

**THE TEXTILE INDUSTRY IN THE NEW REALITIES:
CONSEQUENCES OF THE PANDEMIC,
WORLD EXPERIENCE AND FURTHER DEVELOPMENT IN KAZAKHSTAN**

**ТЕКСТИЛЬНАЯ ПРОМЫШЛЕННОСТЬ В НОВЫХ РЕАЛИЯХ:
ПОСЛЕДСТВИЯ ПАНДЕМИИ,
МИРОВОЙ ОПЫТ И ДАЛЬНЕЙШЕЕ РАЗВИТИЕ В КАЗАХСТАНЕ**

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At the present stage of development of the country's economy, 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 processing industries, one of which is the textile industry, becomes extremely urgent. Light industry plays a special role in the life of the country. The stable operation of textile, clothing, shoe enterprises and factories largely determines the saturation of our domestic market with high-quality products, goods that are not just used daily, but are literally vital, including, as it is now becoming clear in the course of recent weeks and months, necessary to ensure the safety of citizens. To date, all development programs need to be adjusted for possible crises. The presented article is devoted to the assessment of the impact of coronavirus infection on the textile industry in Kazakhstan and abroad. The article considers the main problems and prospects for the development of the textile industry in the context of the coronavirus pandemic. The key features of the functioning of the textile industry in the current crisis conditions are determined; the analysis of the world experience of the development of the textile industry in crisis conditions is carried out; the problems of textile enterprises both in Kazakhstan and abroad based on this analysis are formulated. The most promising areas of production, as well as the opportunities and conditions for the development of the industry in the post-pandemic period are determined.

Развитие экономики страны, в условиях всемирной пандемии Covid-19 напрямую зависят от разработки и реализации долговременной стратегии устойчивого развития промышленных отраслей, в основном перерабатывающих, к одной из которых относится текстильная промышленность. От стабильной работы текстильных, швейных, обувных предприятий и фабрик во многом зависит насыщение нашего внутреннего рынка качественной продукцией, товарами, которые не просто используются ежедневно, но и в прямом смысле являются жизненно необходимыми, в том числе, как сейчас

выясняется в ходе последних недель и месяцев, необходимыми и для обеспечения безопасности граждан. На сегодняшний день все программы развития требуют скорректировать с поправкой на возможные кризисы. Представленная статья посвящена оценке влияния коронавирусной инфекции на текстильную промышленность в Казахстане и за рубежом. В статье рассмотрены основные проблемы и перспективы развития текстильной промышленности в условиях пандемии коронавируса. Определены ключевые особенности функционирования текстильной отрасли в сложившихся кризисных условиях; проведен анализ мирового опыта развития текстильной промышленности в кризисных условиях. На основе данного анализа сформулированы проблемы текстильных предприятий как в Казахстане, так и за рубежом. Определены наиболее перспективные направления производства, а также возможности и условия развития отрасли в пост-пандемический период.

Keywords: textile industry, pandemic, economic efficiency, complex organization, problems, prospects of development.

Ключевые слова: текстильная промышленность, пандемия, экономическая эффективность, комплексная организация, проблемы, перспективы развития.

Introduction. In the international division of labor, light industry is usually concentrated in countries with cheap labor, since the main item of production costs is the cost of labor. The second important factor is the level of logistics costs. Over the past 50 years, the list of the largest exporters of textiles and clothing has expanded several times: first, in addition to developed exporting countries, China and Turkey appeared in it, then Vietnam, and in the last 10 years – Bangladesh and Cambodia. These countries are not only very poor (for example, in 2020, the per capita GDP of the Republic of Kazakhstan was five times higher than in Bangladesh), but also have direct access to the World Ocean, which allows you to significantly save on logistics.

One of the global problems of the world over the past year is the development and spread of coronavirus infection. Colossal losses due to the spread of Covid-19 are borne not only by humanity, but also by business. Already, the pandemic has had a serious impact on the global economy and is forcing entrepreneurs to bear losses [1]. Due to the quarantine, many companies were forced to temporarily close, there was a reduction in aggregate demand and the share of unemployed increased, and someone completely lost business. There

is no such company and field of activity left in the whole world that would not be affected to some extent by the problem of the spread of the coronavirus [2]. The classical manufacturing companies had the worst of it, among which there were practically no those who were able to extract positive moments for business in the conditions of the coronavirus pandemic.

