Integration as a Basis for Development of Economic Systems

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Submitted: Sep 25, 2013; Accepted: Oct 27, 2013; Published: Oct 30, 2013

Abstract: Structural balance of an economic system defines its opportunities for reproduction. Nowadays Russia actuality of the problem of structural modification of the economic system is stipulated by the lack of efficient state regulation of the economy. A search for more efficient approaches to provide balance of national economic system enabled the authors to ground economic integration as one of the solutions of the problem. Based on their long experience in research in the field of economic integration the authors identified regularities of its development, which provide efficiency of integrated structures regardless of their organizational forms and industrial peculiarities. The example of establishment of the North Caucasus resort cluster reveals positive impact of integration on development of reproduction processes in the economic system of Russia. In the context of the project there is not only optimum allocation of new capacities in the economic area of two federal districts, but also pursuit of new directions and ways of social and economic development of the country as a whole. The scope and content of the project correspond with the international level. Implementation of the project enables to get about $100 billion annually. Difficulties in implementation of the activities for establishing the resort cluster, according to authors opinion, are conditioned by underestimation of the suggested regularities of integration processes development.

Key words: Economic integration • Economic system • Modernizing the economic structure • Regularities of economic integration • Organizational forms of integrated structures • Tourist and resort cluster

INTRODUCTION

Theoretical approaches to the analysis of integration processes, their organizational forms and efficient models have undergone entirely definite evolution for more than a hundred year period of existence. But investigation of problems of formation and operation of integrated models of business organization very often appeared to be a constituent part of others more common trends of economics theory development or they were closely connected and interrelated with them. To such trends a neoclassic theory should be referred to in the first place. Neoclassics paid their attention to a possible economy from a vertical integration where technological interdependency of production processes of final commodity and their organization beyond unified enterprise is economically inexpedient [1]. M. Greenhut and H. Oht in their analysis of vertical integration drew a conclusion of lowering maximum expenses of integrated firms due to removal of “double markup” that results in reduction of total expenses and lets integrated structure manufacture more products at lower prices.

Evolutional theory, in many respects, increased simulation of developing economic systems from present balanced positions to new quasibalanced conditions, enlarged the investigation level of evolution of organizational forms and institutional changes. Within the bounds of this tendency the investigations of L.Prahalad and H.Hamel[3], can be considered as mostly connected with issues of economic integration and revealing problems of forming the root capacities of corporations.

Neoinstitutional approach to the processes of integration is characterized by much more number of stimuli interpretations for integration. Within the bounds of neoinstitutionalism the following main trends are marked out: theory of property rights, theory of social choice, theory of transaction expenses, theory of agents relations [4]. Integrated corporation structure is
considered not as much as a separate company but as a system of cooperation of managing subjects. The main problem of a firm study becomes explanation of the phenomena of how a firm appears, develops and finally disappears.

Modern approaches to investigation of economic integration are based on regulations of synergic theory of amalgamations, alternative to it – agential theory of free cash flow and the theory of arrogance [5].

Large integrated structures concentrate various resources of economic power applying it actively. So the theory of economic power, presented in the works of A. Movsesyan [6] and G.Galbraith [7], taking into account a resolute component in actions of economic subjects, is considered as the basic one in the analysis of integration processes. Developments in the area of an industry organization and branch economy theory play a great role while investigating integrated structures with relation to their interaction with external environment [8,9].

At the same time insufficient understanding of economic integration regularities and their accounting in the management of integration processes should be noted. And the possibility of applying means of integration in formation of efficient structural policy is very urgent nowadays.

**The Role of Economic Integration in Providing Stability of Economic Systems**: Balanced development is a key practice in the conditions of economic growth. At present there exist disproportions in the development of branches in Russian economy: high concentration of industrial production in basic branches is recorded, more than two thirds of Russian export fall on fuel and energy complex; the share of infrastructural branches in GDP is low. It goes without saying, that such tendencies limit the potential of Russia and do not contribute to the positive dynamics in future prospect. The development of integration process on a systemic basis should be considered as one of the solutions to this problem.

