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Microresource Support for the Development and Growth of Small Business Entities in Krasnodar Krai

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Abstract

This article brings to light the major issues in providing microresource support to small business entities in the form of microfinancing and microlending. The paper identifies and substantiates the need to develop strategy and tactics for the financial regulation of small business entities as part of the “State Support for Small and Medium-Sized Businesses in Krasnodar Krai for 2014–2018” subprogram. The author proposes a model for the organizational-economic mechanism for microresource support for the development and growth of small business entities.

Keywords: small business entities, microresource support, financial regulation, microfinance institutions, mechanism for providing microresource support.

Introduction

In present-day conditions, one of the key focus areas in stimulating Russia’s economic growth is the issue of boosting the activity of small businesses.

Despite the fact that the development level of Russia’s small businesses is still significantly behind that of their counterparts in countries with a well-developed market economy, we have been witnessing steady growth in their development over the last few years.

Entrepreneurial initiative in the system of small business can help speed up structural transformations in the national economy, ensure healthy competition, create new jobs, and generate additional budget revenue. The activity of small and medium-sized businesses helps ensure social and political stability. These entrepreneurial entities are capable of adapting promptly to the changing needs of the market and have the capacity to mitigate the consequences of structural changes in the economy. Small businesses contribute significantly to regional development. They employ the latest technological and organizational innovations. Today, it is a relatively independent sector of the present-day market economy.

Results

Small businesses are crucial to the development of competition. Amid a high degree of monopolization of a significant number of regional and food markets, dynamic small businesses can ensure the economy the necessary flexibility, since they are the ones that can react the fastest to the emergence of new needs and new market niches.

In present-day conditions, Russia’s small business is distinguished by a complex and inconsistent nature. Small businesses with stable and sustainable growth could serve as an instrument for the advancement of regional economies.

The activity of small businesses is expected to be primarily oriented towards the satisfaction of local needs, development of the region, and resolution of social-economic issues. This is what makes small business both economically *and* socially significant.

It is worth noting that the timespan of 2014–2015 has been quite a tough period for small businesses in Russia. A series of controversial legislative changes, including those in the area of taxation of sole proprietors, have had a highly negative impact on small businesses, affecting their entrepreneurial and investment activity.

On one hand, there are certain proposals (e.g., tax holidays) that could potentially make life easier for most existing and newcomer small business entities. But, on the other hand, they have launched the process of re-empowering law enforcement agencies to open cases on tax offences independently from tax agencies.

These incompatible initiatives have taken a toll on small business, causing a decline in its investment activity, which has forced a significant portion of individual entrepreneurs to look for better luck in the shadow sector of the economy and triggered growing mistrust on the part of small business for the authorities. Sadly, small business has so far seen little to no support in the way of investment and lending.

Currently, the highest priority issue in the development of small business is its financing. To ensure their activity, small enterprises use 30% of their assets on the average, which is their starting capital. To be able to expand their production potential, they are trying to attract stable, long-term resources.

Based on data from a report by the *Expert RA* rating agency, in 2014 the portfolio of loans to small and medium-sized businesses was down 1% to 5.12 trillion rubles (Fig. 1) [4].

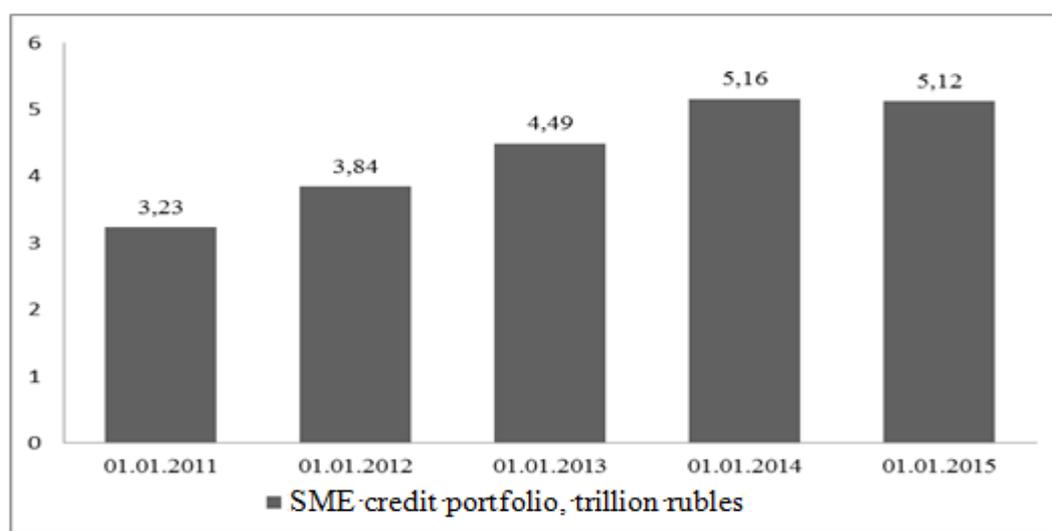


Figure 1. The dynamics of the changes in the credit portfolio for small and medium-sized businesses for 2011–2015 (Source: *RBC*)

This decline is due to, above all, an increase in the key rate of the Bank of Russia. The other reason is the reorientation of the market's top participants towards the financing of large Russian companies which virtually have lost access to Western capital markets due to financial sanctions.

The dynamics of lending to small and medium-sized business has been affected by the tightening of credit policies by banks in a climate of growing overdue debt. Additional pressure on the market's growth rate has come from a 1.5–2 percentage point increase in loan interest rates associated with an increase in the cost of funding for banks themselves amid an increase in the key rate of the Central Bank of the Russian Federation [5].

In analyzing the dynamics of indicators for 2014–2015, it is worth noting that the structure of credit portfolios for small and medium-sized business has been well affected by macroeconomic factors. By tradition, in a climate of slow economic growth and declining revenue growth rates for small and medium-sized businesses, banks tend to lend to businesses within less risky sectors, such as, above all, trade. Despite the fact that its share, compared with 2013, has gone down a bit (1 percentage point) amid a drop in unsecured lending and a decline in consumer purchasing power, it is borrowers like these that banks seem to favor the most at the moment, due to higher loan turnover rates. Among industries that have had trouble attracting bank funding are the construction and process sectors – there is a 2 percentage point decline in the share of each of the sectors in the sectoral structure of lending to small and medium-sized business.

The government regularly comes up with measures for financial support for small businesses. However, the lack of long-term credit resources in the market of lending to small and medium-sized business continues to be one of the key factors curbing economic development.

Issues related to the lack of funds for investing in the business to help it conduct its day-to-day operations, as well as those related to seeking sources of funding, appear to be of paramount relevance to small businesses in Krasnodar Krai and are increasingly gaining momentum amid the development of this sector of the regional economy.

In 2014, the number of small and medium-sized businesses increased by 10,337 entities and totaled 282.8 thousand entities as of June 10, 2015. The combined turnover of small and medium-sized businesses in 2014 rose 5.8% and reached 1 billion 600 million rubles. Currently, the SME sector accounts for 35% of the population engaged in Kuban's economy.

The hassle-free operation and rapid growth of small businesses in Krasnodar Krai cannot be achieved without having an efficient system of financial regulation and state support in place.

Most of the time, the major sources of funding are the owners' own assets, as well as revenue gained as a result of entrepreneurial activity. A small business entity appears to experience the lack of personal assets both when the business is starting out and when it is already running.

The low growth rates and minor fiscal contribution of small businesses to the region's development indicate that Russia's current system of financial support for small business is not effective enough, both as a whole and with a breakdown into its elements.

The amount of hard time small businesses are having looking for sources of funding is quite substantial, and these issues cannot be resolved without support from state and regional authorities.

A total of 366.3 million rubles was allocated in 2014 towards activities related to providing financial support to businesses in Krasnodar Krai under the "State Support for Small and Medium-Sized Businesses in Krasnodar Krai in Krasnodar Krai for 2014–2018" subprogram of the "Economic Development and an Innovation Economy" state program for Krasnodar Krai, approved on October 14, 2013 via a resolution (No. 1201) of Head of the Administration (Governor) of Krasnodar Krai [3].

As part of the subprogram, 797 small and medium-sized businesses have received state support. Out of them, 406 have received financial support in the form of subsidies across various areas, a total of 193.1 million rubles.

To facilitate the sustainable growth of small businesses, it makes sense to adopt and apply a holistic concept of financial regulation of small business in a climate of building a competitive innovation economy.

In present-day conditions, mechanisms for implementing strategy and tactics for the financial regulation of small businesses ought to be developed with emphasis on the development of a system of guarantees (sureties), mass assimilation of microfinancing and microlending, effective use of financial leasing and franchising, creation of relevant elements of infrastructure, including business incubators and science, techno-engineering, and innovation parks; promotion of inter-department coordination and control in the area of small and medium-sized business at a federal level.

Among the above strands of resource support, a key role is played by microresource support for small business entities in the form of microfinancing and microlending, which is intended to provide them with working funds, as well as "protective" funds to help them withstand the risks of non-payment on the part of clients that purchase their products and services.

The infrastructure of support for small and medium-sized businesses in Krasnodar Krai features the non-profit institutions "The Foundation for the Microfunding of Small and Medium-Sized Businesses in Krasnodar Krai" and "The Guarantee Foundation for Support for Small and Medium-Sized Businesses in Krasnodar Krai".

"The Foundation for the Microfunding of Small and Medium-Sized Businesses in Krasnodar Krai" was launched in April, 2014. As of June 10, 2015, the foundation has provided 179 microloans to small and medium-sized businesses in Krasnodar Krai to the tune of 135.3 million rubles.

The organizational-economic mechanism for providing microresource support is based on the following two types of elements:

1) basic elements, which determine favorable conditions for conducting entrepreneurial activity as a whole;

2) variable elements, which determine the principal form of individual support for the development of small businesses through the provision of microresource support.

The organizational-economic mechanism for providing microresource support comprises the following levels: (1) the macrolevel, (2) the mesolevel, and (3) the microlevel.

At the macrolevel, issues related to providing financial support to small and medium-sized businesses are handled by the Government of the Russian Federation, the Central Bank (CB) of the Russian Federation, and other government agencies. Their functions, depending on their scope of responsibility and function, include drafting, validating, and instituting laws and regulations aimed at exploring new dimensions in the development of the microfinance market. These bodies can also handle issues related to removing current restrictions that are hindering the development of non-profit microfinance institutions (MFI) and implementation of federal programs for the development of the microfinance sector.

At the mesolevel, funds are accumulated and redistributed into “grassroots” MFIs by “second-level” cooperatives. We get a redistribution of credit risks and a boost in the accessibility of microresource support through sureties ensured by “second-level” MFIs, or by a specially formed foundation for mutual sureties. At the mesolevel, one puts together a registry of the credit histories of microfinance borrowers. In the event that international donor institutions and investors express an interest in investing, information support can be provided to facilitate the assimilation of best microfinance practices and organization of training and counseling for MFI personnel.

The microlevel is associated with the development of microfinance institutes in the financial service market. The MFI system does not require much initial funding and can develop locally – in the form of separate institutes with a business legal structure provided for by Federal Law No. 151-FZ [1]. At the microlevel, MFIs interact “horizontally” in the way of information, methodology, and technical documentation exchange.

There are four common approaches to arranging the ways to enter the microresource support segment, which are based on the practice of banks entering this segment.

The first approach is based on creating an integrated establishment or an internal business unit. Semi-dependent microfinance units can give out loans directly or through special windows at each of the bank’s branches where there is a microfinance credit inspector on staff. The functions of the unit’s administrative, financial, HR, and information departments are integrated into the common structure of the principal bank.

The second approach implies the operation of an independent retail center that is affiliated with the bank and has its own policy, staff, and information system. Among institutions that could act as such subsidiary financial organizations are also joint ventures involving other investors. The bank’s administration licenses and regulates the activity of the subsidiary microfinance company, which, in turn, has to meet the requirements set for it by the bank (e.g., meeting the requirements for the size of one’s fixed capital).

Under the third approach, an operating microfinance institution functions as a retailer that acts based on simple credit relations with the bank. This particular form in this dimension has been the most widely used. A more complex form of alliance can be implemented based on an agreement between the bank and the microfinance institute. In this case, the function of the microfinance institute is activity related to approving loans and managing bank credit processes. Knowledge of the market and credit methodology applied by the microfinance institute can facilitate effective partnership.

The fourth approach is about the operation of a servicing company which is a non-financial company that provides the bank with services related to managing loans and granting loans, whilst the loan funds are in the bank’s accounts. The servicing company gets commissions for its services. This kind of partnership is one of the novel forms of interaction between banks and MFIs. The purpose of this interaction is to help overcome barriers that block the access of commercial banks to the area of microfinance.

Conclusions

The development of the microfinance sector ought to be monitored at all levels of state government. To assess the parameters of the social effectiveness of microfinance programs, there need to be set up supervisory bodies at the various levels of state and municipal government.

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The Evolution of Russia's Domestic and Foreign Policy from the Perestroika to the Ukrainian War (1985–2014): Fluctuations and Rearrangements

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Abstract

During the last decades, Russia has been prisoner of abrupt and contradictory changes, but it has also advanced within its plans and aims, which have placed it in a leading position at the international order of the XXI century. This article will perform a critical analysis of the development of the Russian domestic and foreign policy from Gorbachev to Putin.

Keywords: Foreign Policy, reforms, nationalism, pragmatism, national interest, multilateralism, geopolitics, International order.

Introduction

During the last decades several processes of restructuring and reform have been implemented in the post-soviet space without any precedents in the national political panorama. With the arrival of Mikhail Gorbachev to the Kremlin, winds of reform and radical change in the country provoked the disintegration of the Soviet Union and the emergence of Russia as an independent State. This State has suffered from radical and contradictory changes in the political, economic and social order, but it has also progressed in ambitious plans and goals, which positioned Russia once again in a prominent place inside the international order of the XXI century. Nowadays, Russia is again a consolidated power, with ambitions of regional and global leadership, but above all, Russia has ambitions to become the counterbalance on the international stage for the American power. The latest cases of the conflicts in Syria or in Ukraine are a clear examples of the importance and significance that Moscow has recovered in international politics. This article will perform a critical analysis of the development of the Russian domestic and foreign policy from Gorbachev to Putin. It's also the aim of the article to analyse and discuss the achievements and the failures of the policies and strategies developed by the past Russian governments from the eighties until 2015.

Methodology and materials

For this study the researcher has chosen a historical and analytical interpretation of Russian Foreign and Domestic Policy and its trends, during the last 30 years. Because of the complexities of current international relations the events that are taken into consideration for the analysis of this paper are carefully selected to showcase different approaches from different fields of study, making this paper an interdisciplinary study case of current Russian foreign and security issues.

