

Management Functions of Integrative Formations of Differentiated Nature

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The paper displays aspects of implementing functions of managing the subject of joint exercise and differentiation of powers among the Eurasian Union members. Basic stages of economic and political integration are shown. The necessity to develop the above group balance for proportional participation of states in the structure under study is shown. Directions of management improvement of the formation when being expended are defined.

Key words: Management, Region, Structure, Function, Power, Bloc formations.

Consolidation of states in various trading blocs is one of the key processes of globalization. The European Economic Union and the World Trade Organization illustrate it. The example of such trading integration in post-soviet states is the formation of the Eurasian Economic Union that will include member countries of the Customs Union: Russia, Kazakhstan and Byelorussia. We set such terms as “absence of distinct interrelation processes”, “fuzzy objectives”, “non-availability of supernational controlling bodies” within the counter-productive interpretation of this process. In order to maintain high tempo of trading integration of member countries, it is necessary to get an idea of the current integration processes as a single innovation project characterized by the compliance with the principles of contemporary methods of structures management.

Level of the topic scientific development

A considerable number of issues related to structures management touches upon aspects of the labor markets and specialists that are in

demand. The author A.B. Maidyrova considers the objective laws of the establishment of regional labor potential as a derivative of the human capital assets as exemplified by the Republic of Kazakhstan. V.Yu. Cheremnyh gives a general summary on the demographic situation in the Eurasian territory and formulates promising directions of policies in relation to labor resources. I.E. Zolin refers to specific principles and forms of state regulation of the labor market. The researcher S.S. Karzhaubaev analyzes the dynamics of qualitative characteristics of labor resources as exemplified by the Republic of Kazakhstan and makes an attempt to define possible tools of the policy impact in the world of work and occupation on youth's motivation system, selection of career priorities. M.M. Khasanov and I.K. Ahmedov study the development of human potential theory emphasizing its correlation with the notion of human capital assets. N.I. Koniukova estimates the productivity of using labor resources in Eurasian countries. E.S. Sitnikova considers an important aspect of human resources management and refers to practices of people's social protection. This research lays emphasis to zones of risk where social groups that are not efficiently integrated in labor markets are formed. E.I. Mazilkina and L.A. Olkhova touch upon such an important aspect of

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Eurasian integration as labor migration.

Research methods

The application of the method represented as an algorithm of analysis of vertically integrated structures allows to efficiently see the possibility of obtaining competitive strengths during formation of the final products price on the basis of objective information. It will allow to make the reasonable decision about forming a vertically integrated structure. This methodology consists of 3 basic stages, including

- 1) Estimation of potential efficiency of the vertical integration in a relevant industry,
- 2) Estimation of the most preferable enterprises to be included into the vertically integrated structure, and
- 3) Monitoring of the formed vertically integrated structure functioning.

This research studies the first two stages.

Principal results of the research

CES – particularly taking into account the potential of expanding this bloc – has essential impact upon the process of connection. The CES formation is based on principles of split-level and multispeed integration... Because the state sector is above 75% of the Byelorussian economy, it was assumed that among three countries of the EurAsEC Customs Union, the transfer to CES would be especially difficult for this country. Consequences for potential members – taking into account their peripheral state – can be even more destructing. It is enough to compare GDP per capita: on the one hand, Russia (2012 – above USD 14 thous.) and Kazakhstan (above USD 12 thous), on the other hand, Armenia (USD 3,350), Kirgizstan (USD 1,160) and Tajikistan (USD 870)... In 2013 the level of unemployment in Armenia became considerably better as compared with the parameters of 2004 when 31.6% of its employable citizens could not find a job. This level was “only” 18.5%, however... it exceeds the Russian level (5.7%) and the Kazakh one (5.3%) more than three times and, all the more it cannot be compared with the “fantastic” Byelorussian one that is -0.6 %...

The use of the “coordinated policy” term itself says about the hardness of transfer to a unified taxation, money and credit and monetary and financial policy (Abramov, 2009).

