai. Now the Council for Economic and Fiscal Policy plays an important role in defining the prospects for the social and economic development of the state. It actually operates as a «control tower» in Japanese central planning.

REASONS FOR TRANSFORMING STATE SOCIAL AND ECONOMIC PLANNING

In the late 20th and early 21st centuries, Japan's economic development slowed down. Turbulence and uncertainty in the economic and geopolitical environment bolstered the impact of market mechanisms and competition. The role of the private sector as an economic entity increased and complicated the efficiency of state planning. Japanese planning system required a serious transformation, as well as improved forms and methods. Some economic circles even discussed the concept of «decline» of nationwide planning as such. In his paper «Philosophy and Progress» K. Maekawa notes that in 2001 there was a decision to give up working out economic plans in Japan.

In Japan, the period of deceleration coincided with reforms to ease the centralized regulation of the national economy. The proponents of monetary policy (ignoring the regulatory role of the state and relying on self-regulation of the market) and the supporters of neo-Keynesianism (emphasizing the importance of state regulation, especially in times of serious economic difficulties) entered into debate in Japan. To a particular extent, heated debate paralyzed the effective measures of the Japanese government to boost the national economic growth, suspended the development of a single effective blueprint for its stabilization and

advancement.

Causes of the financial and economic crisis in Japan in the 1990s:

1. Japan's signing the Plaza Accord caused a depreciation of the dollar against the yen (September 1985, New York). It reduced the international competitiveness of Japanese goods, but at the same time made foreign assets cheaper for Japanese companies. Competition with foreign banks intensified. The Bank of Japan cut interest rates from 5% in 1985 down to 2.5% by early 1987. The country faced financial deregulation and weaker monetary role of the Bank of Japan.

2. The rapid, speculative surge in prices for land and real estate. The Imperial Palace of Japan was valued more than whole France, and a tiny piece of land in Tokyo's Ginza quarter, about the size of a 10,000 yen bill, was worth more than this banknote.

3. The bad faith of Japanese banks, which were actively involved in speculative transactions, deliberately accumulated bad debts and used overpriced land and real estate as collateral for bank loans. Later it turned out that during this period there were corrupt deals involving the Japanese mafia «yakuza» and top executives of the largest banks and brokerage companies. Banks provided unchecked lending to Japanese firms and individuals who purchased real estate, thus increasing the «paper value» of land assets. This created a vicious circle - the land was used as collateral for extra loans, which were then used to speculate on the stock market or buy more land. This setting caused higher paper value of land, while banks continued lending based on revalued land as collateral.

4. Severely «overheated» stock market, speculative multiple growth in the stock market valuations.

5. Bad timing for reforms in Japan, coinciding with the onset of the crisis. The development of entrepreneurship and the easing of state regulation and control measures, as well as attempts to introduce liberal principles into the economic policy of the government and strengthen self-regulation of the market, while in a crisis, centralized state regulation and control can bring about the most desirable effect.

At the end of 1990, Japan's economic growth came to a halt. It was followed by a wave of corporate bankruptcies, including the Jusen Home Loan Corporation. Then the major banks were forced into mergers to consolidate their growing bad loans. This «black streak» continued until around 2000 or 2001, when the banks were bailed out by the Japanese government with taxpayers' money.

After strong double-digit economic growth, the 1990s, with their low and negative GDP growth figures, became Japan's «lost decade», which is vivid when analyzing the country's GDP share in the world gross product and the decline in its global market share.

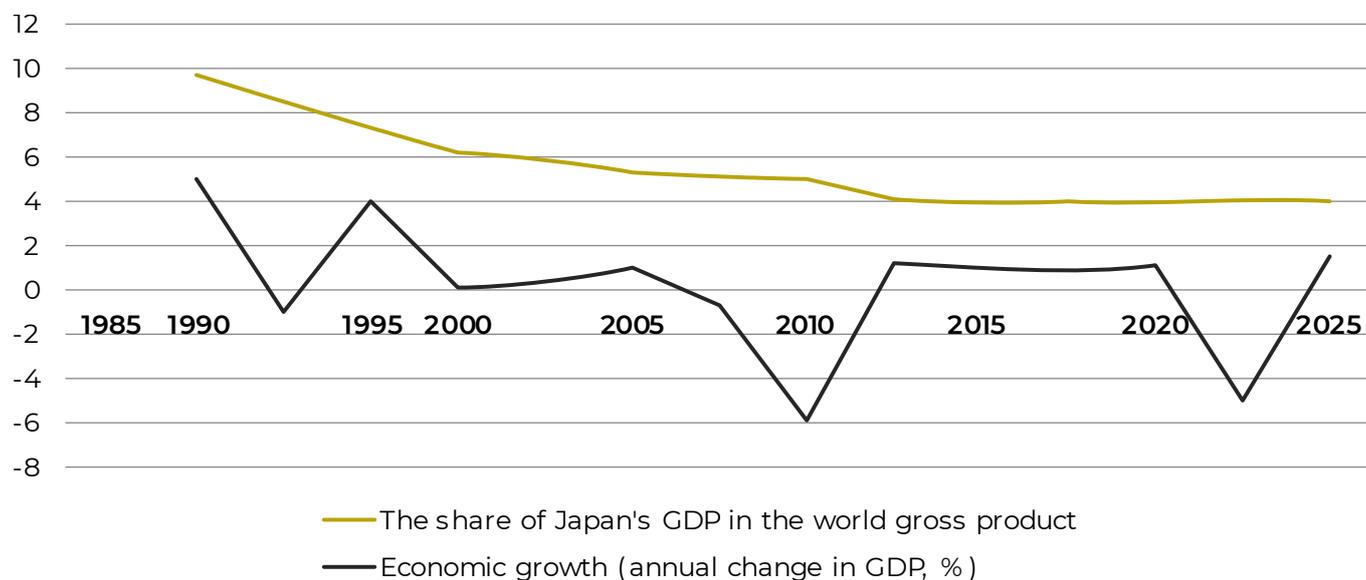


Figure 1. Japan's GDP growth and its share in the world, (1990-2021)

Source: 2000 «nen-no rodo» // Japan today. 1993. №2, p. 17

Table 2

Japan's annual GDP growth and its share in the world (2011-2021)

Year	The economic growth (annual change in GDP, %)	The share of Japan's GDP in the world gross product
1990	4,89	8,95
1991	3,41	9,05
1992	0,85	8,19
1993	-0,52	7,99
1994	0,99	7,84
1995	2,74	7,77
1996	3,1	7,72
1997	1,08	7,49
1998	-1,13	7,22
1999	-0,25	6,96
2000	2,78	6,82
2001	0,41	6,69
2002	0,12	6,51

2003	1,53	6,39
2004	2,21	6,17
2006	1,42	5,76
2007	1,65	5,55
2008	-1,09	5,34
2009	-5,42	5,07
2010	4,19	5,02
2011	-0,12	4,81
2012	1,50	4,73
2013	2,00	4,67
2014	0,38	4,53
2015	1,22	4,44
2016	0,61	4,32
2017	1,93	4,25
2018	0,81	4,14
2019	0,98	4,05
2020	-4,62	4,1
2021	1,66	4,0

Source: 2000 «nen-no rodo» // Japan today. 1993. №2, p. 17

Subsequently, other factors reducing Japan's economic growth and keeping it at a practically zero level emerged, including: the Asian crisis of 1998; the global financial and economic crisis of 2008-2010; significant public debt exceeding the country's GDP by more than 2.5 times at the moment; low domestic demand, uncertainty and turbulence in the external business and geopolitical environment; strengthening and significant rise of China; accident at the Fukushima nuclear power plant, etc. All these factors had a negative impact on the efficiency of state planning.