This article analyses a precise historical period that includes the years of the beginning of the Perestroika to the Independent post-communist Russia epoch, which transpired from 1985 to 2015.

About the materials used for this paper there were used primary sources such as: Speeches from Gorbachev, Putin and Yeltsin, the foreign policy laws of 1999, 2008 and 2013, the laws of national security and nuclear doctrine. Other reviewed sources were: academic articles, journalistic reports and current bibliography on the topic of Russian politics.

Discussion

After his election as General Secretary of the Communist Party, Mikhail Gorbachev started an ambitious, risky and very necessary policy of restructuration of the whole soviet system. It had the objective to pull out the national economy from the deep crisis and stagnation in which it was for decades. The severe economic crisis was already evident in the beginning of the decade of the seventies; nevertheless, it didn't come to light until the second half of the eighties. The economic and social stagnation was combined with the political immobility.

The new mentality was a political philosophy that differed in many aspects to the one practiced by the soviet politicians since the era of Lenin. However, Gorbachev insisted that, the political restructuration, known as *Perestroika*, and the new mentality policy in foreign affairs, sought to rescue the initial ideals of Lenin to establish a renewed and really democratic socialism.

Three were the concepts that constituted the essence of the New Mentality in foreign policy: the new interpretation of national security, the doctrine of reasonable sufficiency and the de-ideologization of foreign policy. The concept of reasonable sufficiency meant that the Soviet Union had enough military power to repel any aggression from the West and to continue occupying a competitive position in a longer term. Efforts had to be concentrated on the modernization of the economy, technology and social development through the release of the military resources and their redirection towards these urgent needs. The Soviet Union sought to reduce the isolation that it had suffered during the Brezhnev times and it started to negotiate with the U.S. in the areas of nuclear and conventional disarmament to show their goodwill. One of the most important disarmament initiatives took place in 1988, when it was guaranteed that in the next two years the Soviet State unilaterally would reduce its military forces by 500,000 men and 10,000 tanks, reducing about half of the tanks located in Eastern Europe, as well as withdrawing most of its military forces from the Chinese border (Gorbachev, 1988:1). However, the perception of Gorbachev was wrong to believe that the West would respond positively to the reforms carried out by Russia. The greatest foreign policy achievement of Gorbachev was the end of the climate of tension and confrontation with the U.S. Nevertheless, his biggest failure was not getting that confidence turned into the financial and economic assistance desired and requested by the Kremlin.

The strategic political, economic and military retreat of the Soviet Union from the Third World would be accompanied by the diversification of the links with countries that offered a real commercial and economic interest. This is to say that the ideological approach was no longer decisive in establishing external links. The Soviet Union began to choose their partners according to purely economic criteria, to the detriment of the old political and ideological loyalties to socialist regimes.

From the year 1996, with the arrival of Yevgeny Primakov as Head of the Russian Foreign Ministry, Moscow's influence started to regain ground, mainly on the Eurasian and Middle East spaces. With the arrival of V. Putin to the Presidency in 2000 the trend to recover all the traditional influence in the Soviet space was reinforced, all of which will be discussed later.

The Soviet Union had ceased to be a superpower in December 1991, but the consequences would go even further: a complete disintegration of the Soviet state and its transformation into fifteen weak states, that even today have failed to be fully inserted, neither in the European nor in the Asian areas and much less in the post-Soviet space. The perestroika failed to resolve the serious problems of the economy, the State, and society in the USSR, even making many of them even worse. A great power disappeared because it was annihilated by their own leaders.

The disappearance of the Soviet Union as a geopolitical reality was an historical event without precedent. It ended abruptly and unexpectedly with more than seven decades of the existence of a State without which the twentieth century history could not have been written. Gorbachev triggered and accelerated a process that was inevitable. Soviet socialism was finally

buried and forgotten. Up to now (2014), there is no possibility in Russia of the return of the communist or socialist regime. Putin is nationalist, not communist.

With the disintegration of the Soviet Union, the Russian Federation had to assume the responsibilities of becoming a country of its citizens and heir of the USSR. However, the new state did not know how to define itself within its borders, which had not been drawn in accordance with any previous time of its history. It should be recognized as a State but did not have the attributes of a State, and neither had a formulated system of national interests, which could develop a clear conception of foreign policy, nor had recognized its particular historical mission. The confusion between what was imperial, then Soviet, and what is right now Russian, was present in the independent Russia. All this influenced the hesitation and confusion of Russian diplomacy in the pursuit of its national interest. However, it was not until 2000 that these issues became top priority with the enactment of new legislation in the area of foreign policy, national security and defense.

In December 1991, President Yeltsin adopted three important decisions that reinforced the process of disintegration of the Soviet Superpower and at the same time were the beginning of the long list of erratic decisions adopted during his eight years at the Kremlin: the adoption of the declaration which led to the Commonwealth of Independent States (CIS)*, the prohibition of the Communist Party of the Soviet Union and its activities in the territory of the Federation, and the forfeiture of their properties by the Russian state, the abolition of control price system and the introduction in an accelerated-pace of the shock-therapy policy. These three positions are the beginning of the failure of democratic transition that began to take shape in the Russian state.

With the disintegration of the Soviet Union, the economic and trade links that existed between the fifteen republics were also broken, volume of industrial production as well as the investments drops abruptly, and inflation rise sharply. All this chaos promoted the emergence of an economic elite that mingles with the elements of the so-called Russian mafia and illegal economy that reached its peak in 1993 and which largely supported the Russian President. The decision to establish a radical reform of shock therapy in the economy ended in failure just a year later. In May 1992, the most radical measures of this policy were suspended with the reintroduction of subsidies and soft loans for heavy industry. In December of that year, the technocrat and author of the reforms Yegor Gaidar was forced to resign and was replaced in office by the Communist Viktor Chernomyrdin. However, the recipes of the IMF officials continued to be strictly implemented during subsequent years and their results were not positive†. According to official figures, between 1991 and 1999, the Russian economy registered an average decline of 5.4 percent. Never before in the USSR had occurred an economic crisis of such dimensions.

B. Yeltsin begins his term as the first democratically elected President of the Russian Federation with a liberal-reformist regime of democratic intentions, which gradually evolves into a super-presidential system, dictatorship-tinged and finally ends up as an unstable regime and committed with the most diverse forces which Russian society itself defined as a *mafia state or criminal-oligarchic capitalism* (Remnick, 1997: 32). Yeltsin never became a convinced democrat. In the course of his struggle against Gorbachev, he used this rhetoric, but once in power he forgot his promises. Having come to power under democratic slogans, Yeltsin is gradually getting rid of Democrats, both in the economic and political scenario.

* By the end of 2000, in Russia about 30 percent of the population had incomes below the poverty line, life expectancy was 10 years less than that of the industrialized European countries, external debt had grown to the number of 150 billion and it had lost the social gains related to free services and public health and education. It is recommended to review the author's book, *Razón y Poder: Rusia, una potencia en el siglo XXI*, Mexico, Miguel Angel Porrua and Tecnológico de Monterrey, Mexico City, 2005.

† The Commonwealth of Independent States initially included Russia, Ukraine and Belarus, but later grouped all former Soviet republics except the three Baltic republics and Georgia. The creation of the CIS was a forced formal process. In the beginning, Russia downplays this organization, because the priority of his foreign policy were the links with the West.

The main political aim of the first Russian president was the establishment of a democratic liberal regime, but it was gradually transformed into a system that received varied definitions, but none that matched Western-style democracy, but rather with a kind of controlled, regulated and limited democracy. After all, it was a failed democracy. After arriving to power through democratic elections, Yeltsin was forced to preserve power through alliances and maneuvers with different political groups, clans and economic elites in order to maintain a favorable balance to his personal power in the political scene. His main result was the overthrow of the former Soviet system, but his main mistake was the failure to build a stable and solid political and economic system in the independent Russia.

The Constitution established in 1993 was the result of the imposition of particular interests by a political-elite group clustered around the figure of the president Yeltsin. The ruling elite used their position and prerogatives to achieve their own interests. The Russian Federation could have advanced much faster in its democratic reforms if the ruling elite would not have transformed the Russian political system into a super-presidential model. This system granted to the leading figure of the president – who had no democratic ideas or beliefs, the full responsibility for the fate of Russia and its reforms. The Constitution gave too much power to the presidential figure in detriment of the Duma, which led to the beginning of a super-presidential system in Russia. The Constitution provided the legal framework for hoarding state-power by the family, a term that was used by the Russian press itself to refer to Yeltsin clan and their allied oligarchs. The New Constitution reduced the role and prerogatives of the State Duma when it was transformed into a relegated parliament and subjected to blackmail of dissolution by the President. On the other hand, the government, appointed by the President, owed its permanence in power to its docility and obedience, and as soon as it acquired a certain authority that threatened the absolute power of the Kremlin, it was fired. Such was the case of Primakov, Chernomyrdin and Stepashin, who were all Prime Ministers and were replaced by the unilateral decision of the President. The State Duma - the main legislative body at national level, was provided with powers to draft laws, approve or disapprove the nominations by the president to the post of prime minister, and to ratify or reject the proposed state budget. However, in practice, the presidential veto and the power of presidential decrees turned the executive power into the fundamental source of new laws and regulations that were finally adopted. If the Russian parliament rejected on three occasions the candidate presented by the president to the prime minister's position, the latter has the right to dissolve the top legislature and call new elections, as well as in the case the parliament presents two distrust votes to force the resignation of the government within three months. Therefore, clear limits to the independence of the Russian parliament were constitutionally established.

President Yeltsin sought to create a centralized executive authority, autonomous and powerful, based on the belief that a strengthened presidential system could accelerate radical economic reforms more easily than a parliamentary system. The Kremlin demonstrated little attachment to the principle of the separation of powers, prioritizing market economic reforms' targets. The super-presidential system - designed to fit the figure, character and ambitions of President Yeltsin - was created with the aim of carrying out the liberal political and economic reforms in the country, neutralize opposition forces and achieve his permanency in front of the Kremlin for a longer time.

Some of the characteristics of the current Russian political system have its roots in Soviet times and even in Tsarist Russia: the personalization of power, struggles and rivalries between different groups of the elite to the succession of power, the greed of the clans rulers, nepotism and the enormous thirst for power demonstrated by the political leaders are just some of them. In this irrational system of government all the power is concentrated in one person. This person is a leader, who has received different names according to the historical context: Czar, general secretary of the CPSU and, more recently, president of the Russian state. This individual becomes the symbol of the nation, its omnipotent arbitrator, who has no need to respond to any person or institution and he is its principal guarantee of stability, which is welcomed by the majority of society.

Surveys carried out in March 1996, on the eve of the presidential elections, pointed Yeltsin second in the preferences (24 percent), overtaken by the Communist candidate G. Zyuganov (32 percent). Yeltsin's victory, after a second round, (Simes, 1999:176)* did not reflect the support of the Russian electorate to his figure and previous management, but rather the refusal to let the communists return into the Kremlin. In his election campaign, Yeltsin used a political discourse with an open anticommunist-message that achieved its purpose of causing mass hysteria at the prospect that lack of freedoms were restored in the country.

The President Yeltsin managed to stay in power for two terms. He used in his favor the lack of organized opposition in the country, the weak structure of political parties and the fact that not even the Communist Party was a representative force in society. The Communist Party only gathered 10 percent of the country's population, its members were mostly elderly and its strength did not threaten the power of the Kremlin. This was also used by the president in addition to the fragmentation of the political class, their inability to resist the pressures of ruling elite in the Kremlin and the general passivity of post-Soviet society. After 70 years of being led by the CPSU, Russian society remained skeptical of the role of post-soviet political parties in society. It was clear that a return to the past was rejected, but there was also a lack of trust for the structures and governmental organizations that emphasized in democracy as the only alternative to Russia.

B. Yeltsin was not a victim of circumstances as it happened to Gorbachev with his policy of perestroika, but rather was a leader who wasted the opportunities that were offered during those years: the extended period of time that he managed to stay in power, the strong Western support for his government and its policies and the consensus of Russian society to allow to carry forward his policies without major difficulties. Yeltsin had a clear perspective of what would be his goals in front of the Russian state: the rapid and full dismantling of the Soviet regime in all its orders.

At his resignation as president, Yeltsin delivered a country even poorer than that the one he received. Russia became a weak military state with bigger conflicts in ethnic issues, virtually isolated in the field of international relations, and with economic, social and political characteristics typical of a developing country: corruption at all levels, the existence of a powerful mafia structure that influenced not only in the economic, but also in the political issues, the sharp decline in all the socio-economic indicators[†]; the collapse of the former social security system without creating a new one, the lack of credibility of the political institutions to the citizens, the absence of an effective judicial system and the discrediting of some democratic institutions. In 1998, according to the Center for the Study of Living Standards in Russia, 79 million people (53 percent of the population) lived below the poverty level. In contrast, only 2 percent of the population monopolized 57 percent of national wealth. External debt had reached a record level of 180,000 million dollars, domestic debt stood at 161,000 million. The illicit capital flight was at least of 180,000 million. The 1998 harvest was the worst since 1945, which meant that massive imports of agricultural products represent 75 percent of domestic consumption. Male life expectancy - 58 years - dropped to the levels of the North African countries. (Medvedev, 2000:5)

Presidential elections that were held in March 2000 constituted only a formal step to ratify the Acting President Vladimir Putin. This electoral process was interpreted more as a plebiscite for the support of Yeltsin's successor, than an actually real, democratic and plural electoral process. However, very soon came radical changes to Russian politics and economics.

* Participation in the second round -held on July 3, 1996- was of 68.89 percent of the voters, Yeltsin won the 53.82 and Zyuganov the 40.31. Yeltsin had to appeal to an alliance with Alexander Lebed, who had been third in the first round, in which the Russian president had won 35.2 percent of the vote and Zyuganov 31.95 percent.

† Russia recorded negative growth rates from 1992 to 1998, while the majority of the citizens surveyed indicated that they were worse in 1997 in comparison to their status in 1991. Recall that in 1998, they would be even worse, after the severe financial crisis that engulfed the country in the summer of that year. The difference between the 10 percent of the richest Russians and the 10 percent of the poorest was 20 to 1, while in Western countries it is considered to reach no more than 10 to 1 or even 6 to 1, in the case Scandinavian states, which exposed the Russian regime to a risk of social explosion.

In August of 1999 Vladimir Putin was a relatively unknown figure until he was appointed Prime Minister by B. Yeltsin, and in just six months he became President of Russia. For some, the new president would keep the yeltsinist line of the previous decade. For others, he would become a Stalinist president, considering his background as head of the Soviet KGB in East Germany.