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. The textile, clothing and knitting industries are strategically important for the country's economy. These industries account for 12% of the total industrial production and 15% of the manufacturing industry, providing employment for 365 thousand people [3]. The volume of exports of these industries last year amounted to \$ 1.6 billion, having almost doubled over the past 3 years. Given that our country is one of the largest cotton producers in the world, there is a huge untapped potential for the further development of these industries, increasing exports

and providing employment for more than 3 million people. Meanwhile, this industry sector is currently facing a number of difficulties, both of a systemic nature and caused by the coronavirus pandemic. Taking into account the importance and potential of the textile and clothing and knitting industries for the development of the economy, active measures are being taken in the country to address them. The coronavirus pandemic has been affecting the global economy for a long period of time [4]. As a result of the forced measures introduced by the countries of the world to counter the spread of the pandemic, international trade is reduced, supply chains are disrupted, production stops.

The negative consequences affected both the global textile and clothing markets, and cotton prices fell. The International Association of Textile Manufacturers (ITMF) conducted three surveys among textile manufacturers around the world from March 13 to April 28. According to the first survey (13-25 March), it was revealed that current orders decreased by 8%. The drop in orders ranged from 4% in South America to 13.3% in Africa [5]. During this survey, respondents identified the following problems as problems: ensuring the safety and health of workers, stopping supply chains, especially from China, the absence and delay of supplies in the clothing industry, concerns about a decrease in demand for manufactured products.

According to the second survey (28 March - 6 April) among 700 textile companies, there is a cancellation or postponement of orders around the world, the volume of which has decreased by 31% on average worldwide. The level of decline in the regions of the world ranges from 20% in East Asia to 41% in South America. During the third survey (from April 16 to 28) among 600 companies, estimates on the impact of the pandemic on manufacturers worsened. Overall, orders decreased by 41%. The largest decrease is observed in Africa and North America – by 48%.

At the same time, it is noted that new opportunities are opening up for textile companies that produce medical products. To mitigate the negative consequences, companies pay attention to optimizing the organization and sustainability of the production process,

digitalization, and reassess existing supply chains. The press release also notes that greater efficiency in mitigating negative consequences is achieved when sellers, leading brands discuss current problems with suppliers instead of canceling orders unilaterally. In the countries of South and South-East Asia, manufacturers cannot pay salaries to their employees, there are reductions in workers. In India, last month, exports of leather and leather products decreased by 36.8%, clothing – by 34.9%, carpets-by 34.7%. In general, the textile and clothing industry of India, which accounts for 7% of the country's industrial production, 2% of GDP, 15% of export earnings and 45 million employees, is expecting a fairly serious decline [6].

In the conditions of Covid-19, manufacturers of textiles, clothing and fashion brands react differently to the changing situation. There is a reorientation of production to the production of protective masks, overalls. In Europe, more than 500 companies have converted and invested in new equipment for the production of personal protective equipment (PPE). Companies are also refocusing on the production of sportswear, which is increasing demand among the population.

National associations of manufacturers of products of light industry and fashion industries are also actively asking the government for assistance, mainly to replenish working capital, pay salaries, reduce the cost of importing raw materials and prepare proposals for more targeted assistance, based on the specifics.

After the forced introduction of a package of restrictive measures in many countries and the shock suspension of production, governments are beginning to approach the imposed restrictions more specifically, gradually allowing them to return to production activities in compliance with quarantine measures.

According to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms (BNS ASPR), the volume of production in the textile industry of Kazakhstan by the end of 2020 amounted to 128 billion tenge, which is 0.5% of total industrial production and 0.2% of GDP. At the end of last year, there were just over 1,000 enterprises operating in

the industry, 43 - large and medium – sized, where 11.2 thousand people were employed (0.1% of all employed in the economy) [7]. The special economic zone "Ontutik" created in Shymkent, focusing on light industry. Investors were offered a ready-made infrastructure and exemption from a number of taxes (VAT on goods sold in the zone, CPN, land and property taxes, import customs duties – all at a rate of 0%) for the duration of the FEZ - until 2030. As of July 2021, the accumulated investments in the FEZ "Ontustik" amounted to 33 billion tenge, the volume of production – 82 billion, and exports – 45 billion. 20 projects of 17 companies are located in the zone and 2032 jobs have been created.