Over the past thirty years of stagnation, Japan has gained considerable experience in building anti-crisis restructuring plans: the medium-term plan for structural reform and economic and fiscal policy

(2001-2004), the plan to overcome stagnation (2004-2008), the anti-crisis plan (2008-2012), the plan to boost economic growth by S. Abe - the «Plan of three arrows» (2013-2018). And currently the country is in dire need not so much of technological solutions and advanced planning methodology, but of an optimal model of social and economic growth.

Attempts to take government measures to bring Japan out of stagnation are stipulated in government forecasts by S. Abe and F. Kishida. During his first tenure prime minister of Japan S. Abe (2006-2007) proposed measures to boost the country's economic growth, however, they brought no results. In his second term as prime minister (2012-2020), he made a new attempt and initiated an economic reform program to revive the Japanese economy, further named «Abenomics».

The proposed measures included the restructuring plan dubbed the «three arrows». Its objective was to bring the country out of the economic crisis and regain Japan's economic power. The plan was released in 2012 and was supposed to implement three main strategies: large-scale monetary stimulus, flexible fiscal policy, structural reform to boost labor productivity (growth strategy).

In particular, large-scale monetary stimulus was supposed to tackle long-term deflation, which exacerbated economic stagnation. The Bank of Japan was to double the money supply to enable financial institutions and credit organizations to cut lending interest rates. This measure would have promoted economic recovery and created new demand for goods and services, which, in turn, should have triggered a subsequent rise in prices.

As part of a flexible fiscal policy (a flexible approach to budget expenditures), government was planned to invest up to \$200 billion in real economy notwithstanding a significant state budget deficit. Structural reform to boost labor productivity was focused on supporting the private sector - by reducing income taxes, reviewing labor and migration laws and through other measures.

The implementation of S. Abe's «three arrows» plan went relatively well at first. Thus, in the first half of 2013, the Japanese economy saw 4% growth. The unemployment rate decreased from 6.9% to 3.7% by July 2014. In April 2014 in the context of fiscal consolidation, the Japanese government raised the consumption tax from 5% to 8%. However, the Japanese economy again faced stagnation at (-0.5%) - (0.5%), and the main goals were not achieved. Moreover, the situation was exacerbated by the COVID-19 pandemic.

At present, Japan has launched the implementation of the Major Policy of Economic and Financial Management and Reform (2022-2025), presented by the cabinet of F. Kishida. It implies an average annual GDP growth of 2% for the Japanese economy. On the surface this figure gives rise to a direct analogy with the medium-term plan for structural reform, economic and fiscal policy (2001-2004), which also implied 2% average

annual GDP growth. However, they differ in their essence: if the plan of 2001 gave a real toolkit to ensure this reading, then F. Kishida's plan defines it only as desirable. Thus, twenty years later, the forecast plans of Japan's economic growth not only remain the same, but also have reduced the likelihood of achieving the specified figure.

The Japanese government over the past decades has failed to propose an effective strategic model for the development of the state. It is confirmed by close-to-zero growth and the failure to ensure the planned reading.

METHODS AND DIRECTIONS OF STATE PLANNING IN JAPAN

In the 2000s, the government of Japan and its economic circles faced the challenge to facilitate national planning amid uncertainty and turbulence on the global market, as well as the crisis in Japan itself. The response was the assigned task to reform national planning and ensure its adaptation to the new challenges of the world economic system.

In this regard, Japanese planning is increasingly becoming a strategic forecast, with the least number of figures and doesn't contain specific policies, measures and resources to achieve these figures. The plan defines the main trajectory of country's development, focusing on the major goals. At present, Japan's national strategic plan is not a long-term but a medium-term one, with a planning horizon of no more than 4-5 years.

Strategic planning involves working out a set of economic and social strategies for the development of the state. It ensures their integration and harmonization, gives a general action plan, identifies priorities and resources to achieve the major goal, focuses, first of all, on foreseeing future changes in the external environment, and defines the fundamentals of the country's strategic resistance.

The backbone of national planning in Japan is the principle of flexibility and adaptability to changing external and internal environment. In times of turbulence, this approach becomes increasingly important. The flexibility of Japanese economic planning is secured by using reserves, the so-called «rainy day funds», when allocating the resources for the implementation of plans. Apart from that, it is possible to revise the plan and make amendments.

This principle implies not only the multivariance of the plans developed, but also scenario planning, i.e. several ready-made plans for different scenarios in the global environment. Scenario planning is constantly being improved and is driven by artificial intelligence tools along with digital platforms and technologies. With serious changes in the development of the country, it allows not only to adapt, but instantly resort to one of the plans worked out in advance. There is an opportunity

to secure the national economy through emergency solutions, to set new objectives, to take urgent measures.

Japan is consistently developing new technologies for drawing up anti-crisis plans. In addition, it is supplemented by regular consultations with experts and staff of key ministries, agencies and research centers. Modern national planning in Japan focuses on social security and environmental protection. These measures are added by plans for the development of the western regions of Japan, the most important areas of the national economy.

Over the recent years, Japan has reduced the timing of planning periods, increased the complexity of plans (to take into account as many indicators as possible) and their consistency (to avoid inconsistency with the general system of state forecasting), improved the balance of plans (goals — resources, etc.); increased the types of plans, their flexibility and adaptability.

Using indicative centralized national plans Japanese companies develop directive corporate plans (management, business, and marketing plans), which are highly effective. They are focused on ESG issues.

Recently, the efficiency of plans at the national level in Japan has been declining. However, the search for an optimal model of the country's social and economic development and the improvement of planning will yield positive results and ensure economic growth.

INDICATIVE STATE PLANNING IN RUSSIA

For a long time after the market transformations of the 1990s the Russian Federation was characterized by denying the role of state regulation of the market. It was believed to be typical only of the command-and-control state system.

At the same time, companies and enterprises sought to plan their activities. This approach was complicated by the unsustainable development of the country, the lack of stability in the international business environment and the incompetence of some workers. Therefore, plans were only feasible for a short-term period (3-6 months).

Over time, the development of business in our country required corporate planning. It gave rise to business plans, which were approved by the top management of companies. At the same time, company's development plans (management plan) were often confused with business plans.

What is the difference between them? Business plans justify external borrowing for opening, reforming businesses and implementing projects. They explain the need to raise funds and justify the efficiency of the project. Management plans are current, strategic, anti-crisis plans for the development of the company, which set the management tasks for intra-corporate growth.

At present, Russia faces a need to develop strategic plans for companies, and above all, for major state-owned enterprises. There is also an objective to create a system of strategic planning at the state level. It is also necessary to shape a national strategy for the development of Russia, define financial, economic, and social priorities, develop strategic and medium-term plans.

In 2014, for the first time since perestroika the Russian government announced the need for five-year plans for social and economic development. They are capable to give impetus to the growth of the most vital areas and industries in the economy.