After nearly a decade of searching for a new national identity, a leader who sustained a new ideology that interlace patriotism with statist reached the pinnacle of power in Russia, without actually having tight links with the communist, neo-communists or nationalist forces*. Vladimir Putin called for unity and social consolidation around these concepts, which even though they were not new to the Russian scenario, they acquired vital importance at the time for the country. Russia began to perceive a change in the state ideology when they rejected the open anticommunism of the previous regime and adopted pragmatic positions, while of historical continuity. Russian society still retained their cultural values inherited from its soviet past. Two examples of this are the lack of support of the majority of Russian citizens to privatization measures and critical attitude to the detriment of social and economic differentiation in society. In the minds of the majority of Russian citizens there was the conviction that the State has the obligation to assure medical care and free education, gainful employment, and also favor some level of control over prices. In most Russians the idea that a certain level of state control is a potential key to economic takeoff was maintained. Thus, Putin was able to connect with the feeling of many of the Russian society and, unlike its predecessor; he takes into account the consensus among citizens.

The new nationalist ideology that sought to consolidate was well received by most of society; a new consensus around the so-called *Russian idea* was established. It was based on four traditional pillars of national culture: patriotism, faith in the greatness of Russia, statist and social solidarity. After a decade of failure, disappointment and despair, Russian society needed new ideas in which the regulatory role of the state, national pride and confidence in the strength of its institutions played an important role.

The Russian president's insistence on establishing a strong State did not imply a return to an authoritarian undemocratic Soviet-style State, but rather reflected a desire to establish a functioning, effective and helpful to eradicate the diverse difficulties inherited from the Yeltsin's regime†. From the start, the Russian president demonstrated his willingness to use state power and even to ignore the democratic rights of society in the pursuit of goals, such as the strengthening of state power and the fulfillment of economic reforms. His government persecuted and imprisoned journalists, censored and canceled programs and national television channels for broadcasting critical comments of his regime, he also weakened democratic institutions. However, he did not reach the level of committing other violent actions as did his predecessor Yeltsin, such as suspending the Constitution, postponing or bringing forward the elections and implementing a state of emergency in the country. The radical struggle waged against the oligarchs sometimes led to violations of their individual rights, but were supported by much of the Russian population and all this resulted in increased societal support for their president.

Despite the difficulties and questionable undemocratic means used to achieve it, Putin succeeded in establishing a more stable, united and cohesive society in comparison to the previous decade. In the economic order several goals were achieved until 2008. These included the increase of pensions and salaries; tax cuts; debt reduction; strengthening of the ruble, all of which led to economic growth. As well, the Russian economy was boosted by the steady rise in oil prices and other commodities until 2008 and then from 2011 until 2013. After Putin's re-election in the presidential election of 2004, Russia moved from a liberal system to a regime of managed

* Vladimir Putin explicitly rejected the Soviet model of development that he blamed for the critical state of the economy. He insisted in the need for a hybrid model that combines the universal principles of the market economy and democracy with the realities and needs of the country.

† The Western press was critical of the government of V. Putin in relation to the undemocratic nature of its mandate, particularly in relation to cases of human rights violations in the region of Chechnya, in the censorship of the media and the murder of journalists and opposition figures.

pluralism, where the state began to play a stronger role in the economic life, but especially in the political order of the country. Lines of the capitalist economic reforms were maintained from the previous mandate, but the government controlled the level and pace of the reforms.

The diplomacy of V. Putin's government combined patriotic and nationalist rhetoric with the rational and calculating pragmatism, without glimpsing important contradictions in it. The first was addressed to the citizens and the domestic order, while the second sought to send a conciliatory message to foreign powers and was reflected in the external management of the Russian state. This particular combination matched well with the government's goals: achieving reconciliation in Russian society with its complex historical past, with itself and with the outside world. However, from 2005 there was a more direct and sometimes aggressive speech from the Kremlin to its Western partners and, in first position, to the U.S. government. The military-industrial sector is a pressure-factor for the Russian government and has a greater weight in the decision making-process. Until the end of 2013, the status of the relations with Washington has reached a high level of friction and roughness, even though it never left the atmosphere of dialogue and bilateral negotiations. Since February of 2014, the relations with the U.S. reached its lowest point since the creation of independent Russia, due to the Ukrainian conflict.

Since the year 2005, the Russian government felt more strength and confidence to act more independently in the international arena because of the boom that occurred in its economy (until 2008, they experienced a sustained annual growth between 5 to 7 %, although the crisis of 2009 affected its economy dramatically, and in 2010 a gradual recovery began with an average growth of 3-4 %). The significant increase in foreign investment and unrestricted support enjoyed domestically, were also important facts to strengthen this confidence, despite the authoritarian measures and the greater centralization of power. Russian society remained inclined to accept authoritarian measures from V. Putin in exchange to achieving a visible improvement in their economic and social expectations. The Russian government conducted several social programs for the benefit of the population in order to improve the areas of housing, health, education and agriculture. The establishment of a stabilization fund was approved, this fund aimed to protect part of the profits proceeded from exportation of oil and natural gas, part of which would be destined to national socio-economic projects and the other part would remain as a savings fund for times of crisis. During the economic crisis of 2009, Russia was one of the most affected countries in Europe and got out of it, among other things, due to the use of these financial resources accumulated by the state.

The parliamentary elections in December 2007 had the largest participation in Russia's history and the largest political party support, which in this case was the United Russia party that backed V. Putin. This election was considered a referendum approval for Putin activity during the eight years that had remained as president and, in such way; his figure came out even stronger. His candidate, Dmitry Medvedev, was the winner in the March 2008 elections.

With the arrival of Medvedev's presidency, a very close figure to the previous presidential surroundings, it became clear that he will maintain things without major changes in the political and economic lines. So as V. Putin became Prime Minister, he remained close to high government circles, never without having influence on decision-making processes in the Russian high politics and, from the beginning of his term as Prime Minister, his intentions to return to the presidency in the 2012 elections, loomed up. From this year on, he would have a chance to stay other two terms at the Kremlin, until 2024.

In his first speech after being announced as a presidential candidate*, Medvedev noted that "the most important thing for us is stability, to improve quality of life and hope for a long and peaceful development. ... we still have much to do: to lower the poverty level, to create a modern

* D. Medvedev was approved as presidential candidate for the 2008 elections in the Congress of the party "United Russia" held in December 2007 and obtained the approval of 478 delegates and only one vote against.

education and public health, to solve the complicated problem of housing, to reach a higher quality of life in the villages."* Among the problems facing Russia in those years was the need to increase the real income of the population, to secure the financial means to maintain the elderly, to continue working on the renewal of industry and agriculture and to finally solve the problem of population decline in the country. Thus, the economic and social challenges remained among the priorities of the administration of President Medvedev. High energy prices allow the Kremlin to continue fulfilling the promises of increased wages, pensions and other social benefits. However, Medvedev was aware of the instability and fluctuations in world energy prices and the vulnerability of the Russian economy to depend on these fluctuating junctures. So, the president prioritized political contacts and trade especially with countries and partners that offer the opportunity to invest in Russia in high-tech industries. The main objective of foreign policy lies in the country's integration into the world economy by attracting bigger investments and the increase of competitive power of the Russians products on the world market.

The need to attract foreign direct investment remains one of the premises of the Kremlin's foreign policy under President Medvedev, as a way to achieve the modernization of the economy. The Russian president published an article in September 2009 ("Forward Russia"), which indicated a new agenda to carry out economic reform. The president believed that "the country could not continue to rely only on natural resource extraction to support the renewal of the economy" and called for the implementation of a strategy of renewal that use innovation and technological knowledge to increase the efficiency and productivity of the economy. The construction of the Skolkovo Innovation and Technology Center, which cost the Russian government \$ 3.5 trillion USD, was considered the Russian response to his American similar, the Silicon Valley. This technology park aims to attract foreign high-tech companies through tax incentives, among other issues. Medvedev announced the simplification of the visa regime for highly skilled investors working in Russia, the reduction of state influence in companies, the elimination of taxes on profits of long-term foreign direct investment and the reduction of strategic enterprises from 208 to 41. The latter would allow foreign major participation in Russian companies[†]. During his speech at the Annual Economic Forum in St. Petersburg (2010), Medvedev assured that "Russia is in the process to change and that the state's role should not be to pick apples from the tree of the economy, but to help grow the apple trees, creating a competitive and honest investment climate, creating good conditions for investors is our priority task" (Avril, 2010:23). The government expects to earn 58.5 billion dollars between 2012 and 2015 as a result of the possible privatization of federal property, including shares in about 900 companies, some of which are well known as Rosneft, Aeroflot, Sberbank. (Rose, 2010: 4) The change in the emphasis of Russian policy from the military aspects to the economic ones, rather than a matter of tactics, implies a profound redefinition of the concept of national power. Along with the traditional power parameters such as military power, territorial expansion and economic potential, the Russian elite gave increasing importance to the integration of Russia into the world economy, the entry of foreign direct investment over the country and the modernization and technological high-capacity as important indicators of the status of great power. (Perovic, 2005: 65)

During Medvedev and Putin's shared term (2008-2012), some significant results were achieved in the social and economic order, despite being the most difficult years for Europe because of the global economic crisis that appeared in 2008 and still remains at the time current (2014). The gradual increase of pensions and salaries; the lack of increase in the tax on population, the reduction of external debt; the decreased outflow of capital from 245 billion in 2004 to 60 billion in 2010; (Diakonova, 2010: 3) the comparative increase in foreign investment and the gradual decline of inflation and unemployment, led to an economic growth and social development. In 2010, economic recovery began again with an average economic growth of 3-4%,

* "Dmitry Medvedev asks Vladimir Putin to head the government after presidential elections" (in Russian), on the official website of the party "United Russia", December 11, 2007, available online: <http://www.edinros.ru/news.html?id=126158>, accessed December 4, 2010.

[†] As the result of this strategy, Russian government intended to duplicate the direct foreign investments to Russia by the year of 2015.

figures that remain until 2013. By the end of 2014, an increase of barely 1% is forecasted, which is linked to the war in Ukraine and the effects of the West imposed sanctions against Russia. Among the issues that have not success in completely improving are included the eradication of poverty (there are still about 20 million poor people, compared to more than 65 million that existed ten years earlier), the economic dependence on the export of raw materials and the lack of proper guarantees and conditions for the development of SMEs, which are affected in favor of large state corporations*.

During the last decade, the government managed to establish the Russian economic model that avoided the excesses of shock therapy radical reforms of the 90s and consolidated the market relations in the economy in a more controlled way, with a strong social orientation. The economic model seeks to ensure social justice and represents the interests of the broad sectors of the population and not just a small group of big businessmen, industrial and financial magnates, as happened with President Yeltsin. However, representatives of the large and growing middle class (especially in large cities like Moscow) begin to question and express some dissatisfaction with the form of government of the Putin-Medvedev regime, which was evident in the election of 2012.

Despite the discontent, V. Putin remained a strong Prime Minister until 2012. A system of government with two major centers of decision-making that were definitely mutually supportive and reinforcing, remained in Russia during those four years. A regime that was consolidated had a pretty solid shared power between the President and the Prime Minister, but the real power rested in the office of Vladimir Putin. The Prime Minister also held considerable influence over the decisions that the President adopted on national security and defense, especially in foreign policy. For example, in the case of the war in Ossetia and Abkhazia (2008) or the restoration of friendly relations with Ukraine after Yushchenko's defeat in the elections of January 2010, Prime Minister Putin held clear leadership positions, being somewhat relegated the figure of Medvedev. Relations with Ukraine showed a clear improvement, in addition, the level and frequency of the exchange of visits between Moscow and Kiev increased considerably since 2010 until September of 2013, with positive results for both parties.

President Medvedev did not change the course or the essence of Russian foreign policy for the last decade; instead, he varied his communication style to try to talk in a more diplomatic and less confrontational way with the West, and in first place with the U.S. government. Since 2009, they attempt to position the relationship with the U.S. on a more negotiator level. Medvedev demonstrated a more moderate, rational and even predictable leadership style, but without leaving aside the well-known realistic postures of Putin's foreign policy, and to defend the traditional position of Russia in the international order. For example, the issues of the Middle East, in first place the development of the Arab-Israeli conflict and the cases of the governments of Syria and Iran, are issues where Moscow's position remains opposed to that of their Western partners. Perhaps the greatest success of the figure of the former president and current Prime Minister Medvedev was to secure for the first time in the history of Russia the creation of two centers of power in the country and that both of them will not be in a conflict position. On the contrary, they worked in a convenient way for the state. The pseudo liberal trend of the Russian President did not enter into conflict with the more conservative and nationalist position of Vladimir Putin. In fact, there are more coincidences than divergences between this two trends in Russia. Medvedev was in favor of a greater state control of the economy and, especially in the field of energy, as well as a greater economic, political and military control of the Russian state in the territory of its near abroad. These facts facilitated that, after the return of Putin to the presidency of Russia in mid-2012, he appointed Medvedev as prime minister of his government, position that he still holds in 2014.

The results of the parliamentary elections (December 2011) and presidential elections (March 2012) again favored the political figure of Vladimir Putin, although with a minor margin of advantage, compared to previous periods. Putin lost the support of the majority of the citizens in

* In the year 2010, the SMEs were contributing with only 15% of the GDP and employed 25% of the EAP.

both parliamentary and presidential elections (compared to the previous election period), but he still has majority in both the parliament and in his personal leadership as presidential figure. On this occasion, were again represented the four political parties that had been the winners in the parliamentary elections of the previous period (2007-2011). In December 2011, the United Russia Party (known as *the party of Putin*) was the only party which decreased the number of favorable votes (49.32% in 2011 and 64.26% in 2007) and, therefore, decreased their representation in the Duma from 315 seats won in 2007 to 238 in the present, so it loses the comfortable majority that it previously owned. However, since 2012 the nationalist-pragmatic Putin's line remains in both domestic policy and foreign policy agenda in the Russian state.

The economic reform in Russia will continue forward. Diversification and modernization of the national economy will continue to be a key issue. The modernization of infrastructure, advanced technology, and social services - mainly in the health sector and the pension system - will be other priorities. Since 2008, V. Putin introduced a new "Development Program for Russia until 2020"^{*}, in which two key issues are prioritized: equality of opportunities and social justice. Russia intends to become the world's fifth largest economy by 2020. In the first half of 2014, it remained still as the eighth global economy.