When studying the issues related to

convergence and divergence in classical works on integration theory, we paid attention to a number of potential threats related to consequences of removing external-economic barriers between the countries that are characterized by noticeable differences in their levels of social and economic development and current national law. Among others, such negative consequences include intensification of influence of capital and knowledge-consumptive factors of competitive advantages for some countries, and natural and resourceful and laborious ones for others (works of Ya. Vanek and E. Rignert). Accordingly, the first ones form economic clusters with the increasing return, while the second ones form clusters with the decreasing return. In addition, encumbrance of free movement of capital, knowledge, and production that “strive” for spatial concentration can contribute to the strengthening of negative features of “Center – Periphery discrimination system” (“School of Simultaneous Convergence and Divergence”: P. Krugman, R. Lukas, D. Puga, P. Romer).

Accordingly, to a greater degree the capital can concentrate on more developed parts of the integration union (peculiar concentration nuclei), even if the interest rates can be higher in the economic periphery. Thus, a number of factors influence so that inequality of members that exists at the moment of creating the integration group can be not only assigned but even strengthened. There is no single view on the level of divergence between the dynamics of social and economic differentiation among members of regional economic unions and accordingly success of their functioning. In spite of this fact, economic theory assumes inequality of member countries’ development levels as a background for forming unions. In any case along with the conditions of “multispeed” and “multilevel” integration, measures on both strengthening the influence of convergence factors and decreasing the level of influence of “exfoliation” (divergence) factors require efficient organization that corrects the activity of non-state governance (Petersen, 2011). At the present time the EEU supernational highest body controls 170 functions of the union. Seventeen basic agreements were signed before the beginning of 2011. The first ones were signed by Prime Ministers on 18-19th November 2010 (Hale,

2015):

- a) On single principles and rules of technical regulation in the Republics of Byelorussia and Kazakhstan and the Russian Federation,
- b) On cooperation related to counteraction towards illegal labor migration from third states,
- c) On legal status of migrant workers and their families' members, and
- d) On providing access to services of natural monopolies in the area of electrical energy industry including basics of price formation and tariff policy.

It was on December 9, 2010 when the remaining international agreements belonging to the package of CES contractual basis were signed by Presidents of member countries including

- a) On agreed macroeconomic policy,
- b) On agreed principles of currency policy, and
- c) On creating terms and conditions on financial markets for securing free movement of capital.

Ten more documents that complete forming the whole package of documents of the CES contractual basis were signed on the level of Vice-Prime Ministers (Dragneva & Wolczu, 2013):

- a) On single principles and rules of regulating the activity of natural monopolies,
- b) On single principles and rules of competition,
- c) On single rules of providing industrial subsidies,
- d) On single rules of state support of agriculture,
- e) On state (municipal) purchases,
- f) On selling services and investments in member countries of the European Economic Space,
- g) On single principles of regulation in the area of security and protection of intellectual property rights,
- h) On the procedure of organizing, managing, functioning and developing of common oil and oil derivatives markets in the Republics of Byelorussia, Kazakhstan and the Russian Federation,
- i) On rules of access to services of natural monopolies' subjects in the area of gas transportation through gas-transport

systems including basis of price formation and tariff policy, and

- j) On regulating the access to services of railway transport including basis of tariff policy.

Along with this, the analysis of the practice related to applying the customs legislation of the Customs Union (CU) and Common Economic Space revealed the collision of legal norms of the CU Customs Code and other acts. It actualizes the completion of works on codification of international agreements that makes up the normative base of the CU and CES by 2014. This base will serve as a legal background for transferring to the next level of developing the integration union that is the Eurasian Economic Union. A similar union formation is a project of the confederate union of states with a unified political, economic, military, customs, humanitarian and cultural space of the established model of the supernational union that can become an all-sufficient market and one of the geopolitical poles of the world (Abramov, 2014).