The forecast of the economic development till 2020 – 2025 supposes its structural changes, but even in the plan indicators of optimistic version the preservation of disproportions in economic structure and in its raw materials orientation is clearly seen (fig.1 and 2). Insufficient changes in quantitative parameters of predicted economic grows stipulate the energy and raw material shift in the economy specialization and run the risk to keep Russia as global supplier of energy, raw materials, financial capital (export of capital). The share of energy and primary recourses in the export of the country achieves 65 – 70 % and due to forecast data considerable structural changes are rather problematic.

There’s no doubt that the solution of these problems is possible, in the first place, on the basis of restoration of full value functions and the system of strategic planning in governmental acts. Absence of considered and organized system of state forecasting and planning postpones the necessary modification of economic structure for an indefinite period of time. In such conditions a number of measures on managing branch structure of production, territorial arrangement of productive forces of society, optimization of regional structure, development of infrastructure, stimulation of interindustrial cooperation, formation proportions between business and state sector (i.e. basic measures of structural policy) may be realized on the principles of economic integration development in the form of various integrated structures (I S).
Economic integration – is the processes of mutual adaptation of separate managing units leading to formation of the system of arranged relations between them. The system of arranged relations between managing units is characterized by the presence of more or less long-term relations strictly regulating participants’ actions on fulfilling common tasks and contributing to organizational execution of their activity [10].

The processes of integration development for its formation should be based on objective theoretical programme which is being developed due to the strategy of organizations – counterparts and local conditions taken into account.

The integration development may be executed in two directions. The first one is characterized by establishing relations on the principles of association (from Lat. Association – connection) and the second one on the principles of agglomeration (from Lat. Agglomerate – incorporation, accumulation).

Corporation on the principles of association assumes preservation of economic autonomy of counterparts based on the property of production means and organization of production. Thus managing unit – counterpart is not subjected to any other managing influence except the one which is supposed by it itself. Corporations on the principles of agglomeration are formed as a result of partial or full centralization of capitals of integration units. The process of formation of new structures is accompanied by the process of production concentration. In this case the so called organizational concentration, which arises from the result of consolidation of enterprises or incorporation of the one to another, takes place. Essential difference between consolidation and incorporation as the forms of integration of enterprises is not observed. Incorporation may be “friendly” if there is a consent of directing bodies of enterprises-counterparts. If there is no such a consent the process of incorporation is of “a hostile” character.

From the point of view of organizational execution the corporations of units may have the following forms. Associations and units, strategic alliances, consortiums cooperative societies, clusters, state-owned and privately-owned partnership may be regarded as corporations on the principles of association.

Principles of agglomeration act while starting-up holdings, financial and industrial groups, corporation of organizations on the basis of mechanism of financial participation and their complete consolidation.

Integration in modern practice of management by economic systems in regional as well as in branch aspect is an objective process based on economic expediency and motivation of organizations-counterparts, which entry into integrated structure is determined by the following factors:

- Opportunity of development in the long-term prospects;
- Lowering the risk;
- Economy at the scale of production;
- Deficiency in the chain of value creation;
- Joint activity;
- Access to technologies, markets, resources;
- Expectation of management;
- Opportunity of “sound” competition;
- Limitation of influence of unfair competition.

Sources of resource economy and raising the efficiency of unit actions entering IS are:

- Multipurpose joint utilization of productive capacity;
- Concentration of marketing network;
- Intracompany transfer of information, technical and managerial experience;
- Multilateral training of employees;
- Synergism.

**Regularities of Economic Integration Development:** It is necessary to estimate the position and plan the tendencies of economic integration development, separate subjective factors from objective opportunities on the basis of revealing and studying its regularities. Regularity is a complex of interrelated, in content, laws providing a stable tendency or direction in system changes. If the law expresses specific necessary connections between phenomena, then the regularity indicates correctness, successions of phenomena, confirms that the given phenomenon is not casual, it characterizes the necessary, specified by definite reasons, process in which the complex of laws may act.

At the modern stage of economic integration development we may say about the following main regularities.

The character of integrated units determines the character of integrated relations between them. In the basis of this regularity acts the law of relations conformity of units to essence of units. Every unit of integration is
characterized by quantitative and qualitative parameters, internal arrangement, mechanism of functioning. The position of these system characteristics of units determines the structure and content of integration mechanism between them in the part of formation of management system, exchange-distribution and price relations.