With the results of this election and the final return of Putin to the presidency, the Russian electorate showed that values more the *stability* of a semi-authoritarian regime than the so-called liberal democracy, which has been promised since the early nineties. The rejection of this political model still stayed awake among part of the Russian electorate. Putin has secured another seven years in power; nevertheless, for the year 2018 the fight could be more intense than that experienced during the previous four elections. Everything will depend on the management and development of the country, when meeting the challenges and tasks that the regime itself has announced and made well before the appearance or not of new opposition leaders that achieve support especially among young people and the middle class. Putin holds a support of the 78% of the Russian citizens and more than 90% support bringing Ukraine's Crimea back into Russia's territory. (Bozhyeva, 2014: 4). After the Ukrainian conflict, this support had tended to rise. Even his detractors and prominent figures of the opposition support the nationalistic positions and the strategic offensive of the Russian politics towards Ukraine, which reached its peak with the adherence of the Crimean territory, last March.

Since October 2013, Ukraine became the top priority of Russia's foreign policy, not only in the *near abroad*[†] framework as usual from the past decade, but also within the global foreign policy of the Russian state. The government deployed a foreign strategy in relation to the conflict in Ukraine where it was noted that nationalism and pragmatism still constituted the basics on the Kremlin's foreign management. Moscow's performance and reaction to the facts occurred in Ukraine did not bring about surprises, or improvisation, because of the Russian foreign policy laws adopted in 1999, 2008, and finally on February of 2013, as well as in the national defence and nuclear doctrines[‡] were contemplated hypothetical situations of instability and conflict, similar to those observed on Ukraine that were considered as a threat to Russia's national security. Starting the year 1996, with the arrival of Y. Primakov to the chancellery, Russia began to display a foreign policy trend, which in practice was identified with a realist, nationalist and pragmatic configuration. Among the main objectives of the current doctrine of Russian foreign policy are

* "If we make the President's strategy, we will enter the quintet of world powers" (in Russian), on the official website of the party "United Russia", February 12, 2008, available online: <http://www.edinros.ru/news.html?id=127650>

† The term "near abroad" was released during the nineties in order to identify the former soviet countries until 1991.

‡ The author analyses in several of his previous publications this important laws that have served as a conceptual, ideological, and practical framework towards subsequent Russian government positions. It is recommended to check some of his books: "Reason and Power: Russia, a XXI century power", Miguel Ángel Porrúa, 2005 and "The Return of the Eternal Russia to international order. Confrontation or negotiation with the West?", 2010, in which the analysis there of deepens.

precisely maintaining a protection strategy of the national interests that does not encourage confrontation with other States, as well as the protection of Human Rights, and that of the legitimate interests of Russian citizens, including residents outside the country*. Yet in the current moment, there could be found more than 12 million ethnic Russian citizens in Ukraine, which from the cultural, ethnic and linguistic point of view remain closely related with their neighbour country. This country never got to invade Ukraine, in fact it withdraw 50 thousand troop effective that were displayed along the commons borders, in order to facilitate the election process held in May of 2014, just as the fulfilment of the agreements recently signed in Genève. There was no glimpse of deploying a war or military scenario by Russia regarding Ukraine. Nevertheless, the conflict remains latent and Russia has been left isolated from its western partners.

Putin's Russia observed the development of the Ukrainian conflict, from a purely geopolitical and ideological perspective, and from this analysis spectrum, the geopolitical remoteness of this country from the Russian influence, and its approach to NATO, to the EU, and especially the narrowing of economic, political and military relations with the U.S.A, is considered as a direct threat to its national security, especially in regions close to its immediate borders, where Russian-speaking people live. This seems logical, if we analyse every single law and disposition of national security approved by the Russian government during the last decade. What position would the White House take, and the president Obama himself, if Mexico suddenly became a hostile state towards our northern neighbour and renounce to agreement previously agreed, such as NAFTA? Why can the U.S.A bombard Iraq once again in 2014 in order to defend its American citizens located there and not recognize Russia's interests within Ukraine?

By now the geostrategic objectives of the West towards Russia are self-evident, they aim at the definitive territorial and military isolation of Russia by any means necessary. In this sense, Ukraine has been a propitious stage for a clash between Western and Russian interests. The United States and the European Union allowed a coup d'état on the elected government of Victor Yanukovich by a far-right faction of the political opposition who have made no attempt to hide their anti-Russian sentiment. On the contrary, declarations by the new government targeting the Russian-Ukrainian population had gone so far as to declare the removal of Russian as one of the official languages of the country, in a clear violation of the rights of millions of Ukrainian citizens. The Obama administration has been trying to raise domestic support for its policies concerning Russia, these strategies of public diplomacy seem to be at the core of declarations made by the Republican Party which has put emphasis on the lack of leadership and apparent weakness of president Obama's strategies vis-à-vis Putin during the Syrian crisis in 2014.

Meanwhile, the Kremlin has adopted alternative strategies in an attempt to diminish the impact of the sanctions imposed by the West after the situation in Crimea. Vladimir Putin has been looking for other potential strategic partners in regions outside Europe, such as Latin America and the Caribbean, The Middle East, Central Asia, Asia Pacific and Indochina. The Russians are signing agreements with the Chinese at a faster pace than before the sanctions, this are focused on different spheres of cooperation with energy featuring high on the list of negotiations. Brazil and Argentina have also seen an increase in Russian commerce since 2014 and hope to strengthen trade relations in the absence of Western competition. Russia has also shown interest in its closest geopolitical scenarios and strategic partners, with Eurasia and The BRICS group being the main objectives. Russia has reordered its commerce in terms of currency, focusing on the use of the Chinese Yuan and the Russian Rubble, the latter is still used as a commercial currency in post-soviet countries. In June of 2014, the American newspaper *The Financial Times* pointed out that Russian companies were willing to restructure their international contracts in order to finance operations in Yuans or other Asian currencies and to adopt the Hong Kong or the Singapore dollars (Druzhininj, June 2014). Russian company Gazprom signed its largest contract in history when it agreed to supply the Chinese National Petroleum Corporation with 38 thousand millions of cubic gas meters a year for the next three decades; the contract was valued in 400 thousand million US dollars. More than 40 agreements were reached between Chinese and Russian industries in the sectors of transport, energy, automobile and aeronautics. China is now Russia's main commercial partner in

* *Foreign Policy Concept of the Russian Federation* (non-official translation from russian) informative newsletter from the Ministry of Foreign Affairs of the Russian Federation, Department of Press and Information, Moscow, February 18, 2013, p.6.

the world, with the trade of goods between the two countries reaching 90 thousand millions US dollars a year and a sharp increase in the percentage of Rubble and Yuan payments between the Russian and the Chinese governments, due to begin in 2015 (Druzhinin, May 2014).

Support for the new government of Kiev by the West has provoked a rise in interest for Russian national sentiments and the increased influence of Russian nationalist groups, which is happening inside Ukraine as well as in Russia. Professor Andrei Tsygankov of The University of San Francisco supports the position that “the attempts to explain the intervention of Putin in Crimea on the basis of Russian economic weakness and fear of liberal democracy in Eastern Europe have very little credibility and ignore the genuine basis of Russian nationalism and how it has increased and played a significant role in the latest events concerning Crimea and Ukraine” (Tsygankov, 2014). There are strong influences in Putin closest circle that are pushing for more nationalism in Russian foreign and military policy. Therefore the priorities for the radical factions at the inside of the Kremlin are concentrated on defending the national interest of Russia, calling for the rejection of NATO expansion into its neighbouring countries.

Conclusions

The escalation of the Ukrainian conflict has erased the already fragile lines of understanding between Russia and the West that had been built in the aftermath of the Cold War. This understanding, despite its brittleness, achieved its objectives by actively avoiding a resurgence of past Western-Soviet animosities, laying the foundations for collaboration and coordination between Russia and Europe. The primary focus of this bilateral agreement was to gain a mutual consensus over the common concerns of nuclear disarmament and the fight against international terrorism.

However, with the current crisis in Ukraine post-cold war relations are becoming increasingly stressed. With the increased geopolitical competition for control over the eastern regions of Europe the bilateral diplomatic and commercial relations are rapidly deteriorating, causing Europe to become again hostage of American policy towards Russia.

Since its arrival to an independent life twenty two years ago, Russia has failed to establish a consolidated structure of political parties with a democratic profile. It also lacks of an organized civil society, and democratic procedures, as well as democratic figures with leadership. Solely Putin’s figure has remained as a leader within the economic, political and military life of the Russian society during 15 years, only with obvious democratic deficits. The majority of Russian citizens have opted for the order and the law enforcement of Putin’s regime to the detriment of the consolidation of a democratic order in the country. The flourishing of anarchy and the political corruption of the Regime of Yeltsin, awoke them distrust and wary of what they were told democracy was. In the nineties, there were two political forces in Russia well delineated and established: the communist forces which were fighting to remain on the political spectrum and the anti-Communist forces led by President Yeltsin, but as we said, from the beginning democratic forces were excluded from power by the president. By 2000, little was changed in the correlation of forces, maintaining the absence of new democratic organizations that may enjoyed new popular support and the old elites remained as the most favored by the Russian electorate. The democratic experience of the previous decade was unsuccessful. Prior to the parliamentary elections in December 1999, the *Unity* Party was created and from that moment on it became a ruling force that supported the candidate V. Putin and managed to increase its popularity overwhelmingly in just a few months. In 2014, this party is still maintained as the leader in the Russian political scene under the name of United Russia.

Russia's political system is a complex and contradictory synthesis that contains semi-democratic, and at the same time semi-authoritarian and oligarchic elements. This has been the dominant trend in the last two decades. Will Russia be able to build a full and stable democratic state, or will it continue the historic tradition of the past eight centuries under which happened long periods of absolutism, sporadically interrupted by short periods of reforms? The more dangerous variant would be the arrival of a more radical or extremist representative of the national political spectrum to the Kremlin. The West must stop pushing the current Russian government and accept that although current Kremlin leaders do not respond to their interests and dictates, they enjoy support from their citizens and the Russian military-political elite, while at the same

time, they have reestablished the political stability, the economic and social progress order and discipline in the country. Russia returned to the international arena as a major power and protagonist, not only regionally, but also internationally and takes very seriously its role as a counterbalance to U.S. power. The recent cases of the conflicts in Syria or Ukraine has revealed this.

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The Analysis of Several European Group Corporate Governance Standards After Financial Crisis

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Abstract

In past few years, corporate scandals and bankruptcy in US and Europe and other parts of the world show some certain evidence on weak corporate governance, weak internal control system and weak audit. Though there are a few researches which have been done in the field of international corporate governance standards, we believe that this field with more rooms to explore. Therefore, this paper chooses a different analytical approach and among its aims is to give some systematic opinions.

First, it classifies European Group representative corporate governance (CG) standards into two (2) groups: EASD and ECODA CG principles covered in group 1 and, group 2, including EFAMA Code and Corporate Practices from EBRD, so-called relative good CG group, while it uses ACCA and CFA principles as reference. Second, it, through analysis, shows differences between above set of standards which are and have been used as reference principles for many relevant organizations.

Third, it establishes a selected comparative set of standards for European group representative corporate governance system in accordance to international standards. Last but not least, this paper covers some ideas and policy suggestions.

Keywords: corporate governance standards, board structure, code of best practice, financial crisis, corporate scandals, market manipulation, internal audit.

Introduction

The nature of the environment in which contemporary businesses function is systemic which is described in corporate governance practices or codes.

The Bulgarian 2012 Code for Corporate Governance mentioned corporate governance is understood as the relations between the boards, shareholders, and stakeholders of the company. Over years, the Code has been effective in public companies. In the light of different views on Corporate Governance and Company Acts, which are among interests of many organizations, after financial crisis 2007-2009, this paper mainly concentrates on analysis of Code of Best Practices for Corporate Governance in selected European groups and separates it from the analysis of relevant Company Act and Accounting regulations, which can be used as reference for further scopes. Despite of trying to select an easy-reading writing style, there is still some academic words need to be explained in further.

The organization of paper contents is as following. As our previous series of paper, Research literature and theories are covered in the first two sessions. Next, it followed by introduction of our research methodology in session 3 (3rd). Continuously, session four (4) covers our familiar four (4) groups of empirical findings. And our conclusion and policy suggestion is covered in the fifth (5th) session. Before last, there are exhibit session which covers some summary of this paper's analysis and comparison. And lastly, a glossary notes is provided with information for reference and because of reducing repeating terminology.

Research literature review

There are many and controversial opinions on corporate governance theories and practices. For example, Jensen and Meckling (1976) presented their conceptual agency theory on the separation of ownership and management. Lin, Andrew Jen-Guang (2007) pointed that Corporate Governance will maintain its vital position in corporate law and securities law with the simple focus on investors.

Besides, Commonwealth Association (1999) pointed the fact that every country and businesses nowadays need good corporate governance practices and theories as a necessity.

Moreover, the South Africa King Code (2009) mentioned the terms of “corporate citizenship” and CSR or Corporate Social Responsibility and stated Corporate responsibility is the responsibility of the company for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, including health and the welfare of society;

Furthermore, Exhibit 4 shows us different parties and components, internal and external, should be involved in a policy or system of corporate governance. And certainly, global crisis and scandals recently such as Enron, Tyco, and Phidelphia partially signify the importance of corporate governance. As Demirag and Solomon, 2003 stated, The Asian crisis in 1997-1999 and corporate scandals such as Barings and WorldCom enhanced the need for corporate governance reform at a global level.

Additionally, Becht, Marco., Bolton, Patrick., Roel, Ailsa., (2005) developed corporate governance, the term is related with the resolution of collective action problems among dispersed investors, as well as the reconciliation of conflicts of interest between various corporate claimholders. They also pointed that when the outside investors have conflicts of interest with and want to exercise control differently from what the managers do, it will be among causes of corporate governance problems. Moreover, Adams, Renee B., Hermalin, Benjamin E., and Weisbach, Michael S., (2009) realized that as a consequence of corporate scandals and relevant corporate governance issues, boards have been at the center of the policy debate concerning governance reform and many further researches should deal with it.

Then, Fong (2013) stated disclosure of corporate information forms an integral part of the corporate governance framework. And Edmans (2013) pointed blockholders (large shareholders) may also worsen governance by extracting private benefits of control or pursuing objectives other than firm value maximization.

Because there are not many researches and surveys done in European groups, next, what is the limited comparative standardized set of so-called comparative European group corporate governance standards?

Theory of Corporate Governance, Scandal and Market Manipulation

Theory of manipulation

There are different views on Manipulation subjects because of different types of it.

Besides, the involvement of financial intermediaries and brokers may contribute to manipulate market price while maintaining their credibility.

