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LEATHER PRODUCTION: THE CONSEQUENCES OF THE PANDEMIC AND TECHNOLOGICAL TRENDS*

КОЖЕВЕННОЕ ПРОИЗВОДСТВО: ПОСЛЕДСТВИЯ ПАНДЕМИИ И ТЕХНОЛОГИЧЕСКИЕ ТРЕНДЫ

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At the present stage of the country's economic development, within the framework of the global COVID-19 pandemic, the problem of developing and implementing a long-term strategy for the sustainable development of industrial sectors and processing industries, one of which is the leather industry, becomes extremely urgent. The economic growth and development of the leather industry should be carried out within the framework of a unified strategy for the development of enterprises in various industries, the implementation of interrelated measures at all levels of management, including the management of the national economic complex as a whole, the light and chemical industries, animal husbandry and individual commodity producers. The complex of problems that take place in the state and development of the leather industry, its importance in the country's economy and the lack of elaboration of the problem of forming and implementing the development strategy of the industry enterprises have determined the relevance of the problem and the choice of research directions. The purpose of the research is to develop and substantiate scientific and practical provisions and recommendations for the formation and implementation of the organizational and economic mechanism of the strategy for the development of enterprises of the leather industry.

На современном этапе развития экономики страны, в рамках всемирной пандемии Covid-19, чрезвычайно актуальной становится проблема разработки и реализации долговременной стратегии устойчивого развития промышленных отраслей и, прежде всего, перерабатывающих, к одной из которых относится кожевенная промышленность. Экономический рост и развитие кожевенной промышленности должны осуществляться в рамках единой

* This study is funded by the Committee of Science of the Ministry of Education and Science of the Republic of Kazakhstan (Grant No. AP09261075 Formation of the model of the regional food hub as a horizontally integrated structure for ensuring food security (on the example of the meat cluster of Turkestan region) for 2021-2023.

* Данное исследование финансируется Комитетом науки Министерства образования и науки Республики Казахстан (Грант № AP09261075 Формирование модели регионального продуктового хаба как горизонтально интегрированной структуры в целях обеспечения продовольственной безопасности (на примере мясного кластера Туркестанской области) на 2021-2023 гг.

стратегии развития предприятий различных отраслей, реализации взаимосвязанных мероприятий на всех уровнях управления, включая управление народно-хозяйственным комплексом в целом, легкой и химической промышленностью, животноводством и отдельными товаропроизводителями.

Комплекс проблем, имеющих место в состоянии и развитии кожевенной промышленности, ее значимость в экономике страны и недостаточная разработанность проблемы формирования и реализации стратегии развития предприятий отрасли обусловили актуальность проблематики и выбор направлений научного исследования. Целью научного исследования являются разработка и обоснование научно-практических положений и рекомендаций по формированию и реализации организационно-экономического механизма стратегии развития предприятий кожевенной промышленности.

Keywords: leather industry, economic efficiency, complex organization, pandemic, leather products competitiveness.

Ключевые слова: кожевенная промышленность, экономическая эффективность, комплексная организация, пандемия, конкурентоспособность кожевенной продукции.

Introduction. The leather industry traditionally plays a significant role in the national economy of the country, providing a large number of industries producing a wide range of consumer goods and industrial products with a standard assortment of skins and protein waste processing products. The efficiency of all links of the commodity and raw material chain depends on the level of development of the leather industry, the range and quality of products, its price: animal husbandry-chemistry-leather-footwear [1], [2]. The state's self--exclusion from regulating economic processes in the country during the ongoing reforms led to the disintegration of these production and economic ties, a sharp decline in production in all its links and degradation in most sectors, including a negative impact on the leather industry. Independent marketing research shows that our domestic footwear market is 75% filled with Chinese products, 10% of shoes are imported from Russia, more than 14% are supplied by Turkey, Germany, Italy, the Netherlands and other countries [3]. At the same time, Chinese shoes supplied to Kazakhstan are not adapted to the foot of Kazakhstanis, are of low quality, and are usually made of waste synthetic materials.

Research methods. In the process of research, in the development of organizational and economic, methodological materials and provisions of scientific research, general scientific methods and principles of cognition, traditional methods of economic analysis were used: logical and system-structural analysis and synthesis, classification and typology.