Influence of formation conditions of integrated relations on their character. Micro- and macro environment where the formation of integrated relations takes place, determines their quality and potential opportunities of development.

Interrelation of form and content of integrated contacts. This regularity is based on the law of tendency to adequacy of form and content. The form of integrated contacts is determined by legal, organizational, property, managerial regulation of integration unit activity. The content of integrated contacts characterizes the way of interaction of integration units. Practically this regularity is displayed, for example, due to every organizational form of integration of definite economic mechanism of its functioning.

Limitation of forms of integrated interaction at unboundedness of integration units. In the frame of this regularity it is advisable to investigate the law of surplus of system elements at minimum number of organization variants. At integrated interaction such regularity appears in use of equal forms of production organization under different conditions and for different units of integration. The composition of integration units determines specific character of integrated structure, but not the way of its organizational formation.

Properties of integrated structure differ and quality in exceed the sum of properties of its integration elements-units. Demonstration of integrated structure properties at a new qualitative level is specified by the action of the law of synergy. The following demonstration of integrated formation properties is naturally determined.

The Property of Integrity: As a result of interaction of all resources forming the structure, additional types of resources appear and the degree of their utilization increases. So the effect of integrity, evident in appearing new properties which every separate kind of resource does not possess, is achieved.

The Property of Adaptability: Extension of adaptability of integrated structure to the conditions of the environment is a logical phenomenon specified by the following factors:

- Extension of maximum opportunities to respond adequately to disturbing impact of the environment by forming additional connections inside and outside it;
- Appearance of ability to change the conditions of the environment so as the change of its own behavior wouldn’t be determinative, i.e. integrated structures are able to adapt to it selves the conditions of the environment for achieving the formulated purposes;
- Integrated structure has such measure of adaptability that on the one hand it does not prevent from progressing dissipative processes and on the other hand provides stability when they appear.

The Property of Flexibility: This property by nature of its manifestation is connected with the property of adaptability and reflects ability of I S in proper time to respond to changes of conditions in its inner and outer environment.

The property of flexibility of integrated structure additionally acquires new features which are manifested in the extension of the sphere of flexibility and increase of the speed of reaction to changes.

The Property of Complexity: Integrated structures are characterized by the following signs of complexity which allow to speak about its formal growth. On the one hand we can observe the increase of quantity elements of I S and their connections which are in greater degree are horizontal between subdivisions that it makes it necessary to coordinate their activity. On the other hand the peculiarities of such interrelations control lead to decrease of hierarchy of control that causes the growth of the discipline and controllability of the system on the whole. Besides studying one of the complexity signs such as quantity of factors of stochastic character specific for integrated structure we should note their decrease due to improvement of relations between units of integration.

The Property of Coherency: Integrated structures have greater level of coherency than incoming units as on the basis of resources exchange and accordance of interests on various parameters the increase of their interdependence takes place.

The Property of Divisibility: In the frames of integrated structure this property is manifested in greater and more intensive degree owing to possible changes of integration unit structure and increase of the level of freedom for the process of divisibility due to vertical as well as horizontal sections.
The Property of Purposefulness: Integrated structure is characterized by a higher degree of purposefulness which is specified by the following conditions of the life security system.

- Coordination of purposes of integration units;
- Providing resources for purposes realization;
- Introducing the system of control for purposes realization.

Though it is typical for integrated structures to raise the multiplicity of purposes determined by the quantity of integration units and their specificity, the main thing there is not the number of purposes but the essential condition of their coordination.

So we may say that integrated structures have acquired new integrative properties and this process is of regular character.

Regularity of Integration Development: Manifestation of this regularity is an effect of work of the system - genetic law. Thus the process of integration development has regular character in the following directions.

- Regular process is the process of development of integrated structures which characterizes their life cycle. Structural aspect of cycle coincides with common approach of determining main stages in the process of organization development. But the content aspect has a number of fundamental peculiarities caused by specificity of IS. Peculiarities of sectoral production also determine originality of integrated structures development in various spheres. The character of conditions change process is most brightly expressed at the first three stages of IS life cycle.