Also there were several corporate scandals around the world, happening together with market manipulation with reasons coming from artificially inflating accounting revenue or income, as well as the share prices of distressed companies to benefit the values of shareholders and investors and MGT team, and strengthening the co.’s financial statements as well. Regarding to reasons for corporate scandals, such as Enron, there is a matter relevant to external auditor roles, responsibilities in general and in their communication and transparency with the Board and with the company, as well as full duties to shareholders. Last but not least, there is a role of speculators in manipulation transactions to cause the increasing in investment flow into the invested company when speculators produce enough, or as much and sufficient as possible, information.

Theory of corporate governance and financial crisis

First, Exhibit 4 showed us a general model of corporate governance with main parties such as: shareholders, board, committees, financialist, other stakeholders and community in a market economy and society. It identifies several criteria to build a good CG in organization such as: stakeholder involvement, policies and procedures which we aim to analyze in later sessions. And,

as Shleifer and Vishy (1997) stated corporate governance regarding to the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.

Also, Rachel., IFC (2009) stated that good CG is in companies with longer term sustainability and moreover, we need companies achieving environmental, social and economic value for society.

Last but not least, corporate governance nowadays is researched in a total picture of globalization. While globalization deals with the ways in which goods, products and services are exchanged in cross-countries, corporate governance pays attention on how the company structure and governance mechanisms are enhanced to meet the demands of such these trends. In other words, corporate governance in a globalization trend has many things to work with building a good internal system and quality flows of information inside the business to face the challenges which comes from the external factors of globalization.

Hence, we can see, there exist various views on corporate governance and its importance.

Research methodology

Firstly, we analyze and compare corporate governance principles in each of two (2) different groups including: 1) Group 1 – European group CG representative standards including EASD CG 2000 and ECODA 2010 Corporate Governance Principles; and 2) Group 2 – Relatively good corporate governance group including EFAMA Code 2011 and EBRD Corporate Practices 1997;

We also use, but not limited to, international standards of corporate governance such as: World Bank, and Mc Kinsey corporate governance principles and surveys as reference, as well as ICGN and OECD Corporate Governance Principles which have many modifications in corporate governance principles after the crisis period.

Then, we suggest on what so-called limited comparative European Group corporate governance principles which is aiming to create a basic background for relevant corporations interesting in different aspects of corporate governance subjects and functions as the recommendation to relevant countries' government and other relevant organizations for public policy and necessary evaluation.

Last but not least, for a summary of our standards, see Exhibit and the below table 1 and 2 in relevant sessions.

Empirical findings

A- Findings on Corporate governance issues after financial crisis, corporate scandals and market manipulation

Several popular issues including: the responsibility of the Board of Directors, both as a whole and as individual, to the mission of protecting and growing net value of total company asset. This is clearly identified after many crises and scandals recently. To break this issue in more details, we can see there is the un-effectiveness of Board, CEO and Board processes, as well as the inefficiency roles of audit function in dealing with matters relevant to Board effectiveness.

Also, we can find out another corporate governance (CG) issue. It is, the lack of effective mechanism to protect well net value of company and investors and shareholders' asset and investment. Another one is the transparency mechanism still existing with errors that lead to declining company's credibility to investors.

Moreover, the lack of an effective Code of Ethics and Code of Conduct might be a cause contributing to failures, frauds and bankruptcy recently and after financial crisis time.

B- Findings on Ways of Manipulation during Corporate Scandals

Several Manipulation Techniques found out during corporate scandals involve, but not limited to:

B.1 – The manipulation techniques in the income statement:

Here, the technique is used to manipulate either income or expense or profit to maximize benefits for both Board and investors.

Or, the company may establish a subsidiary to hide the actual losses in its business. For example, in the scandal of a financial giant in Japan, Yamaichi securities co., in 1992, the Yamaichi subsidiary used dummy companies to generate earnings for customers while eventually receiving losses of 158.3 billion yen.

B.2 – The manipulation techniques in both the income statement and balance sheet:

In the case of BCCI, Bank of Credit and Commerce International, found in Pakistan, there is accounting falsification of an amount of \$13 b which is unaccounted.

Furthermore, in the scandal of Riccar, a leading Japanese sewing machine manufacturer, there is a manipulation of earnings. The company had bad inventory and gave a fictitious sale invoice to false customers and hid the corresponding merchandise in warehouse, which are treated as sold merchandise, then, the inventory was not recorded in the books and was, in effect, an off-balance sheet asset. Riccard reported a fictitious revenue of 53.6 billion yen in total from 1976 to 1984.

B.3 – The manipulation techniques relevant to international accounting practice code:

There is also a going controversial concern between some different practices in IFRs and GAAP standards, although we know that IFRS has quality requirements for recognition, measurement. Moreover, in the scandal of ABB in Sweden, the company switched from IAS to US GAAP accounting in order to be listed on NYSE in 2001. Whereas IAS allowed the loss could be distributed over many years, under US GAAP, gains and losses of business transactions were allocated for the financial years they occurred.

B.4 – Other manipulation techniques net belong to above classifications:

Insider trading can be a source of market manipulation. For example, information on good business opportunities, which contains uncertainty and risks in future, or information on probability of winning auction of company can be an attribute to market price manipulation.

In the case of Martha Stewart scandal in 2001, the responsible manager is accused of using insider trading to trade nearly four thousand shares of stocks after receiving non-public information from one broker in order to avoid a big loss, just one day before that firm's stock price plummeted.

C- Actions on Preventing or Controlling negative manipulation

As management can perform false accounting and manipulation because of their own benefits or satisfying investors' expectation, a governance mechanism need to be established to control or prevent these actions.

Beside, in order to control negative market manipulation, necessary actions are enhancing mechanisms of internal audit and internal control.

D- Findings on Construction of Comparative International Corporate Governance Standards

These findings will be shown in a detailed analysis of a model indicated in the later sessions.

<D.1> - Group 1 – European Group Corporate Governance standards analysis

The EASD Principles of Corporate Governance 2000

This is the Code of European Association of Securities Dealers.

Among its advantages are, but not limited to, the concentration on the substance of GM discussion.

Additionally, it is good to state that shareholders as individuals or groups have different objectives which differ from companies that perform roles in societies.

Besides, it identifies distinction between interests of the company and those of shareholders.

Generally speaking, The Code considers CG as a concept evolving over time and space. However, it would be better to address disclosure and transparency (see Exhibit 1).

The Corporate Governance Principles for Unlisted Companies in Europe 2010

The Code is developed by The European Confederation of Directors Association (ECODA).

The Code identified the global crisis highlighted the importance of applying good practices.

One of its distinctions is mentioning shareholders set proper governance framework for the company. And it also pointed conflicts of interest can undermine CG.

For more information, please see Exhibit 3. However, it would be better to clarify roles of a compliance officer.

Comparison between the ECODA and EASD Corporate Governance Principles

There is a focus in EASD Code on BD meeting with background information should be given for the meeting. Moreover, it states directors could propose agenda items. Also, it makes a sound point when it recommended price-sensitive information be withheld by the company.

On the other hand, the ECODA Code considers a proactive relationship between shareholders and BD at crisis time and normal business time. Besides, it also considers risk in case the company does not incorporate interests of stakeholders into CG.

Table 1: A so-called European group CG representative standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	Chairman be non-executive board member;	Advisory authority delegated by BD; BD delegate responsibilities;
CEO and The Chair	Chair ensure effectiveness of communication b.t shareholders and BD;	Chair ensure BD operate efficiently;
Corporate Secretary	Record the minutes, monitor conformity with BD procedures, implementation of policy decisions;	Ensure board receive information in a timely way;
Compliance officer	N/A (for further research and implementation)	N/A (for further research and implementation)
Board of Directors	Independent of MGT, influential shareholders; Set the company values and standards;	Must meet at least once every 6 months or at least once every 3 months;
Independent director	Ensure MGT team take correct step and use resources in the most efficient manner;	Independent BD member may own some shares but not join in pension plans or stock option;
Supervisory board to the Management	BD supervise MGT;	N/A (for further research and implementation)
Supervisory to the Board of Directors	Advisory board may be an interim step of BD;	Over time advisory board members can join BD;
Internal control	Provide for integrity of corporate data;	Supported by procedures of Authorization limits, Control over assets;
Internal audit	BD take care of;	Reliable and understandable information;
External audit	Shareholders approve EA; present at GM;	Inform BD findings regard to IC;
Disclosure and transparency	Establish the legitimacy of firm as a responsible firm in society;	Relevant, timely, understandable;
Shareholders	Elect/remove board members;	Have prompt access to information on the substance of the discussion;
The corporation as a whole entity	Develop company manual with anti-fraud, record MGT;	Scale and complexity of firm affect board size and composition;

<D.2> - Group 2 – Relative Good Corporate governance group analysis

2011 EFAMA Code for External Governance analysis:

Good recommendations involved in the 1999 CACG Code include, but not limited to, a strong link between CG and investment process. And it is based on good judgment rather than description.

A minor point might be noted here is that the audit and control system are not described. For a summarized analysis on corporate governance factors, please refer to the Exhibit 5.

In summary, the 2011 Code paid well attention to enhancing quality of communication with clients or investee companies.

Sound business standards and corporate practices 1997 analysis:

These practices are prepared by EBRD (European Bank for Reconstruction and Development).

In the 1997 Code, we recognized it pays attention to establishing stable relationship with stakeholders based on sound behaviour and practices.

And among its advantages is that it mentions as the key aspect of CG, shareholders can oversee MGT performance and join in key decisions. Please refer to Exhibit 6.

On the other hand, it has a disadvantage as it does not describe well duties of CEO and the Chair.

Comparison between the EFAMA Code and 1997 Corporate Practices

First of all, there is a focus in the 2011 EFAMA Code encourage meeting with CEO, supervisory board chairman of investee companies to enhance value.

Beside, The 1997 Corporate Practices pointed Shareholder Assembly role is to approve changes in activities or decision in reorganization.

The 1st Establishment of so-called relatively Good Corporate Governance standards

This following table is built with the summary of above CG standards.

Table 2: A relatively Good Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	N/A (for further research and implementation)	N/A (for further research and implementation)
CEO and The Chair	BD select CEO and monitor his/her performance;	N/A (for further research and implementation)
Corporate Secretary	N/A (for further research and implementation)	N/A (for further research and implementation)
Compliance officer	N/A (for further research and implementation)	N/A (for further research and implementation)
Board of Directors	Active dialogue with investee companies;	Independent from MGT; elected for a strict term of office;
Independent director	N/A (for further research and implementation)	N/A (for further research and implementation)
Supervisory board to the Management	N/A (for further research and implementation)	N/A (for further research and implementation)
Supervisory to the Board of Directors	N/A (for further research and implementation)	N/A (for further research and implementation)
Internal control	Report conflicts of interest affecting BD, MGT;	Processes to secure effective control of business;
Internal audit	Auditing the compliance with internal procedures;	Monitor professional good business practice;
External audit	Examine the integrity of financial system;	Independent; audit the accounts;
Disclosure and transparency	Have a policy on external governance disclosure;	Not make disclosure that might be counterproductive;
Shareholders	Adequate policy on voting rights;	Oversee MGT performance; join in key decision;
The corporation as a whole entity	enhancing quality of communication with clients or investee companies	Have a fiduciary duty to clients/investors;

D.3- The 1st Establishment of so-called limited comparative European Group Corporate Governance standards

Comparison of corporate governance standards between <D.1> and <D.2> group

Before we come to set up a set of general limited standards of corporate governance, we need to review the standards combined in the previous two (2) groups

The advantages of Group 1, but not limited to, roles of Chair and CEO (see above Table 1).

On the contrary, the relative Good Corporate Governance Group standards states the company need to identify problems at early stages to minimize any loss of value.

A so-called Limited Comparative European Corporate Governance Set of standards

Based on the above analysis, we consider building comparative standards for a comparative European Group Corporate Governance system.

Table 2: The Comparative European Group Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	Chairman be non-executive board member;	Advisory authority delegated by BD; BD delegate responsibilities;
Nominating committee	evaluate the balance of skill, knowledge, experience of board; Advisory authority delegated by BD;	Lead the process for board appointment; BD delegate responsibilities;
Numeration or Compensation Committee	Define and monitor structure of remuneration for senior MGT;	Advisory authority delegated by BD; BD delegate responsibilities;
CEO and The Chair	Chair recognize strengths and address weakness of the board, propose new board member;	Chair ensure BD operate efficiently, ensure BD receive timely, clear information;
CFO	N/A (for further research and implementation)	N/A (for further research and implementation)
Corporate Secretary	Ensure board receive information in a timely way;	Record the minutes, monitor conformity with BD procedures, implementation of policy decisions;
Compliance officer	N/A (for further research and implementation)	N/A (for further research and implementation)
Board of Directors or Management Board	Set the company values and standards; smaller size increases communication quality;	Must meet at least once every 6 months or at least once every 3 months;
Independent director	Ensure MGT team take correct step and use resources in the most efficient manner;	Independent BD member may own some shares but not join in pension plans or stock option;
Supervisory board to the Management	Over time, advisory board members can join BD;	BD supervise MGT;
Supervisory to the Board of Directors	Advisory board may be an interim step of BD;	Over time advisory board members can join BD;
Internal control	Provide for integrity of corporate data; Report conflicts of interest affecting BD, MGT;	Supported by procedures of Authorization limits, Control over assets;
Internal audit	BD take care of; Auditing the compliance with internal procedures;	Reliable and understandable information;
External audit	Shareholders approve EA; present at GM;	Inform BD findings regard to IC;

Disclosure and transparency	Have a policy on external governance disclosure; Not make disclosure that might be counterproductive;	Establish the legitimacy of firm as a responsible firm in society;
Shareholders	BD have satisfactory dialogue with shareholders;	Respect shareholder interests; may require ongoing dialogue with BD;
Stakeholders	BD establish a suitable program for stakeholder engagement;	BD take care of CG and stakeholder policy;
Accountability	Directors usually declare potential conflicts of interest to BD;	Insider trading is prohibited;
Leadership	Act by BD, Chair, CEO;	BD is the primary decision-making body;
Employee	Justify their action to someone else; report unethical behaviour;	Company organs properly address concerns of legitimate people;
Family governance	Family members may develop preferences for business;	Outline vision, objectives of the family for business; prevent potential conflicts;
3 rd parties and conflicts of interests	Handle issues around insider information;	May appoint lawyer, accountant to ensure BD fulfill statutory duties;
The corporation as a whole entity	Have a fiduciary duty to clients/investors;	Develop company manual with anti-fraud, record MGT;
The Code	Based on good judgement rather than description;	Align interests of MGT with shareholders and stakeholders;

(Note: source are based on corporate governance standards of group <D.1> and <D.2> and the appraisal of these standards)

Conclusion

Among several key corporate governance issues is, but not limited to, the leadership roles and the effectiveness of top management team, including CEO, chair, Board and outside directors.