As a whole, the plan of events on consummating agreements within the Common Economic Space for 2011-2020 includes 111 items. Along with this, 13 international agreements and 40 other international regulations are to be signed during the period of 2011-2015. In addition, in the nearest several years almost 70 new agreements are supposed to be elaborated within the development of the whole normative base of CES. A number of agreements, above all in the area of macroeconomic regulation and financial policy bear a truly revolutionary character for the established economic models of the countries forming CES (Dedkov and Shcherbin, 2014).

Along with this, according to a number of experts, at the present time in order to exasperate the dynamics of integration processes, "it is required to simplify and speed up the procedures of making decisions within the CU and CES". Due to this, it is the most rational to adapt the use of the European Union' experience. However, under the conditions of the world financial crisis and exasperating the globalization processes, the "European" integration scenario that assumes gradual rapprochement requiring 11 years just for the establishment of the Customs Union, 34 years for forming the common market and 40 years for

forming economic and currency union is “not efficient and even dangerous”. According to E. Yatsenko, a member of the Expert Board of Kazakhstan and Russia, it is necessary to get a scenario of the “integration jerk” during 5-10 years “aiming to prevent separating countries to peripheries of integration projects of other global players” (Blackmon, 2011).

As a result, “the integration process organized rationally allows to achieve synergetic effect from confederating”. Accordingly, multispeed integration “means that every state individually defines the moment of joining an international agreement” (Sidorova, 2014). In its turn, it causes different level of integration for various countries: “member countries are in the state of different levels of the integration cooperation” moving to the next level after fulfilling all requirements of the previous stage of the integration process. However, projects of the Common Economic Space can be efficiently implemented in the contemporary format of three countries even in case of refusal of separate member countries of the CIS to join the CU and participate in the work on forming CES or absence of their consent to exceed the scope of free-trade zone (Ledeneva, 2006).

In this case it is possible to implement the project on integration with the EurAsEC on the legal base of the CES that requires the implementation of a large number of events aiming to solve legal, institutional, technical, and organizational and procedure issues.

As a whole, the history of the European Economic Space development on the territory of the former USSR traditionally notices five stages that are logically interdependent and established rather consistently:

1. 1993-1999 – preparatory period of the CES.
2. 1999-2003 – period of the CES occurrence.
3. 2003-2009 – period of the CES formation.
4. 2010-2011 – period of CES transformation and active development.
5. Since 2012 – period of the CES operation.

Every stage assumed solving some tasks aiming to achieve basic goals of the Common Economic Space:

- a) Efficient functioning of the common (internal) market of goods, services, capital and labor,

- b) Creation of terms and conditions for stable development of structural reorganization of the parties’ economy in the interests of increasing the level of their population’s life,
- c) Pursuing agreed taxation, money and credit, monetary and financial, trading, customs and tariff policy,
- d) Development of unified transportation, energy and informational systems, and
- e) Establishment of the unified system of measures of state support for developing top-priority areas of economy, production and science and technology cooperation (Coulibaly et al., 2012).

Eventually, according to S.Yu. Glaziev, “Economic substance of integration is the union of national economies in a unified reproduction complex”. Along with this, the economic science still does not have unified approaches to estimating effects related to integration processes of regional economic unions of various levels of maturity.

Today basic constituents of the Common Economic Space of the EurAsEC countries include (Abramov, 2009):

1. Customs Union (freedom of commodities movement).
2. Coordinated economic policy.
3. Coordinated macroeconomic policy.
4. Coordinated investment policy.
5. Coordinated budget policy.
6. Regulation of access to services of natural monopolies.
7. Development of the real sector of economy.
8. Freedom of capital movement.
9. Free movement of capital on the Community territory.
10. Coordinated mechanisms of regulating the capital movement in relations with third parties.
11. Freedom of services movement.
12. Coordinated policy on the access of services on the market in relation to third parties.
13. General regulations of services trading on the territory of the Community.
14. Freedom of labor force movement.
15. Coordinated migration policy in relation to third countries.
16. Unhampered movement of individuals and their labor activity within the EurAsEC.

