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**FOREIGN TRADE IN GOODS OF THE LIGHT INDUSTRY IN KAZAKHSTAN:  
MAIN TRENDS AND ITS IMPACT ON THE BRANCH**

**ВНЕШНЯЯ ТОРГОВЛЯ ТОВАРАМИ  
ЛЕГКОЙ ПРОМЫШЛЕННОСТИ КАЗАХСТАНА:  
ОСНОВНЫЕ ТЕНДЕНЦИИ И ВЛИЯНИЕ НА ОТРАСЛЬ**

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*The current state of the light industry of Kazakhstan can be described as a long-running crisis in the branch. The most important problems of the development of the light industry are a shortage of raw materials, low share of export products with high added value, and serious import dependence. The paper analyzes the foreign trade in goods of the light industry, identifies the main trends of imports and exports, determines the problems arising from the current situation, as well as suggests the ways to overcome them.*

*Современное состояние легкой промышленности Казахстана можно охарактеризовать как затянувшийся кризис отрасли. Важнейшими проблемами развития легкой промышленности являются дефицит сырьевых ресурсов, низкая доля экспорта продукции с высокой добавленной стоимостью, серьезная импортная зависимость. В статье проведен анализ внеш-*

*ней торговли товарами легкой промышленности, выявлены основные тенденции импорта и экспорта, определены проблемы, вытекающие из сложившейся ситуации, а также предложены пути их преодоления.*

**Keywords: light industry, foreign trade, import, export, added value chain.**

**Ключевые слова: легкая промышленность, внешняя торговля, импорт, экспорт, цепочка добавленной стоимости.**

The light industry is the most important and innovation-attractive sector of the economy of any country. Its significance is determined by the fact that the consumption level of light-industry products is at the second place after that of food ones. Taking into account the major role of the light industry in providing economic and strategic security, insuring employment of the country's population, and improving its standard of living, the world's leading countries pay special attention to the development of the branch and provide it with significant investment support. The light industry is regarded in Kazakhstan as a high priority one. Nevertheless a trend of its development is characterized by a decrease of its share in the total volume of the country's industry, that causes a reduction of employment and displacement of domestic producers from the domestic market by foreign manufacturers which became disastrous. A research of trends in the development of the light industry of Kazakhstan revealed a number of difficulties. These are a technological backwardness of the industry, low level of innovation activity of enterprises, deficiency of working capital, lack of raw materials, shortage of skilled personnel, and heavy inflow of uncontrolled imports [1], [2].

The aims of this paper were to study features of foreign trade in goods of the light industry of Kazakhstan, to define the role of the existing trends of imports and exports in the development of the industry, to identify key issues, and to find the ways to solve them.

At present, the light industry in Kazakhstan is capable to cover the domestic demand by only 12% (while the threshold of economic security is 30%). Manufacture of clothing and textile covers no more than 10% of the demand, and the leather and footwear industry satisfies about 2% of that. So imported products amount to 88% of the market. Accord-

ing to the Association of Light-Industry Enterprises of Kazakhstan, illegally imported products form about 80% of the market [3].

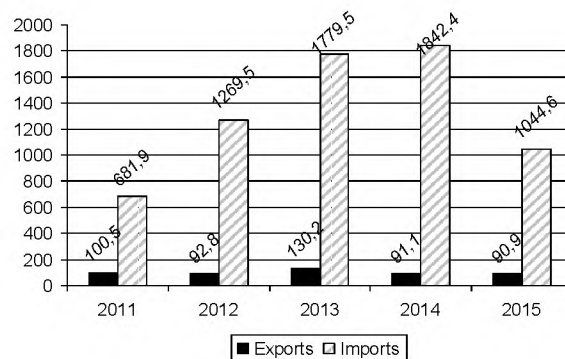


Fig. 1

Fig. 1 shows the dynamics of exports and imports of goods of the light industry (the chart is based on the official statistics, excluding illegal imports). There was a substantial increase in imports till 2013 (up to 80% in 2012 and 40% in 2013). In 2014, the import growth rate slowed to 3.5%. And in 2015, there was a significant decrease (by 43%) in imports of goods of the light industry. It is due to the establishment of the Eurasian Economic Union and the introduction of various restrictions and sanctions on import (in particular, of Turkish products) by the Russian Federation.

