

## Brief overview of the situation in light industry in the Republic of Kazakhstan

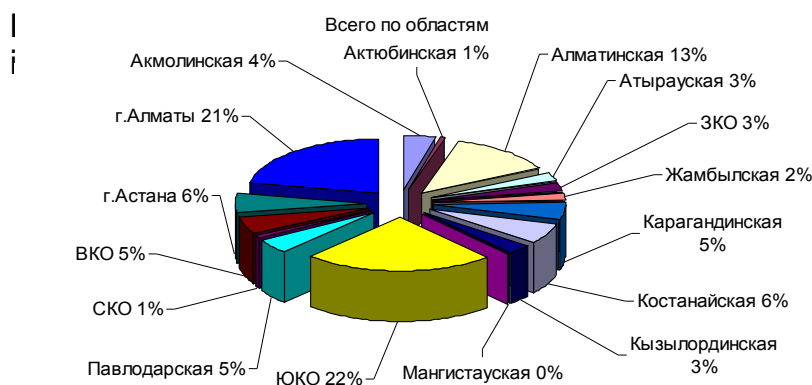
General description of the industry's economy.

Light industry of any country is one of the major multi-industry and attractive for innovations sector of the economy. By level of consumption light industry goods are next to food commodities industry, which determines its significance. Considering the significant role of light industry in providing the economic and strategic security of the country, employment and raising social standard of living in new geopolitical environment, leading countries pay special attention to the development of the industry, and provide it with significant investment support.

Considering the fact that light industry is connected with the agricultural sector, its development will contribute significantly to the reconstruction and development of the most important areas of agriculture, thus increasing the consumer demand within the country and local market capacity.

Among the total number of existing enterprises, 54% are companies producing clothing, 31% - textile and garment industries (producing textiles and garments, except for clothing), leather and footwear-producing companies make up 9%, and companies producing clothing of leather and fur - 6 % (slide 1).

Fig. 1 Companies' share break-down by industries  
[Textile and garment industry - 31%  
Manufacture of leather and fur clothing - 6%  
Manufacture of leather and footwear - 9%  
Clothing manufacture - 54%]



azakhstan is positioned

Fig. 2. Light industry companies break-down by regions

[By regions

Aktyubinskaya

Almatinskaya

Atyrauskaya

Zhambylskaya

Karagandinskaya

Kostanayskaya

Kyzylordinskaya

Mangistauskaya

YUKO

Pavlodarskaya

SKO

VKO

Astana

Almaty

Akmolinskaya]

In general, 56% of the companies are concentrated in Almaty, Almaty and South Kazakhstan regions. For example, ginnery, wool processing and taking-up of hides, directly included in the agro-industrial complex, are located only in those agricultural areas where there is respective raw materials, whereas the production of textiles, cotton and wool fabrics are mainly located in large cities where there are qualified human resources and consumers of final products. And the location of such industries as garment, footwear and knitting industry are oriented to the final consumer.

According to experts' estimates the population need in clothing in Kazakhstan equals to 375.7 billion tenge/year. Textile and garment industry of the total market capacity address the needs of the local market at 7.0%, which does not comply with the requirements of national security.

In particular, Kazakhstan is still not provided enough with cotton and woollen fabrics, leather shoes and own knitted goods. The needs of the population in garment and knitwear are mainly met by means of import.

Light industry companies produce more than 2000 items. The choice of final goods is updated annually considering the requirements of government order and changes in the consumer market.

It is worthwhile to mention the **recent years'** successful examples of the child, textiles and sporting goods' entry on the local and international markets.

However, it should be noted that almost all raw and auxiliary materials for garment, footwear and knitwear are imported, as well as equipment, components and spare parts. Currency fluctuations, taxes on imported raw materials and manufactured final products reduce the competitiveness of domestic producers.

In Kazakhstan there are no essential types of manufacturing: the production of yarn for knitwear, woollen and worsted cloths for clothing, lining and

blended fabrics, sewing threads, zippers, auxiliary materials, insulation, etc. Therefore, companies have to import almost all range of these goods which leads to increased production costs.