Experience has shown that during the evolution “successful” regional economic unions are inevitably transformed into both political ones and confederation-type ones. Thus, it is obvious that, for example, to a specific degree the selection between eastern and western unions for Ukraine bears political character. However, preferences for citizens of the EU and Customs Union are determined by the rules of geo-economical (geopolitical) game. Once again the attitude of the Western countries, in particular the EU ones, to the events in Ukraine demonstrated a peculiar “dualism” of the pursued policy of the North Atlantic Community within the “Eastern Partnership” program. Geopolitical appetite of Western partners is obvious. They are not ready to pay for it with today’s geo-economic losses even having a hope to receive potential dividends related to the “disengagement” of Ukraine from re-integration processes on the former Soviet space. The EU is not fast to find funds for adequate financial support of even this “geopolitical disengagement” (Baidinov, 2014).

Industrial policy can become a separate tool. Industrial policy is a part of common economic policy (Belobragin, 2014). Its concept is widely discussed in economic science and practice. Industrial policy is understood properly and in a loose sense. In a loose sense industrial policy is understood as a branch formation, with its essence being the specification of the common structural and economic policy in relation to specific areas of industry. Properly it is understood as state support for the area. We think that the most accurate definition is as follows: industrial policy is a set of events of state regulation over economic processes in sectors of the national economy and corporate level aiming to stimulate the innovation activity, economy restructuring and economic growth.

In today’s practice the most widely used tools of industrial policy include state investments, tax concessions and import duties (Bodin and Bondarev, 2014). Such ways of rendering assistance to specific industrial enterprises as subsidies, regional budgets security loans and official tax deferments, transfer of state property are also used. There are also more complicated tools of industrial policy: special economic zones and industrial parks. There are two types of industrial parks: universal and specialized. In

universal parks enterprises are not connected by a unified technological chain. The specialized park functions on the basis of comprehensive construction of the final product. For example, about 150 enterprises work at the KAMAZ industrial park. The Japanese Toyota industrial park includes 30,000 small enterprises. Nevertheless, international experience says about the decrease in these tools efficiency. It is explained by the fact that industrial parks must be based on the best infrastructure and advantages of regional tax. But if the number of industrial parks is bigger than that of industrial investors, technoparks disappear.

A higher level of industrial policy elements organization is represented by the industrial clusters that nowadays contribute to the development of regional economy. The notion “cluster” means the union of companies for participatory development. Industrial clusters are locally united groups of small, medium-sized and large enterprises that produce additional products and specialized universities, research institutes, etc. (Urudzhev, 2014). The “cluster” concept was introduced by Michael Porter in 1990 in his work “The Competitive Advantage of Nations”. Having analyzed the development of 10 industrialized countries, Michael Porter discovered that the occurrence of clusters was an important element of economic development. More and more often economists recognize the point of view that regions that are formed on the territory of clusters can become leaders of the country economy. These regions start defining the competitiveness of the national economy. And geographical places with no clusters fade into insignificance (Rybakov, 2014).

The cluster approach is reflected in the concept of long-term social and economic development by 2020 that points to the development of 25 innovation regional clusters. They are supported by the government within providing regional budgets with subsidies, provide informational support within federal target programs and the state, involve state organizations into work, and stimulate the development of large state companies that implement innovation programs of development.

The Kaluga Region, which produces cars and automobile components that became the basis

for such companies as Volkswagen, Volvo Truck, Peugeot-Citroen and Mitsubishi Motors alliance, can be an example of the developing cluster in Russia. But such clusters are solitary. Their role in economy is not important. Economic growth in Russia basically depends on its regions. Many of us make an attempt to attract investments including the Pskov Region. Projects in the timber industry and agriculture are implemented there. It is planned to establish a special federal economic zone of the industrial and production type "Moglino" located 8 km from Pskov. This area requires the total volume of investments in the approximate amount of RUB 50 bln. It is planned to organize the development of electronics and electrical goods in the industrial park. In addition, there will be a logistic company, services and production of machines and equipment. Taking into account the fact that Pskov is situated closely to Saint-Petersburg and the capacity of industrial objects in Saint-Petersburg, including chains, is already limited, some part of products will be in the Pskov Region. Due to the availability of a specific economic zone, a project of comprehensive territory development will be implemented. Thus, production, house-building and new social infrastructure starts being developed outside Pskov.