Results and discussion. Unprecedented measures to contain the spread of Covid-19 will have a negative effect on the economies of countries, regardless of their integration into global supply networks. Experts of the International Monetary Fund believe that world GDP will decrease by 3% at the end of 2020 – an indicator much higher than during the financial crisis 2008-2009. Such a drop would make the current crisis the worst since the Great Depression. It is noted that in the baseline scenario, assuming a decline in the pandemic in the second half of 2020, global growth of 5.8% is expected in 2021 as economic activity. Economically developed countries will be most affected by the crisis. On average, the GDP of developed countries will decrease by 6.1% by the end of 2020: in the US, the decline will be 5.9%, in the eurozone countries – 7.5%, in Japan-5.2%. Developing countries will be less affected by the current crisis: their economies will shrink by 1% on average. For example, in China is expected to grow by 1.2% (compared to 6.1% growth in 2019), the economy of Brazil will decrease by 5.3%, Mexico-by 6.6%, South Africa - by 5.8%, Russia - by 5.5%. The decline in industrial production is one of the reasons for decrease in economic growth. The shock of effective supply and demand, gaps in supply chains, a reduction in investment – all these factors have a negative impact on a number of industrial production sectors [4…6]. As the pandemic moved first to Euro-pean countries, and then to the United States and other countries of the world, and its consequences for the economy worsened, enterprises in many countries were forced to close. In Mexico, for example, enterprises in the free trade zones (maquilla), including tanneries, have stopped production due to a federal government decree on the termination of all economic activities of non-primary importance for at least one month. More than 2.1 million employees are employed in this sector. In China, despite the fact that factories are gradually resuming work, companies are facing challenges associated with increasing production, such as increased costs and a continuing shortage of raw materials. The medium-term consequences of the pandemic have yet to be sorted out as the leading exporting countries in key markets in the world are emerging from the worst crisis of all known [7]. In the long term, however, the pandemic may affect the composition of supply and trade systems in the global leather and footwear industry and accelerate the process of returning production or outsourcing to the nearest countries [8]. The severity of the Covid-19 crisis has required a number of immediate responses to the pandemic by Governments and organizations of employers and workers in the leather sector. These include measures aimed at stimulating the economy and the demand for labor, ensuring the preservation of jobs and incomes of employees of enterprises and their protection in the workplace; using the system of collective bargaining and social dialogue in order to find solutions. The light industry sector has social and economic importance, which provides high employment among the population, in particular, women [9]. The importance of the industry lies in the fact that the light industry takes second place after the food industry in terms of consumption [10].

The main world producers of light industry products are countries such as China and India. For instans, China accounts for 40% of the world's cotton production, 64% of the world's yarn production, 41% of the world's fabric production and 50% of the world's clothing production. Light industry in India is the second largest employer in the country, providing jobs to 45 million people. The share of light industry in global GDP is about 3%, while in the largest producing countries the indicator exceeds 10%.

In Kazakhstan, the impact of the industry on the economy is almost insignificant – 0.2% in the GDP structure relative to other sectors of the economy and 0.3% of total employment, as well as its share in the manufacturing industry- no more than 1.2%. In the first half of 2020, due to the introduction of quarantine measures due to the spread of Covid-19 in the world, the export of Kazakh light industry products decreased by more than 50% compared to the same period of 2019. However, the trend towards a reduction in exports of products has been noticeable since 2018 due to systemic problems in the industry. In Kazakhstan, about 10% of light industry products are exported. There are 30 enterprises light industry - active exporters. In order to support the tanneries of Kazakhstan, from October 2016 to April 2017 (6 months), a ban on the export of unprocessed cattle hides was already in effect (MIR No. 607 of 15.08.2016). In this regard, according to statistics, there is a decrease in exports by 10.8%, but also an increase in imports by 43.9% in 2017 compared to 2016. However, after the ban was lifted from 2017 to 2018, the export of cattle skins from Kazakhstan was sharply increased by 44.1%. In addition, the import of hides sharply decreased from 2017 to 2019 (-82.2%). Nevertheless, from 2018 to 2019, there is a decrease in exports by 16.3%. According to the statement of the tanneries of Kazakhstan, they were on the verge of closure due to a shortage of raw materials.

In this regard, to provide domestic processing enterprises with raw materials and load idle production capacities, from February 19, 2019 for a period of 6 months (until September 10, 2019), another ban on the export of unprocessed cattle skins was imposed in Kazakhstan (MIIR No. 89 of 19.02.2019). In addition, in August 2019, Kazakhstan introduces a new ban on the export of cattle skins by road from the territory of the Republic of Kazakhstan for up to 5 years. Due to the ban on the export of hides, as well as the introduction of quarantine measures due to the spread of Covid-19, the export of hides decreased by 61.4%, and imports fell from 74.4 thousand US dollars to 2.2 thousand US dollars.