Performed technology audit showed that a number of unresolved issues exist in light industry, which is a system in the Republic of Kazakhstan (slide 3):

- significant depreciation of fixed assets;
- small export proportion of products with high added value;
- low level of consumption of local industrial products;
- lack of skilled human resources due to unattractive conditions of employment;
- the absence of many components of the raw base, the need to import equipment and supplies from Europe and Southeast Asia, the increase in terms of delivery of goods;
- high tariffs for import from third world countries;
- low "Kazakhstan" brand awareness in foreign markets;

Kazakhstan has favourable factors and conditions for the successful development of light industry (**strengths**) - natural raw materials manufacture - cotton fibres (130-170 thousand tons per year), wool (20-30 thousand tons) and more than 7,5 ml hides, ability to export textiles and yarns, clothing to world commodity markets, where there is a demand for specified products of natural raw materials (slide 4.5).

Competitiveness of wool in relation to other textile fibres significantly strengthened its positions in the recent period. It became possible because of the raising prices for raw materials of petroleum origin, such as acrylic, polyester, and the prices for these materials will continue rising. Marketing research revealed that Kazakhstan can potentially penetrate 15 segments of the export market. Due to sales of sheared and scoured wool to foreign markets Kazakhstan can secure the share in the global wool market.

Creating a cluster of wool will help to restore almost all the wool industry in Kazakhstan. The project implementation will create additional 1200 jobs, ensure manufacture of competitive goods on the domestic and foreign markets, increase the level of primary wool processing.

**Creation of a Cluster on wool processing** will contribute to market saturation with yarn, worsted and woollen fabrics for clothing manufacturing, knitwear, carpets and rugs to create competitive products.

We consider it expedient to analyse the **Wool cluster** consisting of a group of companies:

**Kuat Factory Ltd (Tekeskaya PWP)**

**Karagalinsky woollen mill** - manufacture of woollen fabrics after reconstruction, has many years of experience in textile production.

**LLC/JSC Kustanaiskaya spinning-knitting factory** - manufacture of worsted (combed) yarn, manufacture of knitted products (knitwear).

**LLC/JSC Evrotekstil** - manufacture of carpets and rugs.

Currently, the RK livestock of small cattle makes a little more than 12 million (according to statistics, 11.4 million as of 01.01.2010) The total wool

production is 39 thousand tons of all kinds. The distribution of species is (slide):

Each year, most raw wool is exported to Russia, China and Turkey. Large consumers of wool ceased to operate.

**Light industry companies can improve the competitiveness of their products** based on innovations through the following methods:

(Slide):

- modernization of the industry through the implementation of investment projects, including those involving foreign investors;
- introduction of up-to-date technologies in manufacturing (new technologies in coloring products, knitting machines, seamless connection of parts, gluing seams, etc.);
- encouraging the development and use of new technological processes and materials that reduce material and energy intensity of manufacturing - (the creation of "smart clothes" using new materials);
- introduction of automated process control systems and automated methods for planning and design of competitive goods.
- increasing productivity and efficiency of manufacture

**In order to increase customer loyalty**, efforts on promoting "Kazakhstan" brand should be intensified in local and foreign markets, in CIS and foreign countries.

**For promoting textile and garment products to foreign markets the following tools should be used:**

- reimbursement for marketing research and market monitoring;
- promoting activities of representative offices in foreign countries, finding investors and distributors;
- information support in different media;
- arranging participation in international exhibitions;
- holding fashion shows and Kazakhstan's fashion weeks in the countries where Kazakhstan has representative offices;
- assisting cooperation between manufacturers and trade companies.

**The government support for textile and garment companies is essential in the following areas:**

- funding under the projects of modernization;
- inviting foreign experts;
- holding training seminars;
- arranging training international tours to the major centres of fashion and light industry;
- promoting goods to foreign markets.

Kazakhstan has the opportunity not only to restore the previous level of production in light industry, but also to create new industries with high added value.

Formation of the domestic textile industry will promote the development of associated industries since it is related to a number of other industries of the country - from space to agriculture.

**Basic guidelines for sectoral studies:**

**General description of local economy and sector**

**Historical overview and current reality of the sector**

**The structure of sector (export trade, production, consumption, employment, wages, consumer prices, etc.)**

**Production processes**

**Basic stakeholders affecting the sector (state, institutions, international organisations, banks, etc.)**

**Employment matters**

**Legislation**

**Technological infrastructure**

**Environmental issues**

**Export activities (access to new markets, marketing, branding etc)**

**Educational / training needs**

**SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)**

**Presentation of national and international programmes assisting the sector**

**Presentation of basic institutions representing the sector and their services**

**Proposals for internationalisation of sector**

**List with the main enterprises together with contact information (textile and clothing)**

**List of sales / distribution networks**