On June 28, 2014, Russia passed Federal Law No. 172-FZ «On strategic planning in the Russian Federation». It establishes the legal framework for strategic planning in Russia, coordinates state and municipal strategic management and budgetary policy, assigns the powers of federal state authorities, state authorities of Russian regions, local governance and their interaction with public, scientific, and other organizations in strategic planning. The law governs the relations arising between the participants of strategic planning.

Russia is also implementing target programs: on health care reform, pension benefits, assistance to small and medium-sized enterprises, assistance to young families, development of the Far Eastern Federal District and so on.

Our country has already witnessed attempts to work out national anti-crisis plans, for instance, the Gref Plan. In October 2015, the anti-crisis «Shuvalov Plan» was released which, however, mainly implied a revision of the budget, a year after it was completed only by 63% and completely revised later on.

Today Russia attaches great importance to long-term (mainly until 2030) strategies for the development of state-owned enterprises such as Rosneft, Gazprom, Russian Railways etc. At the moment our state is implementing a ten-year energy plan of Russia, the energy strategy for the period up to 2030, the strategy of space activities, the strategy of maritime activities and others. The content and quality of the strategies of national champions play a huge role in the advancement of the Russian economy both now and for the future.

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NEW INTERNATIONAL REALITY AND RUSSIA'S STRATEGY

Andrey A. Sushentsov

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Abstract

The transition to a new phase of global transformation, which we are witnessing against the background of the Ukrainian crisis, requires an understanding of the origins and outcomes of previous events. This analysis also makes it possible to make forecasts of the further development of the situation. The article analyzes the causes of the Russian-Ukrainian crisis, which, on the one hand, exposed fundamental contradictions between Russia and the West, and on the other, has a complex internal structure connected with the very essence of Russian-Ukrainian relations. The role of sanctions, the main tool of the West to remove Russia from the «first league» of world politics, is indicated. The circle of participants in the conflict is indicated, which includes several categories of players with different political goals at once. In conclusion, the nature of their actions is noted and a forecast is made for the further evolution of their strategies.

Keywords

Ukrainian crisis, European security, economic sanctions.

NEW INTERNATIONAL REALITY AND RUSSIA'S STRATEGY

ORIGINS OF THE CONFLICT

The Ukrainian crisis escalated more than nine months ago. This period has been marked by intensification of hostilities, attempts of the parties to come to an understanding through diplomacy and, finally, stabilization of the front line. At the global level, there was a severe energy crisis in Europe, a crisis of the legitimacy of the former political order in many European countries, as well as a restructuring of the entire international — both political and economic — reality.

The current situation is often referred to as the return of the Cold War. However, along with similarities, the irreconcilable confrontation of the two sides in various areas, there are also significant differences. The main one is that during the Cold War era, the sides were acutely conscious of the cost of a direct face-off and risks of unintentional escalation. With the tragic experience of the Second World War in mind, the state leaders could see that no outcome of an armed conflict between the superpowers would justify the losses, and any victory would be Pyrrhic.

The collapse of the bipolar system was followed by a 'counter-revolution of values' of military and political restraint. For the sake of flamboyant public gestures, states demonstrate strategic irresponsibility and frivolity in behavior, taking liberties with diplomatic, political, and military provocations. A catastrophic lack of rules of interaction that accompanied the confrontation during the Cold War was clearly manifested. In this sense, the crises of the post-bipolar era are more dangerous, unpredictable, and difficult to manage.

Throughout the past three decades, relations between Russia and the West have been built on the basic assumption that Moscow would accept any NATO move to change the balance of power in Europe. Indeed, Russia often had to make concessions, which gradually worsened its strategic positions not only on the continent, but even along its immediate borders. By means of negotiations, the Russian leadership hoped to convey to the United States the idea that it should not rely on one-sided domination and offered alternatives to the US-centric security structure.

However, from the 1990s on, the United States has rejected Russian proposals to shift responsibility for European security from NATO to the OSCE, create a joint missile defense architecture, and sign the European Security Treaty. An analysis of the memoirs of Western leaders shows that the West (and above all the United States) refused to understand the Russian interests. For example, Bill Clinton is sincerely convinced that if Russia followed the 'right' path toward democracy, NATO enlargement

would not be a threat to it.

As a response, Russia made several *démarches*, however, a low level of implementation of threats remained a key problem of its foreign policy. Russia's ideas and proposals were ignored and not taken seriously. This led our diplomacy to the conclusion that it was necessary to shift the center of gravity of discussions with Western partners to other issues.

The turning point was the transition of the West to the course for Ukraine to join NATO with several Ukrainian governments that for many years built their national project on opposing Russia. Some experts draw parallels between the Moscow—Kyiv relations and the situation between the US and Cuba. Cuba, on the one hand, strove to be at the forefront of the struggle against world capitalism, and on the other, it remained closely integrated into the American social and political life. However, despite certain similarities, such a comparison is not entirely correct: unlike Cuba, Ukraine started intensive militarization, turning into a significant military player in Eastern Europe. Apart from that, Ukraine has an unresolved social and cultural conflict between people with a pro-Russian identity and those who associate their worldview with the Western Ukrainian national purpose. With such contradictions, the Russian-Ukrainian relations can be compared rather with those between India and Pakistan: both countries emerged at the same time when the British Raj collapsed. For Pakistan, the origins of nation-building are directly related to opposing India. Both countries in parallel formed significant armed forces, including nuclear weapons. In its foreign policy, Pakistan began establishing relations with states hostile to India in an attempt to balance the threat from Delhi.

Moscow perceived Ukraine as a country of a similar antagonistic type, realizing that in a few years it could receive a significant amount of weapons from NATO countries, which would be enough to deal damage either to the Donbass or to Russia itself. As a result of growing differences and an outright refusal of the West to seek a peaceful resolution, the conflict entered into an armed phase.

INCEPTION OF GLOBAL TRANSFORMATION

To date, the first phase of the global transformation is already over, therefore there is a need to analyze and comprehend its origins and results.

First, one of the main intermediate outcomes of the conflict is the rupture of the asymmetric economic interdependence between Russia and Europe. The explosion of the Nord Stream gas pipelines has become a symbolic end to the era of mutually beneficial growth of economic well-being. Since February, Russia and the West have been in a state of economic war. The avalanche of sanctions imposed on Russia by Western countries was aimed at inflicting sudden, rapid, and devastating damage to the Russian economy, which would force Moscow to reconsider its

foreign policy priorities.

Paradoxically, the West is well aware that in the current political and economic conditions, the sanctions pressure on a state to change its political course is doomed to failure. This is confirmed by the cases of Cuba, Venezuela, North Korea and, for example, Iran. Paying sometimes a high price for their sovereign existence, these countries retain the ability to take initiative in foreign policy. For Iran, it is about balancing threats and struggling for regional leadership; for North Korea, dictating its own 'rules of the game' on the Korean Peninsula. For Cuba, it is about expanding its influence on the integration-seeking groups of Latin American countries. In turn, Russia has maintained its economic and financial stability and is actively implementing strategies to circumvent sanctions and counter their negative effects. The West made a strategic blunder: in the new international reality, there will be a far more polycentric system, and the process of de-dollarization of the world economy will inevitably start. The economic mistake is that due to the move away from Russian energy supplies, the welfare growth of ordinary European citizens, which has been the case for the past thirty years, has stopped. Ordinary people start blaming their own governments for the situation, and Europe is facing political consequences of its own decisions. Second, the intermediate outcomes of the conflict have confirmed that the Ukrainian crisis is one of the most multicomponent political crises of last two centuries.