In Kazakhstan, due to the coronacrisis, 8 enterprises for processing pet skins are sit idle. Further, farmers are forced to throw tons of raw materials into landfills or sell them for a song. The existing tanneries complain about the low quality of hides in the country. Today, they are only 40% loaded. Specialists intend to solve the problem of import substitution at production facilities. An entire industry in Kazakhstan is on the verge of extinction. The government measures of 2019 on restrictions on the export of unprocessed hides (aimed at the development of deep processing and the export of goods with high added value) had the opposite effect: the procurement market practically froze.

Most of the finished products of leather factories today are exported. Kazakhstan craftsmen pull over car salons or sew purses mainly from imported leather, which can be produced from domestic semi-finished products. Despite the negative positions of the leather industry in Kazakhstan, in the five months of 2021, export revenue from the sale of domestic tanned leather and leather crust from cattle hides reached $ 2.4 million, which is 73.3% higher than the level of the same period last year. The volume of production of leather from cattle hides for 6 months of 2021 amounted to 54 million square meters, which is 15.2% higher than the same period last year. On the local market, domestic leather is purchased in small quantities by domestic manufacturers of footwear products (mainly for military and special shoes) and leather goods (bags, belts), the rest is exported. The main buyers of Kazakh leather were such countries as China, India, Italy, Turkey, Ukraine and Spain. With regard to the production of leather, the first factor of environmental friendliness is a careful attitude to resources, the main of which is water. The second factor is the reduction of emissions of harmful substances and CO_2 into the atmosphere, as well as waste disposal. The third factor is the safe processing of the finished product-natural leather. Because from the point of view of ecology, both the environmental friendliness of production and the environmental friendliness of the product itself are of equal importance. The enterprises should formulate ways and methods of solving problems in the field of ecology, including: compliance with the requirements of environmental legislation; organization of a system of industrial and environmental control of all areas of the enterprise's impact on the environment; technological re-equipment and gradual decommissioning of outdated equipment; implementation of energy saving measures; reduction of waste; overqualification of personnel responsible for environmental safety; social activity in regional environmental programs. Classical marketing techniques do not work today as mechanisms for the formation of competitive advantages that could be developed into business expansion. The demonstration of samples of modern products in Kazakhstan fairs largely demonstrates the identity of the types of products both in terms of assortment and quality. The enterprises basically use the same technologies and auxiliary chemical materials. It is possible to "escape" from each other only due to the financial advantages used in the modernization of equipment.

The most successful marketing ideas of recent times are based not on a simple definition of their market and constant changes in its segmentation and product positioning, but on solving problems using lateral marketing. The emergence of lateral marketing is closely related to the increased competition in the market, the narrowing of consumer segments. The adaptation of manufacturers to the needs of customers makes the markets fragmented, that is, much smaller, while the mass of profit decreases, and sales volumes fall.

Conclusion. Fair competition, without using the ignorance of the client, can go mainly in the third direction. But even in this case, the opportunities to fight for leadership are not unlimited. All the techniques are well known to competitors. The view on the development of the country's leather industry can be expressed in the following conjuncture-forming factors:

1. Lack of advantages in relation to competing countries in the quantity, quality and price of raw leather. The state influence of measures of influence on the possible correction of these factors is insignificant.

2. The presence of industry – leading enterprises in the country that are not inferior to the leaders in developed countries in terms of equipment.

3. Wide access to modern chemical technologies through leading foreign companies, for which the Kazakh market is among the most important markets in the world.

4. The underdevelopment of the production of the main chemical materials for leather technology in the country: fats, nitroconducting, acrylic and polyurethane dispersions, functional additives in coating paints, enzyme preparations, antiseptics, special reagents that can modify the assortment groups of goods, paying due attention to the environmental aspect in the technological process.

5. The backward system of production organization and personnel training, including internships at foreign enterprises, the lack of consulting services and outsourcing, in other words, marketing management of enterprises at a low level.

Small enterprises of the industry producers lack assortment, process and operational specialization, which makes them uncompetitive and leads to bankruptcy.

6. The financial component of the enterprises' activities is apolitical. Long mutual non-payments with partners are of a compelling nature.

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