Alfred Chandler, an outstanding economist, introduced the law of economy development: innovation will not change the world; it will be done by investments. Until now the main problem of industrial enterprises is great wear and tear of equipment and obsolescence of fixed assets. In some regions amortization of fixed assets reaches 50-75%. But at best investments in the industries of the majority of enterprises are used for replacing the obsolete equipment, i.e. only the current situation is focused on, but not the future. It does not allow Russian companies to produce products of high level that meet international standards (Simachev, Kuzyk, Kuznetsov and Pogrebniak, 2014).

It is not accidentally that the West negatively perceives the process of forming the Common Economic Space and calls it a "new USSR". The statement of H. Clinton, the former Secretary of State of the USA, in Dublin is indicative. She said "There is a move to re-Sovietize the region. It's not going to be called that. It's going to be called a customs union; it will be called

Eurasian Union and all of that. But let's make no mistake about it. We know what the goal is and we are trying to figure out effective ways to slow down or prevent it" (Abramov, 2009).

At the same time the President of Byelorussia A. Lukashenko states, "The integration of Byelorussia, Russia and Kazakhstan is not against anyone. There is no need to see an attempt to separate Europe in the establishment of the Eurasian Union. I shall say more. We should not get isolated in this integration. I see the Eurasian Union as an integral part of the all-European integration. [...] We offer the "integration of integrations". Issues of political integration are not traditionally considered within the Customs Union, EurAsEC and CES either at the Presidents' meetings or in the process of work of supranational union bodies. "This theme is a taboo for us" (Dutkiewicz & Sakwa, 2014).

Along with this, according to S.Yu. Glaziev, the aim of the EU policy within the "Easter partnership" is "to block possibilities for former republics of the UUSR to participate in the process of Eurasian economic integration". However, the European Parliament cannot develop the program that would define distinctly (but not conceptually!) "what to do at least with Ukraine" after adopting political manifests that demonstrate the geopolitical essence of the whole "Eastern Partnership" program and, in particular, the Association Agreement with Ukraine. "First of all, the EU enlargement and good neighborliness policy is an issue of safety of the EU itself but not the issue of modernization of those countries that are involved in this process. Secondly, expanding and association are geostrategic exercises. Talks about values will be senseless until we win this geostrategic confrontation" (A. Severin, Euro-MP).

Conclusions. Thus, the factors that negatively influence the formation of the Common Economic Space include processes of exogenous genesis related to geopolitical interests of the parties that form the geo-economical situation. At the same time "a new strong integration union can cardinaly change the geopolitical configuration of the whole Eurasian space" and stimulate the activation of congregative processes within it.

Taking into account that the Customs Union of EurAsEC and CES are established in rather forced mode, there is no required experience

of analyzing actual and potential steps of organizing similar integration unions in post-soviet countries. And even the richest experience of the European Union cannot become a model to emulate in everything. The application of this experience requires a preventive answer to the question: what is similar and different in historical and economical terms and conditions of blocs formation? It goes without saying that it is necessary to take into account the fact that at the initial stage neither group of the world unlike the European Union (EEC/EC) had such combination of factors that favored to the integration. The most important ones include:

- a) Highly developed market economy (strong industrial potential, market type of economic management and homogeneity of the economy institutional structure),
- b) High share of intra-industry trade in the general turnover of commodities (it was already from 40 to 60% with all members in the period of EEC formation),
- c) Homogeneity of social and economic structure of member states,
- d) Polycentric structure (including the availability of several “strong” countries of approximately similar parameters),
- e) Special cultural and historic commonness (many-years’ experience of common peoples’ existence, cultural and partially ethno-confessional commonness), and
- f) low transaction disbursements.

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