

**PROBLEMS OF FORMATION AND DEVELOPMENT
OF CLUSTER ECONOMY USING THE EXAMPLE
OF LIGHT INDUSTRY OF THE REPUBLIC OF KAZAKHSTAN**

**ПРОБЛЕМЫ ФОРМИРОВАНИЯ И РАЗВИТИЯ КЛАСТЕРНОЙ ЭКОНОМИКИ
НА ПРИМЕРЕ ЛЕГКОЙ ПРОМЫШЛЕННОСТИ РЕСПУБЛИКИ КАЗАХСТАН**

D.M. KHAZGALEEVA, ZH.A. KUATBEKOV, A.E. SARSENOVA, A.T. AIMEN, S.B. KADYRBAY

Д.М. ХАЖГАЛИЕВА, Ж.А. КУАТБЕКОВ, А.Е. САРСЕНОВА, А.Т. АЙМЕН, С.Б. КАДЫРБАЙ

**(Таразский государственный университет имени М.Х. Дулати, Республика Казахстан,
Таразский инновационно-гуманитарный университет, Республика Казахстан)**

**(Taraz State University named after M.Kh. Dulati, Republic of Kazakhstan,
Taraz Innovation and Humanities University, Republic of Kazakhstan)**

E-mail: Zharas007@mail.ru

The article deals with the problems of formation and development of the country's cluster economy on the example of light industry in the region. Where special attention is paid to the southern regions of the country.

В статье рассматриваются проблемы формирования и развития кластерной экономики страны на примере легкой промышленности региона, где особое внимание уделяется южным регионам страны.

Keywords: cluster economy, light industry of the Republic of Kazakhstan, textile industry of the region.

Ключевые слова: кластерная экономика, легкая промышленность Республики Казахстан, текстильная промышленность региона.

The light industry of any country is the most important diversified and innovatively attractive sector of the economy. In terms of consumption, light industry products are in second place after food products, what determines the importance of the industry [1].

One of the most frequently raised issues by the President of the Republic of Kazakhstan was the issue of moving away from raw materials orientation. In this regard, an attempt is being made to introduce a cluster approach in non-resource industries. The question arises "Why is this necessary?" First of all, the current state of the economy of Kazakhstan in these non-resource areas needs to be paid attention to. Having looked at it, it can be seen that we already have companies in various sectors of the national economy, directions, sizes on the market for the production of non-raw products, but their relation-

ships are haphazard and they operate separately. Around these enterprises there are training infrastructure, science, financial institutions, but all of this is in a chaotic, disorderly state. Therefore, the result of their activity is zero. In order to bring them to a system of mutual cooperation that will give effective work, we need a cluster approach.

The cluster initiative for the development of the economy of Kazakhstan was reflected in the project "Diversification of the economy of Kazakhstan through the development of clusters in non-mining industries", which was launched in 2006. In the same year, JSC "Center for marketing and analytical research" signed a contract with the American consulting company "JEAustin" to assess the competitiveness of existing and potentially promising sectors of the Kazakhstan economy. The goal of the project is to increase the

competitiveness of non-mining sectors of the economy, increase productivity and develop clusters. After analyzing the situation in 150 sectors of the national economy, the consultants came to the conclusion that only 23 sectors deserve some attention.

The government had identified seven priority sectors in which "pilot" clusters were developed afterwards: 1) metallurgy (Central Kazakhstan); 2) oil and gas engineering (Western Kazakhstan); 3) textile (southern Kazakhstan); 4) food industry (agricultural areas); 5) production of building materials (Almaty region); 6) tourism (Almaty, Kazakhstan); 7) transport logistics (transport corridor between China and Europe). In relation to the Kazakhstan economy, there are two types of clusters [2].

The first type includes metallurgical and textile clusters. The second type of cluster includes transport and logistics, tourism, food clusters, construction materials clusters, and a cluster for the production of high-pressure tanks (oil and gas equipment). The presence of a pronounced core in clusters (usually a single enterprise), based on a vertical technological chain at the stage of cluster formation, does not contribute to the development of competition within them. Only the creation of new enterprises can start competition its mechanism [3].

At the initial stage, cluster policy in Kazakhstan was formed on the basis of two basic approaches: 1) clusters in industrial sectors based on the use of natural resources, which will become the core of the economy of Kazakhstan in the foreseeable future; 2) service clusters that help strengthen Kazakhstan's position as a service and business hub in the Central Asian region [4].

Currently, the lack of demand and supply for innovative products, which leads to the so-called "technological trap", as well as the underdevelopment of the service infrastructure are the limiting factors and key problems in the development of clusters in Kazakhstan. The lack of a critical mass of innovative and venture entrepreneurs who can compete in domestic and foreign markets, the lack of a system of transfer and generation of knowledge to the country's economy, the low

level of penetration of open innovations and the use of them by domestic businesses as well as the weak scientific and technical potential are the factors that negatively impact the development of clusters.

The organization of the cotton and textile cluster in the country also attracts special attention of the government of Kazakhstan. Today, a significant part of the rural population of the Republic of Kazakhstan is engaged in cotton growing in Kazakhstan (see fig. 1 – production of light industry products by region of Kazakhstan January-June 2018, billion KZT; Source: Analysis of the development of entrepreneurship and industry of Shymkent and Turkestan region) [5].



Fig. 1

The light industry of Kazakhstan consists of three interrelated industries such as the textile industry, clothing industry, leather industry and the shoe industry that use respectively both local raw materials (cotton, wool, leather) and imported components. Nowadays, in the light industry of Kazakhstan, more than 80 % of enterprises are represented by small and medium-sized businesses, while most of the industry's enterprises are equipped with outdated equipment.