Stage of Creation (Phase of Business): The foundation of company management, determination of fundamental strategic directions of activity and formation of economic mechanism of a new structure take place at this stage. The stage of creation in the life cycle of IS is characterized by stabilization of integration units activity and their adaptability to a new conditions of economic management.

Stage of Growth (Phase of Collectivity): In the life cycle of organization this phase is connected with its economic growth. Integrated structure provides economic growth by studying market resources and use of competitive advantages. The strategy growth may be realized according to three main directions:

- Intensive growth – use of resources at existing levels of activity.
- Integrated growth – use of integration resources with other elements of the sector marketing system.
- Diversified growth – use of resources beyond the sector.

At this stage as rule the final formation of IS productive and financial infrastructure takes place. The structural reconstruction of subdivisions is aimed at the maximum agreement with corporative interests and leads to formation of organic integrated structures. The type of control must provide maintenance of effective activity with simultaneous planning of the future and balance between stability and changes.

The Stage of Maturity (Phase of Formalization, Control and Working out the Structure): This structure is characterized by stability and efficiency of innovations. The structure of integrated formation becomes more integrated and well-tested. The principle regard of the governing body is concentrated at providing strategic capacity of IS and preservation of stable position at the market. It’s necessary to remember that business does not move along the straight line. It goes either down or up. And there’s no other variant. So at this stage the governing body of IS should look for new trends of development.

Process of IS development has artificial and natural limits:

- Limited educational capabilities of governing body;
- Limited abilities of participants to establishing efficient interactions while working together;
- Limited abilities of prognostic thinking of governing body;
- Limited possibilities of transfer of knowledge and technologies; historical traditions;
- Artificial restrictions (interaction with authorities, economic situation in the region, existing system of crediting and taxation, etc).

It should be noted that effect received during the first years of IS establishing reduces in the period of maturity.
Table 1: Dynamics of production realization in the biggest integrated companies of Russia

<table>
<thead>
<tr>
<th>No</th>
<th>Name of companies</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Volume of Balance profit</td>
<td>Net profit, mln. rub</td>
</tr>
<tr>
<td></td>
<td></td>
<td>realization, mln. rub</td>
<td>mln. rub</td>
</tr>
<tr>
<td>1</td>
<td>Gazprom</td>
<td>215211.0, 856065.0</td>
<td>633345.0</td>
</tr>
<tr>
<td>2</td>
<td>Oil company &quot;LUcoil&quot;</td>
<td>1482915.4, 278887.8</td>
<td>203490.0</td>
</tr>
<tr>
<td>3</td>
<td>Oil company &quot;Rosneft&quot;</td>
<td>588119.7, 113246.4</td>
<td>96062.3</td>
</tr>
<tr>
<td>4</td>
<td>RRW</td>
<td>848947.8, 59162.5</td>
<td>26410.0</td>
</tr>
<tr>
<td>5</td>
<td>TNC-VR</td>
<td>602693.5, 236362.7</td>
<td>174260.7</td>
</tr>
<tr>
<td>6</td>
<td>Sberbank</td>
<td>389011.0, 109020.0</td>
<td>82804.0</td>
</tr>
<tr>
<td>7</td>
<td>AFC &quot;Sistema&quot;</td>
<td>295359.0, 57932.7</td>
<td>22105.6</td>
</tr>
<tr>
<td>8</td>
<td>Surgut-neftegaz</td>
<td>526632.7, 110093.3</td>
<td>79868.9</td>
</tr>
<tr>
<td>9</td>
<td>AC “Transneft”</td>
<td>202427.0, 80829.0</td>
<td>54861.0</td>
</tr>
<tr>
<td>10</td>
<td>Holding MRSC</td>
<td>559495.6, 46536.8</td>
<td>22167.4 (2010)</td>
</tr>
</tbody>
</table>

- The rise from the simplest forms of interaction to more complicated is naturally determined (regularity of developmental development of interaction forms. By this regularity only separate phenomena in the area of integration but not the character of interaction as a whole can be explained. It is confirmed by practical activity of some integrated structures. On the one hand it’s not obligatory that the lowest forms of interaction (for example, interaction on contractual basis) are the evolitional stage of integration development and they do not often transform into complicated ones. On the other hand it is the environment, in which integration develops, has an utmost importance in the process of evolution. That’s why under certain conditions qualitative jumps, when a quick raise on evolitional stages occurs and the highest forms in the shortest possible time appear, are possible. Besides, the experience of many IS shows that their development occurred without evolitional transition from the simplest forms to more complicated ones.