It is exacerbated by internal factors that lie in an unresolved civil confrontation of people with opposite identities. Their irreconcilable dispute develops around the orientation of the Ukrainian nation siding either with the East or the West.

As for external factors, there are at least six parties to the conflict. The crisis participants include the following groups with different political goals and strategies: the United States as a separate actor, the countries of the 'New Europe' (Britain, Poland, the Baltic countries, the Czech Republic, Slovakia), the countries of Western Europe (Italy, France, Germany), the union of Russia and Belarus, a group of Western nations we are referred to as 'airlock countries' (Turkey and Hungary), as well as Ukraine itself. Each group has its own strategy.

The United States intended to provoke Russia to use force, so that Moscow, having exhausted its resources, would leave the 'premiere league' of world politics, and the European Union, having lost inexpensive resource supplies, would lose its strategic autonomy. After the first six months of the conflict, the United States made sure the Ukrainian government could stay in power and consolidated control over key European capitals. However, despite their efforts, Moscow continues active military operations with relatively few resources and maintains the initiative in the developing crisis.

The countries of the 'New Europe' hoped to permanently ban Russia from participating in European affairs, to ensure a reliable presence of

the United States in Eastern Europe, and to keep in check any attempts of Western Europe to act autonomously. By and large, the 'New Europe' has managed to achieve these goals. However, as a result, it has faced severe economic, social, and migration crises.

The crisis hit Western Europe by surprise, as it had lost the habit of thinking independently. Having taken a 'vacation from strategic thinking', the EU moved on to a 'strategy of sentimentality': high-flown statements, complacent summits, ostensibly cordial handshakes not backed up by goal-setting, resources, or determination to make sacrifices. As a result, the countries of Western Europe delegated their foreign policy goal-setting to the United States, the countries of 'New Europe', and Great Britain. The successes of Western Europe at this stage of the conflict are not obvious: Europe has faced unprecedented economic and energy crises, as well as risks of political destabilization, and has lost its foreign policy initiative.

The 'airlock countries' used a strategy of opportunism and strategic autonomy, seeking the maximum political and economic benefits. Their policy proved to be relatively successful. They have increased their autonomy from Washington and Brussels and position themselves as a platform for diplomatic negotiations after the conflict. However, this comes at a cost of increased pressure from the allies.

Ukraine sought to ensure the survival of the Western Ukrainian political project at any cost. Acting at the same time as an active participant in the crisis and a battlefield between Russia and Western countries, Ukraine was able to ensure the survival of the government of Volodymyr Zelensky, consolidate his control over the country's life and push the opposition out of politics. Externally, Ukraine has ensured a systematic provision of international assistance. But Ukraine's losses are more significant: collapsing economy, the loss of a significant part of its territory and population, as well as inability to conduct military operations relying on its own forces.

Finally, Russia set a goal to eliminate the military foothold in Ukraine, force the West to negotiate a new security architecture in Europe, break the asymmetric economic interdependence with the West, and, finally, consolidate the 'world majority' on the basis of the fight against the Western neocolonialism. Over the past six months, Russia has eliminated a significant part of Ukraine's military resources, the means of their reproduction, gained new territories, and secured a strategically important land corridor to Crimea. Moscow was successful in consolidating the part of the international community that did not join the West. The failures include the lack of a decisive victory in the conflict and its prolongation. Apart from that, there is no new platform for building economic relations with Europe.

WHAT'S NEXT?

Today we are witnessing the transition to the second phase of the Ukrainian crisis in a new emerging international reality. The countries of Western Europe have lost their strategic autonomy, the initiative was taken over by the 'emerging democracies' of the former Eastern Bloc, and the 'world majority' consolidated to oppose the West. In such conditions, Russia's determination to achieve a victory remains significant. The success of the 'airlock countries' (Turkey and Hungary) is another sign of the new emerging reality. They understand Russia's position, maintain strategic autonomy, seeking to expand their influence in Europe and playing the role of a platform for negotiations.

At the same time, the Western support for Ukraine is still strong, therefore the military and political confrontation between Russia and the West is very likely to continue in 2023, and the conflict itself will become a 'competition of will' between Russia and Europe. The Russian side demonstrates a determination to achieve its goals, and there are no doubts either about the Ukrainian course towards waging war, despite the large number of casualties and the growing tension in its society. At the same time, both sides consider time to be a resource to their advantage.

Thus, Russia expects that in the long term Ukraine will cease to be the number one priority in Western foreign policy. The Europeans can be persuaded to negotiate in the event of a catastrophic nature: a complete collapse of the Ukrainian front amid the inability to continue to supply weapons, a man-made disaster at energy or nuclear facilities, major sabotage of energy pipelines that will put into question the energy security of Europe.

A similar course dominates in Ukraine as well. Politicians supporting the peace process have been killed or forced out of Ukrainian politics. President Zelensky is fully committed to 'the Warring Ukraine' project and today personifies the party of war. However, being the president of war and the president of peace are completely different modalities, switching between which quite often is impossible. For example, the massive outflow of people from Ukraine and issuing Russian passports to many of them pose high risks for Zelensky in the long run. And when there is peace, it will be necessary to explain to the Ukrainian people the reason why a significant part of their compatriots preferred Russian citizenship. It's highly probable that Zelensky will want to keep this military and political configuration: as the president of war, if he retains power, he will choose the path of leading the country in any of its territorial forms with well-equipped armed forces with Western-supplied weapons, that is, he will follow the path of Israel.

What may Russia's strategy depend on? On the correct matching of available resources with its strategic goals and on keeping the initiative.

Having lost the initiative, indifferent countries pay the highest price — a new political reality will be finally shaped at their expense.

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DEVELOPMENT OF INNOVATIVE POTENTIAL IN THE CONDITIONS OF REGIONALIZATION OF THE WORLD ECONOMY

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Annotation

The article substantiates the innovative potential of the world economy and reveals some changes of innovation activity to regional centers. Recommendations are also given on how to increase innovation activity in the Eurasian region.

Keywords

Innovation potential, innovation, innovation activity, world economy, regionalization, mega-regional trade agreements, EAEU.

Innovation is of paramount importance for solving economic and environmental problems. All UN member states have joined the 2030 Agenda for Sustainable Development, and the Sustainable Development Goals are included in the system of national priorities of developed and developing countries. SDG 9, Industry, innovation and infrastructure, identified the key role of innovation in «finding long-term solutions to both economic and environmental problems, such as improving the efficiency of resource and energy use».

The innovation potential of the world economy includes all the capacities of countries and regions to generate new ideas and innovate. International cooperation creates synergies. They manifest themselves in both breakthrough innovations and in equalizing the innovative level of countries.

At the international level, the innovation 'gap' between the potential of developed and developing countries has been discussed for a long time now. The leading role of developed countries in this area brings benefits to them in the first place, then to the countries of their «immediate economic environment», and only then to everyone else. The process of globalization has not facilitated access to innovation for developing countries. Despite joining the 2030 Agenda, developed countries are increasingly restricting access to the innovations they have, sometimes outright prohibiting their use. This forces developing countries to look for new ways of cooperation to preserve and increase their innovation potential. One of the interaction formats in which trade, investment, and innovation cooperation are closely intertwined is mega-regional trade agreements (MRTS). Within a separate mega-region, it is possible to create conditions for the development of innovations based on the experience of advanced countries and reach a higher level of 'mega-region-to-mega-region' cooperation.

