

Preface

In the past 10 years, the world has witnessed some significant economic and political upheaval, namely the Global Financial Crisis (GFC) and the Arab Spring. The outcome of these events had impacted people on a global scale. These two cataclysmic episodes are starkly different to one another; one is an economic event and the other is a political event but with similar roots related to governance and fairness. These events occurred in two very different contexts—the epicentre of the GFC was the USA, the EU and Japan (i.e. developed countries) with the potential to affect other countries, whereas the Arab Spring took place in developing countries mainly around the Middle East region. Despite very different characteristics of the two events, there is one element which represents the common cause behind their occurrence, namely failure of the institutions.

As the world was experiencing the resultant turmoil (the aftershocks of which are still being felt), two large Asian countries—China and India—were constantly providing glimmers of hope. The two countries have been praised for their social and economic resilience. China and India were not only growing and developing at their fastest pace during this period but the societies in these two countries characterized by the

largest populations and several diverse cultures were remarkably calm compared to several other smaller nations. It is for these reasons that the prestige of the two countries on a global scale has risen phenomenally in the past decade. This has resulted in a perceptual change among world leaders about the role that the two Asian giants are likely to play globally. The world is thus now talking about the 'coming of the Asian Age' and the twenty-first century is being described as an 'Asian century'.

It is thus an opportune time to assess China and India in a comparative manner through institutional lenses. How robust are various institutional frameworks in these two countries? How have the institutions been transformed over the past few decades and with what impact on the society and business? How efficient and transparent is the market in China and India? The objective of this book is to give readers an impartial and honest account of the institutional and business context of China and India.

We believe that the global euphoria regarding China and India based on macroeconomic indicators such as GDP growth rate and naive assumption of a large population translating into a huge market generate an unrealistic expectation and an illusionary effect, akin to a *mirage*. It is therefore important to have the ability to self-assess because the complexities observed in the context of China and India often allow for multiple interpretations of a singular situation depending on the perspective one chooses to assess. Readers will realize the importance and implications over the course of various chapters. For example, time and again, overseas businesses refer to China and India as a large market, simplistically based on the population count. While several businesses do succeed due to the huge demand of their product and popularity, many others have to face a very different reality for a variety of reasons. It is not uncommon for an overseas company to stop doing business in China and India over questions of viability, citing lack of sufficient customers or excessive competition in the local context that leads to a price squeeze. Such multiple permutations confuse those who do not have sufficient background information and are thus not able to judge and predict business opportunities without a comprehensive understanding of the institutional, social and cultural norms.

The *mirage* effect has proven equally true for several naysayers and doomsday predictors of China and India since they have been repeatedly proven wrong (at least until now), given the resilience observed in the two countries for bouncing back from setbacks and overcoming challenges.

It is for the above reasons that we choose to dedicate this book to develop an intrinsic understanding of the present social and regulatory context in China and India; without having a fair knowledge of these, it is difficult and unnerving to live and do business in such intricate and complex societies. China and India offer immense possibilities of various types to a range of people wanting to live and do business there, but they must also be aware of the challenges that they are likely to confront. The transformation that the two countries have continued to witness over the past several decades makes the following lines from Charles Dickens' famous novel originally published in 1859, *A Tale of Two Cities*, a very appropriate description of current times. The novel begins with a description of the state of London and Paris during the late eighteenth to mid-nineteenth centuries as they were undergoing evolutionary change:

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way — in short, the period was so far like the present period....

As we provide a fairly detailed account of the context in China and India, we not only critically examine social, cultural, historical, political and regulatory aspects in the two countries, but also illustrate the impact these have on the society and business. We situate and embed the present context in the historical background, social setting and cultural norms of the countries. The objective is thus not to simplistically inform the readers of the present characteristics of the two countries' contexts, but to engage the readers and provide a fuller illustration. This

is done with a belief that a broad-brush perfunctory understanding of the context can at best lead to limited abilities to formulate only very generic strategies. In contrast, a well-formed and a deeper understanding of the two societies will allow discerning individuals to appreciate the nuances of business dealings or functioning in the day-to-day life in China and India. This will assist them in making an astute self-judgement about any definite situation, instead of relying on generic and prescriptive approaches that are ambiguous and not grounded in a specific context.

We believe that overseas policy makers, foreign business people, expatriate managers and students of business and the humanities (such as sociology and international relations) wanting to develop a meaningful understanding of China and India will find this book interesting and will benefit from it. The local citizens of China and India may well have a greater awareness of their own local context, but they may be surprised by some aspects that are not commonly discussed or widely known about their own country and the other country (i.e. China vs. India). The principal attraction of this book for Chinese and Indian readers lies in the thought-provoking and debatable comparative account of their respective neighbouring Asian giant. Hence, we have designed, investigated and developed this book for the wide range of audiences in Asia and worldwide.

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