North Caucasus Tourist Cluster as an Efficient Model of Economic Integration: At present time integrated structures become more complicated not only in the scale of activity but also in the connections and their role in solution of social and economic problems at different organizational levels. "National champions" in the area of development of integration processes due to this criteria are OJSC “Gasprom”, holding “LUcoil”, NC “Rosneft”. The potential of influence of these integrated formations on economic processes is considerable and has an evident tendency to growth (Table 1). Besides the biggest part of them belong to export- oriented raw materials sectors.

In the context of initially marked problem of disproportions in economic system of Russia, we note an evident significance of integrated processes in these spheres and we’d like to draw attention to the development of economic integration in the areas where the growth will allow to level the consequences of ineffective structural policy. Tourism may be referred to such spheres of activity. The process of revival and development of North Caucasus tourist and resort cluster is the greatest demonstration of action of mentioned regularities of economic integration.

Today tourism is the third in size sector of global economy. In the year 2011 the volume of tourist sector made up 6 trillion dollars which is equal to 9% of world GDP [11]. By the year 2022 the volume of the sector will have come to 10 % of world GDP or 10 trillion dollars and number of job vacancies – 10 % from the world level.

In Russia tourism brings 3,4% of the country’s GDP. Having an enormous tourist potential in the country, internal Russian tourist flow in 2011 brought 216 billion roubles. For comparison we should note that in USA economy the income from the tourist and recreational services and goods exceeded 1 trillion dollars in 2011 [12].

To create more favourable conditions of positive dynamics in tourist sector and attract investments, system measures on development of integrated processes should be considered. In this context the process of construction or to be more exact reconstruction, in new conditions and at a new level, of North Caucasus tourist cluster as a part of Caucasian one, as it was in the USSR is very urgent. The outlines of integrated structure were determined by the Decision of the Government of the Russian Federation from the 14th of October 2010 # 833 provide realization of a number of measures for creating the tourist cluster in North Caucasus federal district, Krasnodar region and
Republic of Adygei. There are five mountain resorts of world class included in the structure of cluster according to the project: “Lagonaki” (Krasnodar region and republic of Adygei). “Arkhyz” (republic of Karachai - Cherkess), “Elbrus- Bezenji” (republic of Kabardino- Balkaria), “Mamison” (republic of North Ossetia- Alaniya), “Matlas” (republic of Dagestan), “Tsori” and “Armkhi” (republic of Ingushetiya) [13].

The total cost of only the mountain- skiing project is evaluated in 451 billion roubles. The project is supposed to be financed on the principles of state and private partnership. The state invests through OJSC “Resorts of North Caucasus” about 60 billion roubles in transport and municipal infrastructure. Private business finances mainly its own objects of tourist-resort infrastructures. The sums will undoubtedly be changed but the proportion one to seven is supposed to be left (1/7 – state investments, the rest – private investments). It’s quite clear that at the stage of developing the project these figures are rather conditional. When the main objects of infrastructure are designed and all necessary expert reports (ecological, technological, state examination, etc.) are carried out there will be the whole idea of financial parameters of the project.

According to the preliminary evaluation (Ministry of Economic Development RF) the objects of external infrastructure will cost about 123 billion roubles. But as the experience shows (example – construction of infrastructure of the resort “Arkhyz”) initially planned expenditures, while realizing, are doubled.

Analysis of the development functional forms of North Caucasus cluster functional form at the expense of resources of republican and regional subjects of RF, which came into project under control of OJSC “Resorts of North Caucasus”, shows that it has everything necessary for good prospects for creating here one of the most powerful tourist and recreational sites of integrated type in Russia.