To reduce its impacts, The EASD Code suggested BD not only take care of stakeholder policies but also corporate ethics and behavior.

Besides, the ECODA Code included a direct guidance for shareholders and directors as foundation for individual EU member. On the other hand, EFAMA Code 2011 mentioned effective policy for procedures for monitoring corporate events is needed. And 1997 Corporate Practices stated BD roles including recommendations to shareholders on issues for voting.

Past surveys from McKinsey in 2000 showed results such as investors willing pay 24% premium for good CG in South Korea and 18% premium for that in UK.

In consideration of corporate governance issues analyzed in the previous sessions, we proposed the main and sub quality factors in this paper **a set of general comparative European group corporate governance standards** in a limited model with selected codes. Though limited, it has some implications for further research and proper recommendations to relevant government and organizations because it identified rooms for improvement. And it also provides relevant academic and non-academic, lawyer and consultant, board and non-board people with minimum information for further researches.

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Appendix

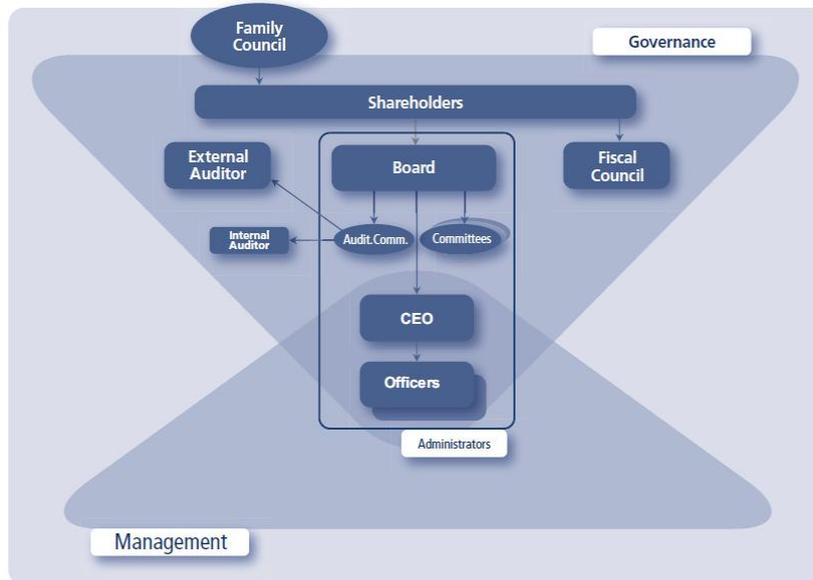
Table 1: The EASD Principles of Governance for South Africa (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	<u>Not mentioned clearly in the code;</u>	Chairman be non-executive board member;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	As understood from the Code;
Nomination committee	<u>Not mentioned clearly in the code;</u>	Balanced;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	As understood from the Code;
Compensation or Remuneration committee	<u>Not mentioned clearly in the code;</u>	Chairman be non-executive board member;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
CEO or Lead director;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
The Chair	Set BD meeting agenda;	Ensure BD operate efficiently;	Present at GM to answer questions or refer to BD;	<u>Not mentioned clearly in the code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Separate in one-tier board system;	<u>Not mentioned clearly in the code;</u>	As understood from the code;
Corporate Secretary (CS)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Record the minutes, monitor conformity with BD procedures, implementation of policy decisions;	<u>Not mentioned clearly in the code;</u>	
Compliance officer (compliance)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Board of Directors	Good faith, due diligence, care and loyalty;	Balanced;	Orientation/ Monitor functions; Present at GM to answer questions;	Long term interests of the co.;	

Executive director (EDs)	Outside business activities approved by BD;	On-going conflicts of interest must be avoided;	Take care of senior executive nomination;	<u>Not mentioned clearly in the code;</u>	
Non-executive director (NEDs)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Remuneration based on BD policies;	<u>Not mentioned clearly in the code;</u>	
(Senior) Independent director	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Independent BD member may own some shares but not join in pension plans or stock option;	<u>Not mentioned clearly in the code;</u>	
CFO (senior financial officer)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Management team (senior)	Accountable to BD, company, shareholders;	Sufficient latitude;	Present at GM to answer questions; delegation of power and decisions by BD;	<u>Not mentioned clearly in the code;</u>	
Supervisory board	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	BD supervise MGT;	<u>Not mentioned clearly in the code;</u>	
Internal control	<u>Not mentioned clearly in the code;</u>	BD take care of;	Provide for integrity of corporate data;	<u>Not mentioned clearly in the code;</u>	
Internal audit	<u>Not mentioned clearly in the code;</u>	BD take care of;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
External (Independent) audit /registered public accounting firm;	Inform BD findings regard to IC;	BD take care of;	Shareholders approve EA; present at GM;	<u>Not mentioned clearly in the code;</u>	
Disclosure and transparency	<u>Not mentioned clearly in the code;</u>	Relevant, timely, understandable;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Shareholders and Minority Stockholder	Controlling shareholders give due consideration to minority;	Minority not restrain corporate action;	Elect/remove board members;	<u>Not mentioned clearly in the code;</u>	
Accountability	Insider trading is prohibited;	BD accountable to shareholders;	Avoid/disclose conflicts of interests;	<u>Not mentioned clearly in the code;</u>	
Leadership	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Act by BD, Chair, CEO;	<u>Not mentioned clearly in the code;</u>	

Employee	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Company organs properly address concerns of legitimate people;	<u>Not mentioned clearly in the code;</u>	
3 rd parties and conflicts of interests	<u>Not mentioned clearly in the code;</u>	Related party transaction disclosed;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Code of ethics (conduct)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	BD take care of;	<u>Not mentioned clearly in the code;</u>	
Group and subsidiaries	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Institutional investors state their voting policies;	<u>Not mentioned clearly in the code;</u>	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

Table 2: Corporate Governance system



Source: Brazil Code of Best Practice of CG

Table 3: Evaluation of 2010 ECODA Code Corporate Governance

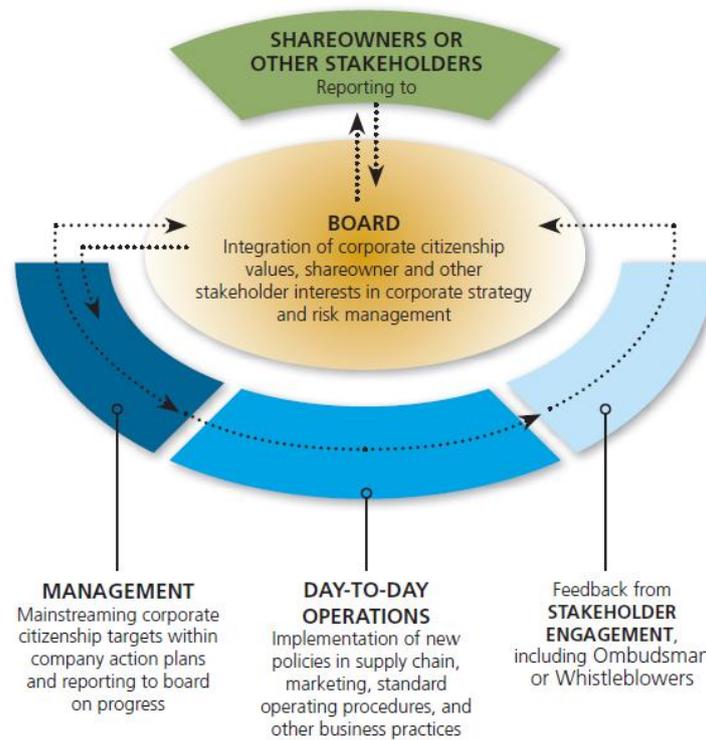
Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	Advisory authority delegated by BD;	BD delegate responsibilities;	BD set appropriate BD committees;	More effective discharge of its duties;	
Nomination (HR) committee	Lead the process for board appointment;	Clear distinction b.t ED and NED;	BD delegate responsibilities; evaluate the balance of skill, knowledge, experience of board; Advisory	<u>Not mentioned clearly by the Code;</u>	

			authority delegated by BD;		
Compensation or Remuneration committee	Propose remuneration for all executives;	Define and monitor structure of remuneration for senior MGT;	BD delegate responsibilities; Advisory authority delegated by BD;	<u>Not mentioned clearly by the Code;</u>	
CEO	BD supervise CEO;	Exercise executive authority over operation;	Leading executive MGT; consider as chief risk officer; board evaluate CEO;	<u>Not mentioned clearly by the Code;</u>	
The Chair	Prepare an agenda; too close to MGT will lack of objectivity and credibility;	Lead board; set agenda of annual meeting ;	Welding capable individuals into board team; Chair recognize strengths and address weakness of the board, propose new board member;	High performing board team;	
CEO and The Chair relationship	Chairman encourage BD members to take certified director qualification;	After consultation with CEO and chairman, BD may find extra information from MGT;	Responsibilities separated;	<u>Not mentioned clearly by the Code;</u>	
Corporate Secretary (Board)	<u>Not mentioned clearly by the Code;</u>	Report to chair and CEO;	Help BD fulfill compliance schedule;	Ensure board receive information in a timely way;	
Compliance officer	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Board of Directors	Clear division b.t running BD and running co. business;	Directors receive induction on joining BD, update skill/knowledge;	Risk oversights; define corporate strategy;	For long term success of firm;	As understood from the code;
Executive director	<u>Not mentioned clearly by the Code;</u>	Full time;	1 or more may join one tier board;	<u>Not mentioned clearly by the Code;</u>	
Non-executive (external) director	Part time; add new skill /knowledge not available within firm;	BD ensure NED have access to independent professional advice;	Involve in one tier board; outside perspective on strategy and control;	<u>Not mentioned clearly by the Code;</u>	
Independent director	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Joining: A key step in development of unlisted firm;	Ensure MGT team take correct step and use resources in the most efficient manner;	

CFO	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Management team (senior)	Too much power, MGT will lose touch with BD;	Not the firm key decision makers;	BD delegation authority to MGT; access to NED;		
Supervisory board	Over time, advisory board members can join BD;	w/o formal decision making duties;	Advisory board may be an interim step of BD; include NED in 2 tier board;	<u>Not mentioned clearly by the Code;</u>	
Internal control	Take into account of financial, operational, strategic risks;	BD responsible for a sound formal IC and RM;	MGT establish IC and RM (delegated);	<u>Not mentioned clearly by the Code;</u>	
Internal audit	<u>Not mentioned clearly by the Code;</u>	Reliable and understandable information;	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
External (Independent) audit	<u>Not mentioned clearly by the Code;</u>	Reliable and understandable information;	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Disclosure and transparency	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	ED and NED compensation is transparent;	Establish the legitimacy of firm as a responsible firm in society;	
Shareholders and Minority Stockholder	Respect shareholder interests; may require ongoing dialogue with BD;	BD have satisfactory dialogue with shareholders;	set proper governance framework; enter agreements among themselves;	<u>Not mentioned clearly by the Code;</u>	
Accountability	<u>Not mentioned clearly by the Code;</u>	Directors usually declare potential conflicts of interest to BD;	Each employee, manager, BD member understand scope of their duties;	<u>Not mentioned clearly by the Code;</u>	As understood from the code;
Leadership	<u>Not mentioned clearly by the Code;</u>	BD is the primary decision-making body;	Act by CEO;	<u>Not mentioned clearly by the Code;</u>	As understood from the code;
Employee	Staff recruitment and remuneration delegated to MGT;	Justify their action to someone else;	As one of key external stakeholders;	<u>Not mentioned clearly by the Code;</u>	

3 rd parties and conflicts of interests	<u>Not mentioned clearly by the Code;</u>	Academics, external think-tanks may support information for BD;	May appoint lawyer, accountant to ensure BD fulfill statutory duties;	<u>Not mentioned clearly by the Code;</u>	
Code of ethics (conduct)	<u>Not mentioned clearly by the Code;</u>	Support for employee personal development;	CG align interests of MGT with shareholders and stakeholders;	<u>Not mentioned clearly by the Code;</u>	
Group and subsidiaries	<u>Not mentioned clearly by the Code;</u>	Group appraisal examine how board operates as a collective decision-making body;	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

Table 4: How responsible business embedded into function of BD



Source: IFC and Global Compact 2009

Table 5: Evaluation of EFAMA Code 2011

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	<u>Not mentioned</u>	<u>Not mentioned</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	

	<u>clearly by the Code;</u>	<u>clearly by the Code;</u>			
Nomination committee	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Compensation, Remuneration committee	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
CEO	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Mentioned as the company or IMC;	<u>Not mentioned clearly by the Code;</u>	
The Chair	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Corporate Secretary	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Compliance officer	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Board of Directors	<u>Not mentioned clearly by the Code;</u>	Active dialogue with investee companies;	board construction, election, succession and remuneration as conventional CG issues;	<u>Not mentioned clearly by the Code;</u>	
Executive/ Representative director	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Non-executive director	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Independent director	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
CFO	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Management team (<i>Senior Administration</i>)	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	In the best interests of investors; enhance portfolio value;	

Supervisory for the board	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Supervisory for the managers	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Internal control	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Internal or statutory audit	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
External audit	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Disclosure and transparency	Report on firm exercise of ownership rights;	A documented policy available to public;	Publicly confirm compliance to the Code on web;	<u>Not mentioned clearly by the Code;</u>	
Shareholders and Minority Stockholder	<u>Not mentioned clearly by the Code;</u>	Adequate policy on voting rights;	Reports comprise both qualitative and quantitative information;	<u>Not mentioned clearly by the Code;</u>	
Accountability	<u>Not mentioned clearly by the Code;</u>	Effective policy for procedures for monitoring corporate events;	Report to investors how firm discharge responsibilities;	<u>Not mentioned clearly by the Code;</u>	
Leadership	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Employee	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
3 rd parties and conflicts of interests	Meeting with CEO/MGT of investee companies;	Handle issues around insider information;	Pension funds, investment trusts, insurance companies – are clients/investors of IMC;	Protect and enhance value;	
Code of ethics (conduct)	<u>Not mentioned clearly by the Code;</u>	Effective;	Based on good judgement rather than description;	<u>Not mentioned clearly by the Code;</u>	
Group and subsidiaries	<u>Not mentioned clearly by the Code;</u>	Cooperate with other investors;	Engagement between IMC (Investment MGT companies) and companies in which they invest;	<u>Not mentioned clearly by the Code;</u>	

Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.
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Table 6: Evaluation of Corporate Practices 1997