REGIONAL AGREEMENTS: WHO SIDES WITH WHOM?

Globalization has failed to provide the expected level of open trade and equity in the distribution of resources and innovation in the global economy. In recent years, countries have increasingly gravitated towards regional trade agreements — they create favorable conditions for cooperation not only in trade, but also in other areas, including innovation.

As of October 15, 2022, 355 different regional trade agreements have been registered with the WTO. These include Free Trade Agreements (FTA) as well as Economic Integration Agreements (EIA). Signatories to these agreements may include non-WTO member countries as well.

Mega-regional trade agreements have become a certain type of response to the stagnating system of international trade regulation within the WTO. Established MRTSs include the Transatlantic Trade and Investment Partnership (TTIP) that includes all EU countries and the USA.

The Trans-Pacific Partnership (TPP) includes Australia, Brunei, Vietnam, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, Chile, Japan (all APEC members). The Regional Comprehensive Economic Partnership (RCEP) brings together 10 ASEAN member states and 6 countries that have active free trade agreements with ASEAN. The African Continental Free Trade Area (AfCFTA) includes 54 member countries of the African Union.

Mega-regional agreements focus on trade, but also cooperate on innovation and can contribute to the innovation potential of each other, that of the entire region, and the global economy as a whole.

HOW TO ASSESS INNOVATION POTENTIAL?

From 1996 to 2021, investment in innovation worldwide has doubled. The innovation investment remained quite high even during the pandemic. According to the Global Innovation Index (GII) of the World Intellectual Property Organization (WIPO), high-tech industries continue to allocate funds to research and development (R&D). The leaders in the Global Innovation Index are Switzerland, Sweden, and the USA. China ranks 12th. This country ranks high on the GII in terms of the number of patents, trademarks, and industrial designs. However, China still lags behind other countries in areas such as human capital, higher education enrollment, market sophistication, and business sophistication.

The development of the innovation potential of the world economy is associated with the creation and commercialization of innovations. Its development requires a high level of human potential, a strong innovation system, and appropriate infrastructure. As noted above, globalization has not produced the expected effect in terms of dissemination of innovations, therefore countries are gradually switching to mega-regional formats of cooperation. It is a forced move, and its consequences should be taken into account when developing and adjusting national development strategies.

To assess the innovation potential of member countries of mega-regional trade agreements, the following system of indicators is used:

- research and development spending, % of GDP;
- patent filings, units;
- number of granted patents, units;
- impact of scientific publications (the Hirsch index);
- number of researchers per 1 million people;
- high-tech exports, % of total trade;
- intellectual property payments, % of total trade;
- employment in science-intensive industries, %;
- university–industry R&D collaboration.

An active expansion or, conversely, a reduction of the innovation

sphere is evidenced by such indicators as R&D spending and the share of high-tech exports of a country. The optimal share of R&D spending is at least 2% of GDP.

Thus, in the TTIP countries, this indicator is above the average and has been increasing in recent years. The leaders in this area are Germany, Austria, Belgium, Finland, Sweden, and the United States — their share of R&D spending in 2019–2021 was more than 2.8% of GDP. The countries with the lowest R&D spending are Lithuania, Latvia, Malta, and Cyprus (less than 1% of GDP).

A number of TPP and RCEP countries are also characterized by high levels of R&D spending. Australia has an annual research and development spending of 1.8% of its GDP; Malaysia and New Zealand, 1.4%; Singapore, more than 1.9%; Japan, more than 3.2%; China, 2.2%, the Republic of Korea, 4.5%. Most member countries of mega-regional trade agreements have a low share of R&D spending, less than 1% of GDP. For example, in Mexico, Vietnam, Peru, Chile, Myanmar, this indicator ranges from 0.1 to 0.4% of GDP.

Member countries of the African Continental Free Trade Area have an R&D spending of less than 0.5% of GDP.

Another indicator of innovation activity and technological development of countries is the number of international patent applications filed under the Patent Cooperation Treaty. This is the largest international agreement on mutual recognition of patents, which ensures patent rights protection for inventions in all 156 states. As many as 276,000 international patent applications were filed under the WIPO PCT system in 2020, which is 4% more than in 2019. China was the leading user of the WIPO PCT system (68,720 applications filed). It is followed by the USA (59,230), Japan (50,520), the Republic of Korea (20,060), and Germany (18,643).

According to a WIPO report, despite the pandemic, 2021 did not see a decline in patent activity. In 2020, 3.3 million patent applications were filed worldwide, with Asia accounting for 2/3 of them. China led by a wide margin (45.7%), followed by the US (18.2%) and then Japan (8.8%). For a more objective assessment of countries' patent activity, WIPO uses a relative indicator of the number of patent applications filed by residents per unit of GDP (per 100 billion dollars). Moreover, countries rank in the top ten provided that their GDP exceeds 25 billion in PPP-adjusted dollars, and they have more than 100 patent applications filed by residents.

WIPO trends show that the leaders in the number of patent filings are member countries of the Transatlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP). Thus, in 2020, China filed 1,441,085 patent applications; Japan, 423,254, the Republic of Korea, 260,610. TTIP countries filed over 800,000 patent applications in 2020. The USA (495,883 applications), Germany (168,005) and France (64,280 applications) are the leaders in the number of patent

applications filed among TTIP countries.

The activity of member countries of the Trans-Pacific Partnership and the African Continental Free Trade Area in the number of patent filings and granted patents is below average. In 2020, the highest number of patent filings was accounted for by Australia (11,906), Canada (23,846), the Republic of Korea (260,610), and Singapore (7,946).

The United States, China, Japan, the Republic of Korea, and Germany are the leaders in the number of granted patents.

The Hirsch index is a comprehensive assessment of the number of scientific publications and their impact. This is a quantitative indicator of the productivity of both scientists and the country as a whole. According to the 2021 edition of the Global Innovation Index, the highest-ranking countries by the Hirsch index are the USA, Switzerland, Japan, Germany, the Netherlands, France, Sweden, China, and Canada.

One of the qualitative indicators of the innovation system development is high-tech exports, which generate the highest income and give fresh impetus to economic development.

TTIP member countries have high and stable growth rates of high-tech exports. It's all about high volumes of high-tech outputs and their competitiveness in the domestic and foreign markets, as well as economic integration under a trade agreement. According to the 2022 edition of the Global Innovation Index, the share of high-tech exports in TTIP countries ranges from 0.7% to 19.7% of total trade. The leaders in this area are Denmark (19.7%), the Netherlands (13.0%), Hungary (14.9%), France (11.2%) and the Czech Republic (23.8%). In the United States, this indicator has been growing in recent years and now is at 9.4% (5.8% in 2019).

The RCEP countries show a positive trend and have a high share of high-tech exports. For China it is 28.0%; the Republic of Korea, 28.4%, Japan, 12.0%, Singapore, 26.4%, the Philippines, 31.4%. In percentage terms, the indicators of these countries are significantly higher than those of the Transatlantic Trade and Investment Partnership member states.