Despite this, according to the Association of light industry enterprises of Kazakhstan, there are favorable conditions for the successful development of a cluster of textile products in the Republic of Kazakhstan; first of all, the availability of its own raw materials such as cotton, wool, leather, the possibility of exporting cotton yarn and fabric to world markets; the availability of the potential of technically equipped large medium and small sewing and knitting industries. Just in the city of Shymkent and the Turkestan region, tex-

tile, clothing, leather and footwear products are produced for a total amount of more than 9 billion tenge (fig. 2 – volume and structure of production of light industry products in Shymkent for 2018; Source: Analysis of the development of entrepreneurship and industry of Shymkent and Turkestan region).

LIGHT INDUSTRY STRUCTURE, billion KZT

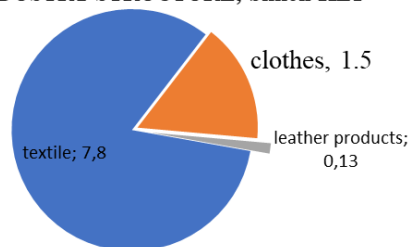


Fig. 2

High production efficiency in the industry is caused by high turnover of funds, etc. Therefore, the Republic of Kazakhstan has the opportunity not only to restore the previous level of production of light industry, but also to create new productions with high added value.

The main goal of the cluster organization in the South of the Republic of Kazakhstan is to switch from exporting raw cotton to producing yarn and finished products with high added value. The first steps on this path have already been taken in the South Kazakhstan region.

The most favorable factor for Kazakhstan is the presence of a market for products represented by China, Asia, Russia, Europe, and the middle East. The Republic is literally surrounded by regions with a significant demand for cotton yarn. The Asia-Pacific region requires more than 16.5 million tons of yarn per year, European countries need 1.6 million tons per year, the CIS consume \$ 0.6 million tons per year and countries in the Middle East consume about 100 thousand tons per year.

These issues will be resolved with the direct participation of the state through the implementation of measures to protect the Kazakhstan manufacturers, combat counterfeit and contraband products, use of subsidies, leasing schemes, investment funds, and develop public-private partnerships.

In order to implement the decree of the Government of the Republic of Kazakhstan from April, 14th, 2012 № 302 "On approval of the action Plan of the Government of the Republic of Kazakhstan on realization of the State program of forced industrial-innovative development of Kazakhstan for 2015 - 2019", the Government adopts the Program for the development of light industry in the Republic of Kazakhstan [6].

The Program analyzes the state of problems, selects priority areas and mechanisms for their implementation for the further development of industry, including ensuring economic and strategic security, and employment of the working-age population.

The goal of the program is to ensure diversification and increase the competitiveness of light industry products in the long term, while increasing its social efficiency, meeting the needs of the domestic market for light industry products by processing raw materials, producing products with high added value and the prospect of its entry into foreign markets, as well as reducing social tensions by providing employment for the working-age population.

Also, within the framework of the Kazakhstan cluster initiative project, work is being carried out to create a cotton and textile cluster in the South of the country. The development of the cotton and textile cluster in the South of the country has been included in the program of strategic development of Kazakhstan until 2020. The cluster will close the chain from growing raw materials to producing a wide range of products made of natural cotton, which are highly valued on the world market.

The use of the cluster approach in the production and processing of agricultural products will significantly increase the competitiveness of the industry. At the same time, this will be the implementation of Kazakhstan's strategic development in the near future. (Fig. 3-Volume of production in natural terms in Shymkent; Source: Analysis of the development of entrepreneurship and industry of Shymkent and Turkestan region)

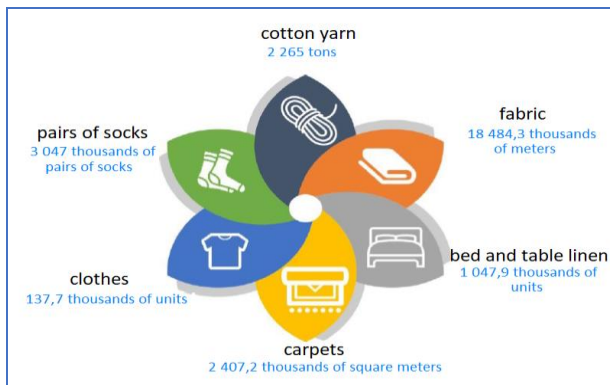


Fig. 3

Summarizing the things mentioned above, it can be emphasized that in Kazakhstan prerequisites for the formation of a cotton-textile cluster has been created. There are following factors of economic growth through clustering:

1. Activation of innovative activity of subjects by: - accumulation of knowledge in the cluster and transfer of experience, skills "know-how" as a result of migration of highly qualified personnel within the cluster, transparency of information;- obtaining data on the intensity of demand, consumer preferences;- improving methods for solving complex problems; minimizing the cost of implementing innovations; acquiring innovations within the framework of international technological cooperation.

2. Development of entrepreneurship by creating a demand for specialized material and technical resources and services by large producers of the cluster, development of outsourcing, when small and medium-sized enterprises perform products, works and services for the key subjects of the cluster.

3. Development of cross-border cooperation in trade, agriculture, tourism, transport, and infrastructure, what contributes to the economic development of border territories.

4. Attracting foreign investment to the country through network cooperation of cluster entities with foreign suppliers and investors and public-private partnership (PPP) mechanisms in clustering.

5. Expansion of exports by subjects through joint marketing programs, as well as organizational support for exporters in the region within the framework of PPP.

Thus, the advantages of the cluster concept of economic growth of the national economy make it necessary to develop methods for forming a cluster policy in the country, taking into account the characteristics of the national economy.

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