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Nomination committee	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Compensation, Remuneration committee	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
CEO	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	BD select CEO and monitor his/her performance;	<u>Not mentioned clearly by the Code;</u>	
The Chair	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Corporate Secretary	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Compliance officer	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Board of Directors	Monitor financial resources of the company;	Independent from MGT; elected for a strict term of office;	Clearly established and well-understood division of authority; Approve major transactions;	<u>Not mentioned clearly by the Code;</u>	
Executive/ Representative director	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Adopt sound business standards;	<u>Not mentioned clearly by the Code;</u>	
Non-executive director	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	

Independent director	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
CFO	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Management team (<i>Senior Administration</i>)	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Clearly established and well-understood division of authority;	<u>Not mentioned clearly by the Code;</u>	
Supervisory for the board	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Supervisory for the managers	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Internal control	Processes to secure effective control of business;	MGT structure foster information sharing;	Report conflicts of interest affecting BD, MGT;	<u>Not mentioned clearly by the Code;</u>	
Internal or statutory audit	Monitor professional good business practice;	Competent IA;	Auditing the compliance with internal procedures;	<u>Not mentioned clearly by the Code;</u>	
External audit	Independent; audit the accounts;	Examine the integrity of financial system;	Shareholder Assembly approve EA;	<u>Not mentioned clearly by the Code;</u>	
Disclosure and transparency	<u>Not mentioned clearly by the Code;</u>	Disclose personal financial interest of BD;	Fairness and transparency in dealing with suppliers;	<u>Not mentioned clearly by the Code;</u>	
Shareholders and Minority Stockholder	<u>Not mentioned clearly by the Code;</u>	Systematic and open communication with shareholders	Oversee MGT performance; join in key decision;	<u>Not mentioned clearly by the Code;</u>	
Accountability	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Pay all fairly computed taxes;	<u>Not mentioned clearly by the Code;</u>	
Leadership	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Employee	Concerns for employee's long term welfare;	Effective systems for consultation with	Non-discrimination in recruitment, compensation and promotion;	<u>Not mentioned clearly by the Code;</u>	

	training;	employee on employment conditions;			
3 rd parties and conflicts of interests	Sensitive to concerns of local population;	Transparent purchasing policy;	Committed to pay suppliers promptly;	<u>Not mentioned clearly by the Code;</u>	
Code of ethics (conduct)	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	BD assess general business conduct;	<u>Not mentioned clearly by the Code;</u>	
Group and subsidiaries	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Firm consult with relevant public interest groups;	<u>Not mentioned clearly by the Code;</u>	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				



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Home Is Where the Heart Is: Perceptions of Home in Contemporary American Short Fiction

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Abstract

The topic of home is becoming more and more interesting in modern times thanks to globalization and multiculturalism. The aim of this paper is to find out how contemporary American writers of short fiction perceive home and what does this topic relate to. We aim to present most common notions of home, focusing on cultures, traditions and countries. The framework for the stories is provided by the series Best American Short Stories published annually. To include most recent fiction, only publications since 2007 are used.

Keywords: Home; American literature; cultures; contemporary.

Introduction

The topic of home has only recently become more prominent than in the previous years. Home, being an interdisciplinary topic, borders with psychology, anthropology, and many other disciplines; however, it manifests itself also in literature. Several studies explore the concept of home, whether in literature or in connection with people's perception of home, but short fiction is lacking regarding the attention given to this topic. This paper focuses on home in contemporary American short fiction, selecting short stories for analysis from the publications The Best American Short Stories since 2007 until 2014.

Because there is no clear and exact definition of home, it may vary from being a "place (such as a house or apartment) where a person lives," (–home. Merriam-Webster, 2014), or "a place of origin" (–home. Merriam-Webster, 2014). It is possible to analyze home from many points of view – it is possible to regard it as a house, city, place, etc. However, we are focusing on stories where home is related to topics of migration, different cultures and notions of being at home versus leaving home. Our goal is to analyze these stories, compare them and draw conclusions, which will help us understand the perception of home in contemporary short fiction better.

As we already mentioned, migration and conflicting cultures will be tied closely to the notion of home. It is only inevitable that such connection arises: "Cultural studies and anthropological literature detailing the experience of migrants and refugees as well as sociological and psychological empirical research on family formation and home-leaving claim that ideas about staying, leaving and journeying are integrally associated with notions of home (Mallett, 2004, p. 77). The journey from one destination to another, or one country to another, may result not only in a necessity to embrace a new home and to leave the old one behind, but also in a situation where one regards home as more places: "a place of origin (however recent or relative) as well as a point of destination" (Mallett, 2004, p. 77). As the focus is on American short stories, there are some stories that present the United States as a home, whether in positive or negative light. Other stories have a recurring theme of a double home – the country of origin and destination, while some stories see home as one country only.

Home in Contemporary Short Fiction

The United States is a home that does not always bear positive connotations and is often a subject of prejudices. These prejudices vary from positive to negative – some characters see the US as a promised land, while others display negative attitude bordering with prejudices: “American children bring guns to school ... So try not to piss anyone off (Kyle, 2007, p. 228). As in the story by Aryn Kyle, *Allegiance* (2007), comparisons are made between the country of origin – being Great Britain – and the country of destination, the US. In this story, the US is mostly viewed as a country with worse schools than those of Great Britain, worse people, teachers, houses, etc. The prejudices are very prominent, ranging from children bringing guns to school to the US being simply an inferior country. This anti-Americanism can be seen in many more works and is usually “clearly one-sided or biased, or... based on an undifferentiated view of America and Americans” (O’Connor, 2009, p. 3). Contrary to the negative point of view, we also witness positive prejudices, where the US is an ideal home, despite having flaws, which are ignored. Such views are mostly present when comparing the US to a country deemed inferior to the US; in case of Daniel Alcarón’s *The Provincials* (2013), Mexicans see the United States as an ideal home, thinking they will find work, wives and better lives. This opinion of the US is prejudiced positively – the US is seen as a promised land where even the (American) –poor is... different (Alcarón, 2013, p. 44). These two opinions on the US rule most of the stories; there are either negative or positive stereotypes regarding the country. The strength of loathing or admiration the US receives depends on the characters, and often on their ethnic background. While British characters tend to demonize the country, in case of Mexican characters there is a blissful ignorance and naivety. The duality of home is very strong, yet contradictory – while in one case the original home is regarded as a true home, in the second case the original home is discarded for a better option. Regarding the positive portrayal of the US, the country is often seen as perfect – the negative aspects are unseen, ignored or hidden. The American dream is important in stories which see it as the best country – it often has the best people, system, etc., as in *Pa’s Darling* (2007) by Louis Auchincloss, where the father figure is “the great judge of the New York Court of Appeals, renowned sage and philosopher, author of provocative books on law and literature, and the witty deity of the Patrooms Club (Auchincloss, 2007, p. 1), having a good family, job, which all glorify the possibilities offered by the US.

The ethnic background of the characters influences the perception of home to a great amount. This influence is visible when dealing with characters with eastern, mostly Japanese/Chinese background, who have a very strong connection to the country of their origin. In Julie Otsuka’s *Diem Perdid* (2012) the US is a home embraced out of necessity – migration is a very strong issue in the story, and the characters are Japanese refugees who immigrated into the US. Japan, as the old home, remains the source of happiness, contrary to the US, which is perceived as too different. Even stronger contrast between two homes is presented in Gish Jen’s story *The Third Dumpster* (2013), where China serves as an original home, and the US as a new home. It is this story that features a refusal of the new home, as the characters are unable to adapt to a new culture even after some years. The duality of home is strong – the theme old/new home is present, while the new home is regarded as unacceptable: “...their parents were Chinese, end of story, as Morehouse liked to say. Meaning that though they had been Americans for fifty years and could no longer belay themselves hand over hand up their apartment stair rail to get to their bedroom, they nonetheless could not go into assisted living because of the food. Western food every day? Cannot eat, they said (Jen, 2013, p. 2).

The inability to adapt to the American culture is a strong theme in these stories; so is migration. Prejudices play a very strong role, as in Rebecca Makkai’s story *Painted Ocean, Painted Ship* (2010), where the author works with prejudices both against the US and against Korea. Again, we witness stereotyping: “Look, I understand that back in Korea you weren’t supposed to talk in class, but you’re at an American university now, and part of the American education is talking (Makkai, 2010, p. 178). While the Chinese/Japanese stories regard the US as a necessary evil, there are stories which accept the necessity of a new home. These relate to war, as Mark Slouka’s *The Hare’s Mask* (2011), in which the author portrays refugees from Czechoslovakia, who are grateful for the US. It is a home where Jews are not persecuted and the family can live in peace. The old home is abandoned because of the war; though unwillingly, the necessity for such action is understood and the new home is embraced.

The US as a home features in many stories; the common patterns are migration, change of home, new culture, the need to adapt to a new environment. While some stories contain prejudices on the part of the characters, these only show the various perceptions of home. For one, the US as a home is often embraced out of necessity and sharp contrasts are drawn between the old and a new home. On the other hand, the idealization of the US as a home shows that it is perceived as a perfect country by some; a promised land, and a place where the American dream can become reality. Stories with strong cultural background such as Japanese or Chinese have the strongest contrast between new and old home. It is common for the characters in these stories to show disdain of the US, to despise the American system and to linger on the things from the past, resulting in the usage of realia typical for the given culture. Also, the US is seen as a lesser culture compared to the other, older cultures: “Everything you Americans say is very funny. Nothing impresses us unless it lasts five hundred years (Alcarón, 2013, p. 51).

Let us shift the focus from the US as a home to other countries and cultures. The issues are similar to those related to the US; again, themes of migration, loss of home, new cultures, arise. There is a common pattern of acceptance of the old home, contrasting with the denial of the new home, and consequently there is a “tension between the given and the chosen, then and now, here and there” (Mallett, 2004, p. 80). The old home is usually perceived as a true home and the characters often display affection to it despite having been forced to move away. The negative perception of the US might be explained by this claim, since the US is the place of destination in most cases and therefore is regarded as a home forced upon the characters, while other countries are usually a place of origin. An example of an old home perceived as a true one is Kyle’s *Allegiance* (2007), where the author portrays characters with deep affection for their country of origin – Great Britain. This results in idolizing the country; the characters think negatively of other countries and are unable to accept a new home. The old home brings up contrast between here and there, now and then. Despite Great Britain and the US having similar cultures, at least language-wise, the gap between the two countries seems too wide, resulting in two contrasting homes. This contrast is typical for stories which feature eastern cultures, such as Japanese or Chinese. While we already mentioned the refusal of a new home, the ties to the old home are stronger than wherever else. The portrayed characters value traditions, family values, their original culture and home. Often, superstitions arise from eastern cultures; these are demonstrated in the behavior of the characters, who cling to the old way of life, refusing to adopt new norms. A Chinese couple refuses to move into a new house, because they are afraid of karma, which is again a recurring theme in stories with eastern background. The inability to “let go” of the old home also results in a refusal to learn a new language in case of an old Korean woman. It is also common for the characters to cling to the old home by remembering the traditions and by performing certain rituals which come from the original home: “... offering her ancestors a bowl of hot rice” and “...smell of incense and pickled cabbage in the kitchen” (Otsuka, 2012, p. 155). While the characters with eastern roots display great loyalty to their country of origin, be it China, Japan, or Korea, the old home in case of Mexico contradicts this trend. Paired with the US, Mexico as an original home is not seen as a country to be valued; on the contrary, the characters stress the need to leave it and to find a better life elsewhere. Compared with the eastern stories, the loyalty, traditions and longing for home are all missing; resulting in a home that is best left behind. Rejection of the original home also comes in relation with war – in case of Czechoslovakia, from where the protagonists had to escape in the US. Despite war driving them out, the rejection of home is not complete; the wish to return is still present, yet cannot be fulfilled because the life in the old home would endanger the lives of the characters.

In conclusion; a home as a country of origin is usually tied to traditions, loyalty on the side of the characters and the refusal of a new home. These features are prominent in the stories with eastern cultural background; other cultures do not seem as strong and it is easier to abandon them. The theme of loss of home is recurring, the longing for the old home as a result.

While the stories confronting two homes usually favor one or another, there are such where only one home is featured. These stories, compared to the previously mentioned ones, omit the themes of double homes, refusal to adapt to a new home or comparison of homes. They rather focus on the given home, its characteristics and its positives. Culture plays a very important role and authors often depict the foreign culture, traditions and customs. The foreign countries (as to the US) are usually the topic of these stories.

Nigeria as a home is present in more stories; in Chimamanda Ngozi Adichie's *Ceiling* (2011) this country is foreign and works differently than European countries. It is a home that gives men an opportunity to rise; however, good relations with the correct people are necessary. The author hints at corruption, which is an ever-present reality. Descriptions of culture are also very detailed, the reader is also presented with the typical realia, such as Nigerian names, or traditional clothes. The society is important to maintain a household, through society one finds a suitable wife/husband, who needs to be accepted. Nigerian culture is presented as stricter in Taiye Selasi's *The Sex Lives of African Girls* (2012), who writes that: "In the peculiar hierarchy of African households, the only rung lower than a motherless child is a childless mother" (Selasi, 2012, p. 244), thus establishing the role of a woman, who runs the household and gives birth to children. In this sense, one might find this home more preferable to a man, whose standing in society is higher. However, since the comparison between two homes is not present, there is no longing for a different home and the characters display a great measure of acceptance. It is acceptance that is a common theme for many stories – if the characters do not know any other culture, they are less likely to complain. Africa is also the topic of Téa Obreht *The Laugh* (2010), in which the author rather focuses on African nature. Savanna is a home for the characters in the story; the country is beautiful but harsh. It is a home that can be loved if one tries, nevertheless, it is dangerous. Description of nature are frequent: "The air was thick and humid, moist with the privacy of savanna darkness, the smell of birth and death and shit" (Obreht, 2010, p. 253) and sound realistic. The raw quality of this home arises from wilderness; contrary to previous African stories, we witness a focus on nature rather than society. The focus on society returns in a story about India - *The Judge's Will* (2014) by Ruth Praver Jhabvala, which is depicted as a home for an upper-class married couple. Again, description of society prevails over description of nature; the double home represented by two countries is not present and the only home is the foreign India. The trends of foreign homes continues with Karl Taro Greenfeld's *NowTrends* (2009), in which the author depicts China as home. The focus is traditions and culture, including the negative depiction of communism and bureaucracy. It is a home where bribes are a natural part of life and where money allows everything. However, this portrayal sees China as a country suffocated by the regime, while having very old and rich traditions and culture. The resulting home is complicated; it is hard to accept it, but it still has its charm.