In period 2019-2020, there was a significant shift in the state support system. First, after the launch of the "Economy of Simple Things" program and changes in the rules of the DKB, under which the borrower could get a guarantee for 80% of the loan, thanks to which the access of SMEs to debt financing was expanded. Secondly, in the conditions of the pandemic, some enterprises were loaded with sewing personal protective equipment, access to state orders was simplified. It is noteworthy that out of 20 projects of the FEZ "Ontustik", 7 of them were launched in 2020. In January–December 2020, in the volume of production of light industry – textile production of the Republic of Kazakhstan occupied the main share - 55% or 71 billion tenge, which is 18 higher than the same period last year [8].

The growth in the textile production sector was due to an increase in the volume of cotton fiber by 18%, cotton fabrics by 59%, fabrics made of synthetic and artificial yarns by 85%. The main share in textile production are occupied by Shymkent (25% or 17.7 billion tenge) and Turkestan region (31% or 31 billion tenge). Traditionally, cotton cultivation is carried out in Turkestan region, as a result, the main cotton processing enterprises are concentrated in this region. In addition, among natural textile fibers, cotton fiber makes up the largest group by volume of production in the country. According to operational data, in 2020, the production of cotton fiber increased by 18% and amounted to 74,626 tons, domestic enterprises processed about 10 thousand tons. Ex-

ports for 11 months of 2020 amounted to 51,893 tons or 68.5 million US dollars. The main countries of supply of products are Latvia, Turkey and China. According to the information of domestic enterprises that process cotton fiber, it is planned to process about 14-15 thousand tons of cotton fiber in 2021 [9].

The state supports textile industry enterprises within the framework of systematic measures aimed at the manufacturing industry, such as promoting the export of products, stimulating labor productivity, promoting goods on the domestic market, implementing the Unified Business Support and Development Program "Business Roadmap 2020". Also, within the framework of the development of the "Economy of Simple Things", preferential lending is provided (no more than 6%).

Today there are 4 enterprises in the textile industry: TPK "Alliance" (formerly JSC "Utex", JSC "Melange"), LLP "AZALA Textile", LLP "AZALA Cotton", which can process cotton fiber. Of the 4 textile enterprises, one is located on the territory of the "Ontustik" FEZ ("AZALA Cotton" LLP), which enjoys a special tax regime, as well as a favorable tariff for utilities (water, electricity and etc.) [10].

Conclusion. In the coming years, the development of Kazakhstan's light industry will be influenced by the same factors as in the previous 10-15 years: the exchange rate of tenge against foreign currencies, access to finance, as well as the ability of companies to form strong brands, automate production and integrate into international value chains. If the first two factors are beyond the control of manufacturers, then brand creation, automation and the search for large customers are the exclusive responsibility of the business. Another Shymkent company, AGF Group, shows an example of how integration into international supply chains changes business prospects. The company, based in the FEZ "Ontustik", has been a supplier of bed linen for IKEA since 2016. According to the company, the export of the company's products under this contract is about 2 million products per year. AGF Group has carried out partial automation of the production line, and also passed certification in international laboratories, has implemented several stages of quality control and an ISO 9001 qual-

ity management system. Judging by the data on tax revenues, the company's export turnover has been steadily growing over the past five years and continues to grow in 2021. The company also focuses on export of its two brands of home textiles-Arua and Suave.

Today, there is no doubt about the importance of the development of the national textile industry and the great risks associated with dependence on imports. Despite the competition in all markets and in all industries, it is necessary to use the few advantages that we have. Firstly, the textile industry of Kazakhstan has a huge growth potential, which is determined by the capacity of the domestic market of light industry products. It consists of the consumer goods market (with an average annual expenditure of 350 thousand tenge per person and a population of 18.3 million people, the market capacity is 6.4 trillion tenge). At the same time, there is a huge market for products purchased with budget funds. Secondly, diversification, which there have been talking about so much in recent years, is becoming an inevitable reality. There is no alternative to the development of manufacturing industries for Kazakhstan. This also applies to the textile industry. Third, the textile industry generates a long-term and well-predicted demand for labor resources. In addition, from the point of view of increasing employment, its development gives an additional multiplier effect in a number of related industries. This is especially true for women's and youth employment. Fourth, there are conditions in Kazakhstan for the advanced development of the domestic raw material base based on the agricultural complex.

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