An important indicator reflecting the innovation potential of the economy is the number of researchers per million people. In most countries, it increased in 2016–2022. This indicator was highest in the TTIP countries (on average more than 3 thousand researchers per 1 million people), which is accounted for, in particular, by a significant share of R&D spending and favorable innovation policies. In the RCEP and TPP countries, the number of researchers grew as well. Thus, the Republic of Korea has 7980.4 researchers per 1 million people; Singapore, 6802.5; Japan, 5331.

The growth of this indicator contributes to an increase in other indicators reflecting the innovation potential and commercialization of innovations — the number of patent applications filed, the number of patents granted, the Hirsch index, the share of high-tech exports, etc.

The innovation potential of the economy is also characterized by employment in science-intensive industries as a percentage of total

employment. This indicator varies greatly in different member countries of mega-regional trade agreements. Thus, in the TTIP countries, the employment in science-intensive industries is high — on average more than 40% (USA, 48.0%; Latvia, 40.7%; Lithuania, 42.2%), and in some it exceeds 50% (Luxembourg, 57.7%; Sweden, 52.3%). In the RCEP and TPP countries, this indicator differs by state, so there is no overall positive trend. For example, in Mexico, employment in science-intensive industries is 19.5%; in Myanmar, 5.5%, in the Republic of Korea, 39.5%. We can make a conclusion that the percentage of employment in science-intensive industries is directly related to the number of researchers per 1 million people and R&D spending. The higher the R&D spending, the higher the level of development of innovations, the better the yield of research activities, and the more successful commercialization of innovations.

A comparison of member countries of mega-regional trade agreements shows differences in their innovation activity. Obviously, unless there's a mechanism for innovation exchange, it will be very difficult (or even impossible) to close the gap between countries and move towards innovation-based sustainable development. And this, in turn, can have an impact on the rate of development of the innovation potential of the entire world economy.

Another factor for the development of innovation potential is the activity of multinational corporations (MNCs). A new global trend is joint R&D activity by companies, sometimes even competitors, from different countries. Since innovation activity is associated with high risks, state support or guarantees are needed at all levels. Having large investment funds, MNCs can mitigate such risks on their own. However, they are also interested in state guarantees that can protect them from excessive losses. Despite the increasingly high risks, the innovation activity of leading companies is growing rapidly, as it is required for successful competition on the global market. And, above all, this is manifested in the number of international patents for intellectual property.

The leaders in this area are major companies, such as Huawei (5464 published PCT applications), Samsung Electronics (3093), Mitsubishi (2810), LG Electronics (2759), Qualcomm (2173). Leading high-tech MNCs spread their influence over entire regions, as they have manufacturing facilities in many countries. Apple has manufacturing facilities in the countries of TTIP (Germany, France, Italy, Austria, the Czech Republic, etc.), TPP (Vietnam, Singapore, Japan, Malaysia), and RCEP (China, Japan, Singapore, Thailand). Samsung Electronics also has manufacturing facilities in TTIP (Poland, Hungary, Germany, Slovakia, Italy), TPP, and RCEP (Vietnam, Malaysia, Thailand). Intel moves its manufacturing facilities to Thailand, Mexico, Taiwan, Malaysia, Vietnam, China (RCEP and TPP countries).

Currently, the EAEU is actively making a transition to innovation-based development. This can be facilitated, in particular, by joint R&D projects.

Innovation-driven development in the EAEU countries is implemented in different ways. For example, the R&D spending in Armenia in 2020 was 0.2% of its GDP. As of 2018, exports of high-tech goods accounted for 7% of industrial exports. In 2020, there were 65 organizations involved in R&D activity (72 in 2012). The number of staff employed in research and development has decreased by 31% since 2010. In 2020, the Hirsch index was at 11.2. In terms of the number of patent filings, Armenia is also among the outsiders with only 135 patent applications filed and 106 patents granted.

From 2016 to 2020, Kazakhstan's R&D spending fell to 0.1% of its GDP, and since 2017, its GDP has also been declining. In 2020, Kazakhstan had 667 researchers per 1 million people. In the same year, Kazakhstan filed 1,102 patent applications (334 in 2018 and 945 in 2019), and its Hirsch index was 5.1. Kazakhstan's high-tech exports account for 3.2% of total trade.

In Kyrgyzstan, R&D spending was 0.2% of GDP. In 2020, the number of scientists employed in R&D was 596 per 1 million people, and 127 patent applications were filed. In 2016–2020, the number of patent applications declined along with the share of high-tech exports — in 2020, it amounted to 1% (2.3% in 2019).

Russia's R&D spending is around 1% of its GDP. In 2020, Russia had 2,784 specialists per 1 million people employed in the development and creation of new knowledge, products, processes, methods, or management systems for respective projects. In the same year, Russia filed 30,282 patent applications, the Hirsch index was 38.2, and high-tech exports accounted for 2.4% of total trade.

In the Republic of Belarus, the focus on innovation leads to an increase in the number of patent applications filed. In 2020, the patent activity slightly decreased with a total of 394 patent applications filed (547 in 2018). However, the main priority for Belarus now is to maintain a steady, even though not very high, annual rate of all innovation activity indicators. In general, the EAEU countries have a low share of R&D spending: in most countries it is under 0.5% of their GDP. This leads to a low number of innovations, their high cost, and low demand. As a result, most of the EAEU countries adopt foreign technologies, rather than develop their own.

WHAT IS REQUIRED TO DEVELOP THE INNOVATION POTENTIAL OF THE EURASIAN REGION?

1. Return to scientific cooperation between the EAEU member states. Innovation activity in the region can be incentivized by creating a digital platform for research and development and by simplifying the procedures for registering scientific projects, teams, etc. The first step on this path is the creation of the Eurasian Association for Promotion of Scientific Research (EAPSR) in 2016.

2. When passing a resolution on the accession of a new member

to the EAEU or on trade and economic cooperation with new partners, it is necessary to assess their potential contribution to increasing the innovation potential. A case in point is the 2018 Agreement on Economic and Trade Cooperation Between the Eurasian Economic Union and its Member States and the People's Republic of China. It provides for the development of sectoral cooperation in the field of advanced technologies, innovations, transport, and logistics infrastructure.

3. Creation and development of innovation funds at the level of universities, R&D institutions, companies. Typically, countries with a high number of patent applications have high R&D spending. However, unfortunately, they cannot constantly increase spending on science and education. It is important to balance the expenditure of the national budget and create conditions for attracting investment in R&D from non-government sources. The Republic of Belarus, for example, already has such examples. The China–Belarus Industrial Park «Great Stone» has a successfully operating Innovation Center for R&D Commercialization. The replication of best practices in other legal forms will attract more talented scientists and entrepreneurs and contribute to achieving innovation breakthroughs.

Developed countries restrict access to their innovations. The barriers they impose force developing countries to join their efforts in trade, investment, and innovation on a regional basis. Mega-regional trade agreements allow countries to achieve a spillover effect to develop the innovation potential of mega-regions. The study of the innovation potential of the world economy from the perspective of regional innovative cooperation between countries allows us to significantly expand our understanding of the factors that have an impact on global economic and innovation-related processes. Mega-regional trade agreements of countries should be perceived as informal points of innovation-driven growth in the world economy, and the Eurasian Economic Union strives to become one of them.