War stories are generally related to home on multiple levels; typically, there is loss of home, searching for home, and a forcible removal of a person from their home. The loss of home results from an unwilling departure of the characters – if they want to live, they must find another place to do so. Nathan Englander's *Free Fruit for Young Widows* (2011) presents war as the catalyst for loss of home and everything it relates to: family, house, and friends. The survivors of the war cannot find peace in their old homes again and it is the new country that serves as a haven, allowing the memories to fade. Home plays a very strong role; it becomes a symbol of peace and sanity: "But home—that was the thing he held on to. Maybe his house was still there, and his bed. Maybe the cow was still giving milk, and the goats still chewing garbage, and his dog still barking at the chickens as before" (Englander, 2011, p. 95).

Conclusion

We can see that the perception of home is very wide; contemporary authors allow any country become a home. In case of the US, home is related to positive and negative prejudices; in case of the other countries, a comparison of homes often arises. Double home is a common theme in the stories; it is a result of migration and moving into another country. Culture is strongly represented in stories about home; it is a part of home that is or is not embraced. The stories depicting only one home often portray foreign or non-European countries. Acceptance plays a great role here; the characters are able to embrace their home since they do not know any other.

The US as a home is usually tied to stereotypes, such as it being the ideal country or a promised land. This perception is characteristic for stories featuring characters of for example Mexican characters, who see the US as a chance for a better life. Negative connotations arise in relation with eastern countries, such as Japan or China. The characters from so called "eastern stories" do not react positively to the US being their new home and in most cases, actively reject it, falling into the trend of anti-Americanism that O'Connor (2009) mentions.

Regarding other countries, such as Britain, and again China or Japan, the characters from the analyzed stories have very strong ties to their home as a country of origin. The most common themes of these stories are the refusal to leave home, refusal to adapt to a new home and an active struggle to keep to the traditions of the original home. Here, the comparison of homes is very strong and unfavorable in regard to the new home and country.

Home is also often related to traditions and the portrayal of a particular country's customs, society and way of life. In case of the eastern stories, these traditions include interpreting dreams, eating traditional food, or greater hierarchical differences in society than in the US or Europe. Perhaps the most foreign country is Nigeria, portrayed as unfavorable to women, dominated by men and having very strict societal hierarchy.

From these observations we can draw conclusions that home is a subjective topic; however, we notice common patterns between the stories listed above which allow us to understand home better. We can say that home is directly related to a specific country, culture and even traditions.

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Researchers' Strategies of Using Social Media in Scientific and Innovative Spheres from the Perspective of Sochi Linguistic & Rhetorical School

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Abstract

The paper outlines a new project of the Sochi Linguistic & Rhetorical School aimed at developing a researcher's strategy of using social media. It is revealed that with the current increase in the technological speed of contemporary society development the practices concerning research experiences get considerably altered. One of the most prominent tools of this change is the social media viewed as a multidimensional phenomenon reflecting the current social and professional challenges and requiring thorough investigation.

Keywords: social media, researcher's personality, Russian research community, Sochi Linguistic & Rhetorical School.

Introduction

The significance of social media in the contemporary world cannot be underestimated. An increase in research into various aspects of social media is characterized by a special focus on their role in marketing and branding, business development and innovation. A number of scholars have been trying to identify the frequency and efficiency of social media use for maintaining public relations in business and insurance as well as for applied purposes including boosting event attendance, promoting business, marketing, finding a job and even for academic purposes. However, we haven't found much research into the use of social media for scientific purposes.

Discussion

Marcia W. DiStaso and Tina McCorkindale (2013) have provided a thorough literature review of the use of social media for public relations purposes, as well as an analysis of the strategic use of social media for most advanced U.S. companies on Facebook, Twitter and YouTube [1]. In a number of publications much attention has been given to the use of social media for researchers' professional development and promotion. Argenti emphasized that "embracing social media is no longer a strategic business option, but a necessity, and a huge opportunity" [2]. In their seventh annual survey, Wright and Hinson (2012) reported that public relations practitioners agreed more in 2012 than in the previous years that social and other emerging media were changing the way public relations were maintained. Social media are also responsible for the success of the groundswell, i.e. a spontaneous movement of people using online tool to connect, to take charge of their own experience and get what they need – information, support, ideas, products, and bargaining power – from each other. Wright and Hinson's 2012 survey found Facebook was accessed by 80% of public relations practitioners with some degree of frequency, followed by Twitter (73%), and YouTube (52%) [3].

Yet, the potential of social media has not been thoroughly revealed and discussed. Therefore we intend to dwell on it within the paradigm of Neohumanist Education, i.e. a new platform for the development of research into social media. This paradigm as a product of the Neohumanism philosophy introduced by Prabhat Raijan Sarkar in 1982 [4] is rooted in India's philosophical past and intertwined with its religions and spiritual development. However, as Devapriya underscores

in his article “Educating Balance in an Accelerating World”, Neohumanist Education has not remained a culturally isolated phenomenon limited to India, rather it has flourished abroad achieving a progressive blend of Eastern subjective and Western objective approaches [5].

Developing the ideas of Neohumanistic Education, Burukina and Kleiner (2015) have identified factors impeding the development of economic education in Russia and put forward a development plan capable of solving the problem with the cargo effect in the current economic education in many universities [6].

Goleman in his research on emotional intelligence has challenged the existing educational paradigm with academics at the core of the traditional education processes and approaches to them stating that possession of certain skills such as good communication, self-control, zeal and self-motivation is a more important indicator for success in life than IQ [7].

Burukina and Yandovsky (2015) have revealed a set of key characteristic inherent in the professional personality developed in the sphere of humanities including tourism industries [8].

In our view, the use of social media can significantly contribute to researchers’ personal and professional development including their communicative competencies as well as leadership, management and organizational skills.

Research Objectives and Tasks

Within an inter-University research cooperation we have been conducting the research project entitled “Konstantin Ushinsky: Linguistic Personality of a Fundamental Researcher in the Neohumanist Educational Paradigm”. As an important part of the project we develop a strategy of using social media in scientific & technical innovative spheres as a globalization product: this strategy is called the Neohumanist Educational Paradigm of Information Society.

The three of the most popular social media platforms used by Russian and foreign researchers to communicate information and to engage with their peers are LiveInternet, Google Analytics and LinkedIn.

The **objective** of this study is three-fold. *First*, it is to examine the legislative, organizational and managerial conditions of the use of social media in the multilingual context of the research both in Russia and worldwide.

The **second objective** of this research is to examine, with the help of two empirical studies, the role of social media in the promotion and facilitation of academic processes in Russian and foreign Universities as well as other institutions of higher education.

The **third objective** of this study targets the improvement of the national and international systems of researchers’ communication through the identification of key generic and professional competencies developed with the help of social media and offering a competency model to be further improved and used in institutions of higher education.

The purposes of the research include the development of a number of guidelines aimed at:

- integration of Russian social media and communications with traditional media;
- integration of foreign social media and communications with foreign colleagues;
- integration of social media and communications with the help of Internet video channels.

The **tasks** of the research include:

- conducting an analytical study of the impact of social media on information processes in scientific technical and innovation spheres;
- analysis of foreign and domestic experience of the use of at least five social media, including international, in the processes of scientific technical and innovation activities;
- compiling a list of typical information processes in scientific technical and innovation spheres, using social media;
- developing proposals for the use of different types of social media in the processes of scientific technical and innovation activities;
- elaborating a strategy for using social media in the processes of scientific technical and innovation activities.

This research is based on a system approach incorporating two empirical studies aimed at finding answers to the research questions outlined above.

The proposed methods are quantitative analysis and auditing of website availability and efficiency which includes counting the number of visitors; the number of pages viewed; average

time spent on a website; the ratio of new and old visitors; traffic sources. In addition, the following methods are employed: the method of event marketing and media releases with research into their validity and sufficiency; the method of content analysis. The latter is aimed at identifying semantic units of content analysis, which can include: concepts expressed in particular terms; themes expressed in whole semantic paragraphs, parts of texts, articles, etc.; the names of people; events, facts, etc.; the meaning appealing to the potential recipient.

The method of content analysis is widely used in psychology, sociology and other fields to analyze open questions of the questionnaires, materials on the observations, results of psychological testing, and the results in the method of focus groups. Similar methods are also used in the studies of mass communications, marketing and many others.

Expected Results

The research is to resolve the following problems:

- the enormous economic potential of the social media to solve urgent scientific and innovative problems has not been identified to the fullest degree;
- non-coordinated, inefficient and routine work of numerous groups and authors from low-level network communications in Russian Federation shows low productivity and does not correlate with the current international experience. However, according to various estimates, they have a considerable growth potential which varies about 50% and has an aggregate socio-economic effect;
- the state and society create significant challenges associated with finding and implementing breakthroughs in science and education, due to the significant geographical and temporal gap between the potential participants of the communicative interaction within the information and discursive processes in the field of scientific technical and innovation spheres, as well as due to the lack of a unified strategy, methodology and technology of crowdsourcing;
- so far, social media have been used in innovative and scientific-technical spheres as tactical objectives at the level of specific solutions;
- methodology and promotion of social media for research purposes are not effective enough to implement projects in scientific and technical innovation;
- insufficient legal and institutional regulation in the sphere of networking due to security restrictions in the author's civil rights and security of the service information;
- conservatism of the mature part of the Russian research community reveals the dominance of traditional, classical methods of experience exchange, primary personal contacts with colleagues at conferences, symposia and other events, which dramatically reduces the possibility of using social networks in the mass practice of scientific technical and innovative activities;
- the fundamental methodological problem of using social media in the knowledge-intensive and innovative activities at the present stage of its formation in the Russian Federation is a contradiction between the intensiveness of the development of information processes and technologies in different areas of social communication, including communication in scientific technical and innovation spheres, and insufficient level of understanding the theoretical foundations and specific methods of social media research from the abovementioned perspective;
- contradiction of opinions on the use of online media in developing the processes of scientific technical and innovation spheres with numerous examples of their application without providing an acceptable way of monitoring and evaluating performance indicators.

Meanwhile, it is possible and urgent to move to a fundamentally new level of social media use for the solution of strategic tasks of contemporary Russian science, which can meet the requirements of two types of society: modern information and post-information developing in the West.

The paramount task of the contemporary research is not only the formation of a positive image of Russian science and popularization of its major achievements, but above all, is the promotion of the creation of common communicative space for Russian researchers, which stimulates the permanent formation of temporary research teams applying the method of "brainstorming" in remote mode to form different kinds, types and genres of collective scientific technical and innovation discourse.

Achievements of the Russian Researchers as Social Media Users

Although network services for scientific purposes appeared in Russian Internet known as Rунet relatively recently, they have already received a wide range of IP-performance evaluations. The range of approaches is quite broad and contradictory: from the evaluation of the content of social networks as information “garbage” to a meaningful study of their characteristics and prospects [9].

Developed and tested at Sochi State Economic University, the cognitive-productive method of implementing the concept of social constructionism training based on the use of network and media interaction (R&D project grant under AVCP “The Development of Scientific Potential of Higher School (2009–2011)” is a significant scientific and practical basis for future solution of the existing problem with the help of a science-based network complex.

The research has revealed the specificity of educational technologies based on the concept of social constructionism, considered with regard to conceptual position of Sochi Linguistic & Rhetorical School [10–13]. Taking into account the achievements of foreign colleagues and the Russian realities of the educational process, this research has revealed a system support of the educational process based on Moodle.

The results obtained with respect to their degree of innovation for education include:

a) brand new outcomes:

- the implementation of the social constructionism pedagogy results in a lower cost of education while creating a more effective system of information provision based on the software;
- reduction of non-productive costs of the resources of educational institutions in the academic processes through the electronic services of accommodation, transfer, management of training elements and analysis of their use by the trainees which contributes to the high degree of potential implementation of the state policy in the sphere of education.

b) new results essential for the modern Russian practice of educational institutions:

- ✓ the proposed foundations of a new educational paradigm as a system of interdependent ideological, methodological and technological approaches contribute to the implementation of the state policy in the field of education;
- ✓ the outlined perspective of this paradigm development takes into account the limited ability of many Russian educational institutions and immediately improves the efficiency of the educational process;
- ✓ the elaborated system models of economic-managerial phenomena contribute to the development of the existing methods of systems analysis.

Sochi State University and Moscow (Senkevich) State Institute for Tourism Industry have gained experience in creation and practical application of open social network communities, including development of the system of education and research. For instance, Associate Professor Dr Yu. Belonozhkin (Sochi State University) is the author of the project network community (<http://elpronet.ru/>) involving to date 1474 participants from managers and teaching staff of educational institutions of the Russian Federation, representatives of the CIS and UNESCO.

Sochi State University has developed an educational web platform based on Moodle LMS embracing a wide range of proven and integrated media solutions including webinars, videoscreening, instructional videos, distant teaching participation, structured networking, collaboration, and virtual reality. These achievements represent the core of practical actions in the course of this project.

The achievements based on the elaborations considered above include the following:

- creating a common space for communication in the social media which is important for the development of scientific, technical and innovation spheres;
- a unified common information space for scientific communication has been constructed and elaborated;
- conditions for finding colleagues researching similar issues have been largely improved;
- conditions for learning about the latest publications on the integration basis of educational content and the subject have been considerably updated;
- the research ability to identify the current trends in the study of the chosen subject and to assess the degree of elaboration are considerably increased and developed;

- young researchers find more and better opportunities to find mentors, advisors and supervisors;
- researchers get more opportunities to contact the colleagues with similar research interests and participate in research programs and grant competitions;
- the possibility of organizing and conducting research mediated by the Internet has been considerably developed and widened;
- researchers' opportunities to access their colleagues' statistics and databases have been largely developed and considerably facilitated;
- high quality learning and education in the field of science have been considerably developed and promoted;
- academic and non-academic opportunities for participants in the project on social media are considerably increased;
- the professional interests of the Russian research community are represented better and at a wider scale;
- popularization of scientific data with Russian population serves the public at large;
- in general, the formation of a common communicative space provides a synergy of information and discursive processes in the scientific technical and innovation spheres, which is beneficial for developing research in Russian and worldwide.

Conclusions

The findings of the project demonstrate that though some research has been conducted to show the high potential of social media and their applicability to the development and promotion of research in various fields of science and academic processes, much is to be done to prove their efficiency. The research outcome also shows that the system of social media use has to be further improved taking into account the researchers' strategies of using social media in scientific and innovative spheres from the perspective of Sochi Linguistic & Rhetorical School and competency approach as well as the current achievements of social media theorists and practitioners. The high public recognition of Sochi State University and Moscow (Senkevich) State Institute for Tourism Industry as initiators of researchers' online communities has been confirmed by opinion polls and ratings as well as the first place award in the nomination of "Innovative Technologies" along with the tenth place of Sochi State University among Russian universities. These institutions are ranked high in applying systems of electronic education essential for meeting the current challenges of the information environment and strive to contribute to the development of Neohumanist Education.

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