The figure shows there is a negative trade balance of light-industry products that suggests their trade deficit. In 2015, imports of goods of the light industry exceeded exports of those 11.5 times. This indicates a critical situation in foreign trade in goods of the light industry, a serious dependence on imports and that the situation continues to worsen. One of the reasons for the predominance of imports over exports is that the latter are mainly presented by low cost commodities, while the

former mainly by finished products with high added value.

In 2015, the largest share of exports was that of textiles and textile products (77.9%). Raw hides, furs and related finished products accounted for 21.8% of exports, and footwear and headwear for only 0.3%. Exports were mainly carried out in non-CIS countries (75.8%). However, the share of exports to CIS countries has been gradually increasing.

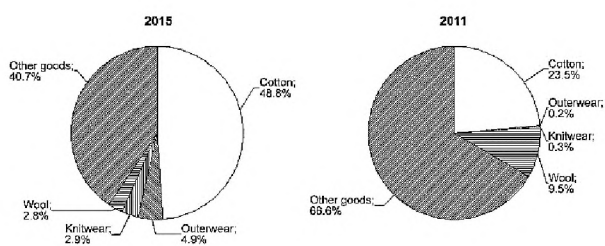


Fig. 2

Raw materials (cotton, wool, hides) with a low degree of processing dominate in the export of light-industry products (Fig. 2). More than 90% of those does not pass all the stages of processing in Kazakhstan but is exported, mainly to China, Kyrgyzstan, Turkey, Russia, and Belarus. That leads to a serious problem of lack of raw materials for clothing enterprises in Kazakhstan (products of textile manufacture are the primary goods for the clothing industry). There are therefore no effective relations between links of the technological chain in the light industry in Kazakhstan. Production of raw materials, processing of them, and creation of finished products are isolated from each other. Manufacturers of finished products (clothes, shoes, etc.) are forced to buy imported raw materials that causes rise in the costs and reduces competitiveness of the products. This situation occurs for several reasons.

1. Foreign companies are very interested in raw materials from Kazakhstan. For example, Kazakhstan exports approximately 70% of cotton fibers and more than 50% of produced wool in unprocessed form [5]. The situation with raw hides reached a critical level in 2012. The lack of those forced tanneries of Kazakhstan to suspend their work. In fact, we are talking about losing the competition with their Chinese contestants. Domestic suppliers

of raw materials reoriented their delivery to markets in China due to higher purchase price. To support domestic manufacturers of leather products there was increased the duty on export of raw hides from 200 to 500 euros. But, as researches show, this measure took no effect and mass export of raw hides still continues.

2. The domestic raw materials have no use in Kazakhstan. The textile sector which includes spinning, weaving, and finishing manufacture is currently undergoing its reconstruction phase and is the weakest in the added value chain. This sector is more capital-intensive than the production of clothing. Moreover it is highly automated, especially in developed countries, and requires a lot of knowledge and skills [6]. At present, the sector is just not ready to process all produced raw materials.

3. Experts note the poor quality of cotton produced in Kazakhstan, which can not be processed on existing equipment and is only suitable for creating gray fabrics. There is also a low level of processing of wool in the country because there is an ability of processing of fine wool only, and its share in the production is small. The most part of produced wool is coarse one which cannot be processed in Kazakhstan. Being the main buyer of the coarse wool, China determines sales of that. Farmers just burn coarse wool at impossibility to sell it. At present, there are no arranged purchase of wool and any program to expand production of fine wool.