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FROM THE ECONOMY OF PRODUCTION TO THE ECONOMY OF CARE

Hubert Landier

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Abstract

Nowadays, employees are assessed by how effectively they do their job. Helping people is not an indicator of productivity. Labor productivity affects the financial performance of the company, and, according to employers, direct duties are more important than talking to a person who needs it. Because due to such communication, the productivity decreases. An approach in which the main condition is the productivity of employees is not correct, since it puts financial goals above a person. From a humanistic point of view, caring for people should prevail over labor productivity. Consequently, our entire economic system must radically change. The article analyzes the process of transition from the economy of production to the economy of care, and also describes the current economic trends.

Keywords

Cost, productivity, care, quality indicators.

In France, the elderly who can no longer live on their own are usually placed in specialized medical facilities. The right professional term is EHPAD (Établissements Hébergeant Des Personnes Âgées Dépendantes), which in French stands for «institutions for the elderly in need of assistance.» Medical expenses are funded by medical insurance, while living expenses are covered by local government or relatives. All activities in such nursing homes are strictly regulated, employees are required to achieve maximum productivity and their functions are precisely defined.

A few weeks ago, I got into a conversation with a young man who worked in a parking lot. While I was waiting for the tow truck, he told me that he used to be a cleaner at a nursing home. He put things in order in the rooms of elderly, lonely people isolated from society. Sometimes the young man talked to those who were on the verge of death. Since he did not spend 100% of his time on cleaning, his work was recognized as insufficiently effective. As a result, he was fired and now works in a parking lot.

This case is a vivid example of how many organizations measure employee productivity. Employers evaluate and assess, first of all, the work itself, and the employee's remuneration is tied to certain productivity indicators. Compassion for the elderly was not part of the cleaner's job and, from a management perspective, was a waste of time.

Hospitals and educational institutions adhere to the same principle. Doctors are paid by the number of surgeries they perform, and the patients' health condition does not affect their remuneration. Teachers are forced to spend a certain amount of time on teaching, no matter how much attention each student requires. I do not know the state of affairs in Russia in this respect, but in France the situation is exactly as described. In the US, things are even worse – you can get an impression that the patient can only be treated after checking his bank account.

Getting back to employee productivity, I would like to claim that we need an approach involving not only the good work of the staff, but also care for the elderly, sick people, and students. The approach, in which helping people has no value, is quite risky, but, unfortunately, it has spread throughout the whole society and, in particular, public services. Only what can be measured quantitatively matters, quality is not considered.

What really matters: caring for people and society as a whole requires an evaluation of human labor that cannot be limited to numbers. How is it possible to assess the quality, and therefore the value, of a young cleaner's care for the dying in a nursing home? How to measure mother's care for children? How can I evaluate the work of my fellow Red Cross volunteers? How to understand that people help selflessly and gratuitously and that their actions are not driven by personal interests or economic gain? We are talking about the principles of utilitarianism. The basis of classical economic theory, from Adam Smith to Karl Marx and Milton Friedman. I am convinced that this school of economics will play an important role in

assessing the social aspects of human activity.

For a century and a half, the main institutional tool of labor productivity has been a business that could, for instance, raise large funds for the construction of railways. The approach to remuneration for human labor is based on the company's performance. But a commercialized society that prioritizes productivity may soon end up in the ash heap of history.

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IT IS IMPOSSIBLE TO ISOLATE RUSSIA

Oleg N. Evtushenko

State Corporation «Rostec»

Abstract

The article analyzes the current economic situation in Russia and describes the prospects for changing production through the implementation of innovative developments by the State Corporation “Rostec.” It also assesses the retention and attraction of human capital in the face of external turbulence.

Keywords

Innovation, parallel import, production.

IT IS IMPOSSIBLE TO ISOLATE RUSSIA

MGIMO University and State Corporation “Rostec” enjoy a long-standing partnership. The company commissions the university to train managers for the high-tech industry. These specialists will play a crucial role in ensuring the technological sovereignty of Russia, making their demand extremely high. In an interview with Vladimir Shapovalov, Dean of the School of International Business at MGIMO, Oleg Yevtushenko, COO of Rostec, elaborated on the prospects of import substitution, promising industries, specialist development, and cooperation with other countries amid sanctions.

- The State Corporation “Rostec” celebrates its 15th anniversary this year. What results have been achieved over this period?

- Over these 15 years Rostec has become the largest manufacturing enterprise in Russia. We do not produce oil, nor do we rely on bank interest for earnings. We are actually engaged in production and development. The Corporation comprises around 800 scientific organizations and industrial enterprises, including renowned brands such as United Aircraft Corporation (UAC), Russian Helicopters, Kalashnikov, Uralvagonzavod, Ruselectronics, Shvabe, etc.

However, it was not always this way. When Rostec was founded, almost half of the enterprises transferred to us, including hundreds of factories, R&D institutes, and design bureaus, were in crisis and experiencing losses. Many organizations and enterprises had been accumulating debts since the 1990s. There were significant problems associated with the manufacturing and distribution of civilian products. In 2009, the revenue of our companies amounted to approximately 500 billion rubles, most of which was generated by the state defense order, while the losses amounted to 60 billion rubles. That was our starting point.

- In this regard, Rostec is often compared with the intensive care unit. How many “patients” have been saved?

- A lot. This was the case, for example, with UAC, Tractor Plants, UVZ, and other assets that we acquired in a challenging state. Today, these are stable operating companies with most of their financial difficulties resolved.

Over the last 15 years, Rostec has undergone significant technological modernization. We have launched the manufacturing of civilian products that are in high demand. These include helicopters, aircraft, energy equipment, professional IT solutions, medical equipment, and motor

transport. Based on last year's results, the corporation's revenue exceeded 2 trillion rubles, which is almost four times more than in 2009. At the same time, over 45% of our income now comes from the manufacturing of civilian products.

- **Hundreds of thousands of employees work for your corporation, and often as entire dynasties. How do you manage to retain this human capital?**

- A machine tool is easy to buy, but developing and mastering the skills of a good specialist takes years. Therefore, we strive to create the most conducive environment for our employees. This includes offering competitive salaries, and comprehensive social benefits, such as a special housing support program, additional medical insurance, and various types of welfare assistance.

Currently, we employ approximately 600,000 people. Many of our city-forming enterprises serve as significant hubs in their regions, attracting local residents to work there. It is not uncommon for entire families to be employed in these factories. Some of them have accumulated centuries of combined experience. The record holder in this regard is the Nizhnelomovsky Electromechanical Plant. There are already three generations of a single dynasty working there, totaling twelve people. Overall, they have dedicated more than three centuries to their beloved enterprise.



Discipline and the ability to navigate challenging situations are perhaps the most important qualities. They are essential in both personal and professional life.

- **But first, the specialist should apply for a job at the plant. How challenging is it to attract workers amid labor shortage?**

- At some of our enterprises, we introduce children to the manufacturing process from a young age. For instance, we have published a series of books that explain engine building and aviation in simple terms. Moreover, every year our enterprises hold Weeks Without Turnstiles events. Children of factory workers, schoolchildren, and students can visit

the facilities, see everything with their own eyes, and get acquainted with manufacturing processes.

Furthermore, we are actively developing employer-sponsored education. We collaborate with all major universities in Russia, with MGIMO playing a significant role in supplying personnel for departments engaged in international trade.