At the same time as the analysis of realization process of North Caucasus project on creating the tourist cluster shows there are a number of problems which must be solved according to mentioned regularities of economic integration. The personnel shortage of the project, safety of its realization, limited financial opportunities of small and middle-sized business as the participants of the project should be referred to such problems. Besides the lack of development of demand formation system of the native consumers for these tourist products causes the low interest of the Russian regions – providers of tourists flows to North Caucasus.

An inadequate correlation of decisions taken at the federal level with the promotion of formation process and development of North Caucasus tourist cluster takes place.

But in spite of all mentioned problems North Caucasus tourists cluster has favourable prospects. They arise from a steady growth of world tourist flow on the one hand and from the unique tourist resources of North Caucasus on the other hand.

Regularity of tourist cluster development displays in keen interest of a number of developed countries as the participants of integrated structure.

Formation of joint venture with France - Caucasus (“affiliate” Caisse des Deports et Consignation) is completed. The authorized capital of JV will make up 10 mln. euro, where 51% - the share of OJSC “Resorts of North Caucasus” and 49% - of French party.

Agreement on cooperation with leading Austrian companies and OJSC “Resorts of North Caucasus’ has been signed.

Russian – Korean joint venture “Eurasia Energy Holdings” was registered at the beginning of 2012. Its main task – energy supply of being under formation tourist cluster. The volume of Korean business investments will make up 1 billion dollars: 50% in authorized capital of JV - share of OJSC “Resorts of North Caucasus” 40% Korea Western Power, 10% CHT Korea. The Koreans will construct coal, sun and wind electric power stations and purification plants.

During the visit of Italian prime-minister Mario Monti the agreement on investments on a record sum was signed. About 1 billion dollars for developing North Caucasus will be allocated by Italian party in the form of credits. It’s a group of companies de Eccher. It constructs tourist objects around the world. The biggest hotel network “Radison”, Savoy” and others belong to them.

Special attention should be paid to the position and participation of the Chinese party in the project. Today China becomes one of the biggest foreign investors in North Caucasus. In the period of three years about 3 billion dollars will be invested in the development of resorts at the Caspian seaside. Practically it is the sum which other foreign investors: France, Korea, Singapore and others are going to invest at present.

It is planned that resorts coming into North Caucasus tourist cluster will have worked at full capacity by the year 2020. The total cost of the project makes up approximately 13 billion dollars. Russia has already invested 2 billion dollars in the development of the initial infrastructure. Besides all tourist complexes come into special economic
zone, where for native and foreign investors exists the loyal system of taxation and state guarantees: in the case of force majeure up to 70 % of investments will be compensated.

The launch of stable reconstruction of North Caucasus regional tourist cluster is the problem much more complex than just a project or a construction of several mountain – skiing complexes and health resorts at the territory of some subjects of RF in North Caucasian region. What is at issue is creation and realization of technically complicated and rather science intensive integrated structure, which demands considerable methodological and technological study, but is a brilliant illustration of positive influence of economic integration on structural changes in economic system of Russia.

CONCLUSION

Possibilities of development of economic systems are firstly identified by their structural balance. In the practice of national and regional economic system management state regulation is suggested for maintenance of reproduction proportions. However lack of development of structural policy is stipulated by the necessity to search for those means and ways of management which result into structural modification of the economic system. This issue is especially topical for Russia. One of the instruments for its resolution is economic integration, management of which should be implemented by taking into consideration the regularities of its development.

The experience of establishment of the North Caucasus resort cluster reveals positive impact of economic integration on the balanced development of industries in the national economic system of Russia. Implementation of the projects enables to get about $100 billion per annum. However effectiveness of the integrated system requires to take into account the designed regularities of its development.

Findings:

- Economic integration as a phenomenon is a subject for investigation in the context of general trends of economic theory. Regularities of its development are not studied enough though their accounting allows to provide efficiency of integrated structures.
- Formulated and grounded regularities of economic integration are of a universal nature and can be applied as the means in management of integration processes in different branch and territorial economic systems.
- In modern conditions economic integration should be considered as a way of realization of structural policy.
- Formation of North Caucasus tourist cluster demonstrates a positive influence of integration on progress of reproduction processes in economic system of Russia. Complications at while realizing the project are determined by underestimation of developed regularities of integration processes growth.

REFERENCES