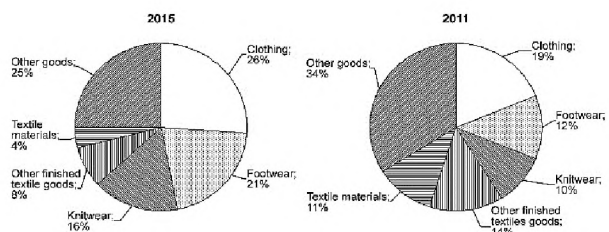


Fig. 3

Fig. 3 shows the structure of imports of light-industry products in 2015 compared with 2011.

According to the Customs Control Committee, there was stopped the import in Kazakhstan of such goods as raw hides and furs.

Imports of wool rose sharply in 2012 compared with the previous year, but then there was a significant decrease (by 63%) in 2013. Wool is imported mainly from Russia. During the analyzed period, there was also a reduction in imports of cotton fiber by 92.3%. Tajikistan is the main supplier of cotton. It is also imported from Turkmenistan, Uzbekistan, China, and Turkey. There was a steady increase in imports of textile fabrics and products, 77.5% for the period under review. They were delivered from various countries of the world, including CIS countries (57%) and China (30%). According to the Association of Light-Industry Enterprises of Kazakhstan, there is an increase in imports of all kinds of fabrics, including wool and cotton, as well as carpets and shoes. The growth of imports of light-industry goods is determined by an increase in consumer demand which is caused by the growth of the population. Moreover experts note that the growth rate of consumption of textiles, clothing, and footwear exceeds that of population. And the demand for children's clothing is not reduced even during the crisis recession.

Enterprises of the light industry from Kazakhstan are however not the key players in the domestic market and foreign competition is fierce. Home manufacturers usually depend on tenders held by the government or corporations. An execution of corporation orders (for professional and protective clothing, shoes, etc.) is now the main focus of their work. The reasons for this situation are as follows.

1. Significant level of uncontrolled imports, especially from China, Kyrgyzstan, Turkey.

2. Inability of enterprises from Kazakhstan to compete with foreign producers either in price or in quality of goods. That is due to the lack of domestic raw materials, weak management and marketing of enterprises, serious mismatch of personnel skill to the up-to-date requirements at the majority of enterprises, low capacity to modernize production.

3. Existence of significant difficulties for entrance to the market put by foreign competitors.

Thus the foreign trade in goods of the light industry in Kazakhstan is characterized

by some general trends such as a reduction in exports, increase in imports of finished products, and growth of import expansion. On the one hand, this situation is caused by objective reasons connected with the general problems of the industry. On the other hand, it further exacerbates those problems by keeping the branch in a state of chronic depression. The light industry is of great social and economic importance, so it is necessary to take immediate action to overcome its crisis. That is possible by a significant increase in competitiveness of domestic enterprises only.

## CONCLUSION

Results of the study allow to draw a conclusion about the presence of an foreign trade balance deficit in the light industry of Kazakhstan and about the need to solve the problem of import substitution. To overcome the crisis in the light industry, there are needed actions to raise a competitiveness of enterprises: technical re-equipment of enterprises, improvement of management and marketing, solution of labor problem, financial recovery of enterprises.

To protect the market from import expansion is only possible through the use of non-tariff regulation. Tariff regulation methods, which consist in the introduction of special tariffs and quotas, have become impossible due to the Kazakhstan's accession to the WTO. Non-tariff measures include the strengthening of customs controls, regulation of the import of cheap products by certification and licensing.

Measures should be taken to restrict the export of raw materials which causes a problem of resource provision. As practice shows, the establishment of export duties does not solve the problem completely. Therefore an absolute prohibition of the export is possible in some cases (e.g., concerning raw hides). Additionally exports of products with high added value should be stimulated by providing a number of benefits to the enterprises that export finished products.

The main way to overcome the crisis in the light industry should be to create a single added value chain which will bring together

all the links from production of raw materials to manufacture of finished products. That requires a coordination of various sectors (raw materials, textile and clothing), improvement of the resource base by arranging purchase of resources, implementation of measures to improve their quality, and revision of assortment of textile enterprises to better meet the demand of the clothing sector.

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