I would like to highlight the Wings of Rostec program, through which we train multidisciplinary engineering and technical specialists for aircraft manufacturing enterprises. Students not only acquire theoretical knowledge but also gain practical production skills from their first year. This geographically expansive project involves 10 specialized universities in Moscow, St. Petersburg, Rybinsk, Kazan, Samara, Ufa, Perm, Novosibirsk, Irkutsk, and Ulan-Ude. By the way, this year's applicants for the Wings of Rostec program include almost 300 young people, 70% of whom come from working dynasties, following their parents' footsteps to pursue a career in aviation.



MGIMO plays a significant role in supplying specialists for departments engaged in international trade.

- **Your company has a corporate networking academy. What is the purpose behind its establishment? As far as I know, it trains not only employees of the corporation, but also external students.**

- The Rostec Academy is our center of expertise for personnel. It differs from conventional training centers in that it provides systematic employee development tailored to the specific needs of military defense enterprises.

Established in 2017, the Academy has held more than 350 educational events in the past five years, training more than 40,000 employees from 250 corporation enterprises.

Today, the Academy offers over 100 educational programs and consulting services. They cater to managers of various levels, employees in engineering and technical occupations, and young professionals. The

list of training programs is continuously updated. Last year, for instance, we opened a training and methodological center for international trade and military-technical cooperation. Given the current global situation and challenges of operating in export markets, this process involves not only Rostec enterprises, but also our colleagues from other exporting companies, including Roskosmos and the Almaz-Antey concern.

- Which industries in Russia will be breakthrough and dominant in the coming years?

- In the coming years, the dominant industry for «Rostec», and in general for the domestic manufacturing industry, will be aviation. Currently, for Russia, producing its own civil aircraft is crucial for ensuring sovereignty. By 2030, UAC enterprises will manufacture over 500 aircraft of various types, including more than 270 MS-21 liners and about 140 SSJ-100 aircraft. Undoubtedly, our enterprises are fully committed to achieving these goals.



A machine tool is easy to buy, but developing and mastering the skills of a good specialist takes years.

At the same time, the aircraft industry has a huge multiplier effect as it is interconnected with many other industries such as metalworking, composite materials, electronics, engine building, etc. The MS-21 project, for example, involves collaboration with hundreds of factories across the country.

- You have mentioned engine building. What are the prospects in this field?

- We are yet to complete tests and launch serial production of PD-8 and PD-14 engines to meet the needs of civil aviation. We also have tasks related to helicopter power units. Our aim is to satisfy domestic needs in all areas that previously relied on foreign engines.

Developing new engines is a challenge, as it takes about 10 years. Only five countries in the world are capable of that. Russia is now steadily regaining its position in this market.

In the energy sector, there is also a notable backlog and potential for development. The reliance on foreign equipment turned out to be unjustified and risky. For instance, in Sakhalin, the departure of foreign suppliers jeopardized the stability of energy supply. As a result, we will supply units manufactured by UEC to Sakhalinenergo, ensuring the island's power grid system remains stable. And this demand is expected to expand.

The share of our gas pumping equipment has already reached 80%. We collaborate with Gazprom, Rosneft, and other major companies. We offer power units up to 25 MW and are working to increase their capacity. By 2025, the United Engine Corporation will start supplying Gazprom with equipment of 32 MW capacity, followed by 42 MW capacity in the future.

- **What other promising niches can you name?**

- The production of special equipment has great potential. In 2021, the share of imports in road construction and logging equipment was 85%, and about 64% of tractors were foreign-made. Additionally, more than half of the vehicle fleet is over 10 years old, so it will soon require updating.

For Rostec, this segment is not new, as the Uralvagonzavod concern and the High Precision Systems holding have their own lines of special equipment. Now we are preparing a major project for road construction, municipal, agricultural, and logging equipment. Our goal is to fill the gap left by foreign manufacturers in the market.

- **What about electric transport? Will Russia have its own electric cars?**

- Of course, this sector is also very promising. Moscow already has over a thousand electric buses in operation, most of which are produced by us. Their pilot operation has already started in other cities as well. Both AvtoVAZ and KAMAZ have plans for passenger electric vehicles. The industry is growing and requires the development of electric charging infrastructure. Our KRET concern is an active player in this segment. It develops consumer and industrial charging stations. Currently, its market share in the production of electric stations makes up around 20%, but there are plans to expand it to 35-45% in 2023.



Over these 15 years Rostec has become the largest manufacturing enterprise in Russia. We do not produce oil, nor do we rely on bank interest for earnings. We are actually engaged in production and development.

- Recently, foreign pharmaceutical companies have been leaving Russia. Is there a cause for concern?

- Healthcare and pharmaceuticals are strategically important industries, and our country is now making every effort to accelerate import substitution in these areas. So, there have been significant advancements in vaccines, with 90% of drugs in the national vaccination schedule now being Russian-made. For example, our first quadrivalent influenza vaccine, Ultrix Quadri, complies with all WHO recommendations for variant composition and quantitative content of active ingredients. It provides protection against four prevalent flu variants and is approved for children from 6 months, adults of all ages, and pregnant women. Another example is COVID-globulin, an anti-COVID-19 drug derived from the blood plasma of recovered patients. Research results indicate that COVID-globulin prevents severe complications caused by coronavirus in 70% of cases.

As for medical equipment, the share of domestic production is yet to reach 50% in the next two years and 80% by 2030. Our companies such as Shvabe, KRET, and ROSEL operate in this market and show remarkable progress.

- In the context of deglobalization, production and supply chains will be reshaped. In which countries and sectors is cooperation possible?

- Despite the strong desire of Western countries to isolate us, it is impossible due to Russia's size and long borderline. We have rich resources and extensive economic ties.

Regardless of the sanctions, we still cooperate with most regions of the world. Rostec has reliable partners in Asia, the Middle East, Africa, and Latin America.

Given the current restrictions, we offer our partners the most flexible terms, including settlements in national currencies, barter schemes, etc.

We are doing our utmost to ensure that cooperation with Russia remains profitable and convenient.

As for promising areas, these are, of course, aviation equipment, weapons, digital technologies, medical instrumentation, and pharmaceuticals.

- Your first degree is in the military sphere. How does it help in management?

- By my initial education is in military translation. In fact, including the period of my studies, I served for about 10 years. Discipline and the ability to navigate challenging situations are perhaps the most important things you learn there. These qualities are essential in both personal and professional life. Especially if you work in the military-industrial complex, which is also a kind of army, only a production one. And, of course, proficiency in foreign languages helps a lot.

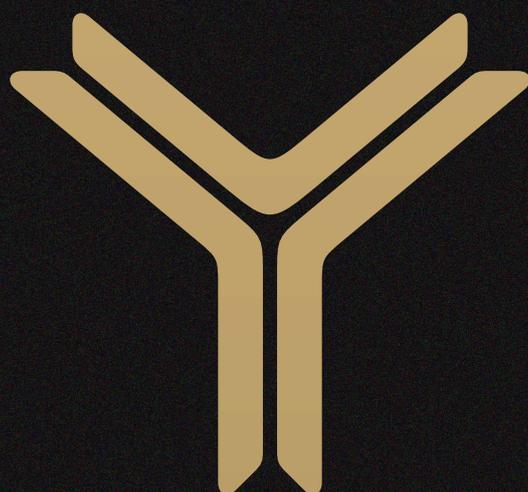
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