ORGANIZATION AND ECONOMIC MECHANISM OF THE TEXTILE CLUSTER DEVELOPMENT IN THE REPUBLIC OF KAZAKHSTAN

Abstract

The purpose of the article is to study the organizational and economic mechanism of the textile cluster development in the Republic of Kazakhstan. The article discusses development of the Kazakhstani textile cluster. The textile industry is one of the priority sectors of the industry of the Republic of Kazakhstan, designated to ensure a qualitative transformation of the country’s economy. In order to develop the industry in Kazakhstan, back in 2005 a cotton-textile cluster which unites about 50% of Kazakhstan’s textile production was organized. To support the development of textile and light industry, special programmes have been developed in Kazakhstan to support the sector and, in particular, the textile cluster. Based on analysis of problems impeding its effective functioning, authors of the article substantiated the need to introduce a new organizational and economic mechanism for cluster management. The main problem of low efficiency and slow development of the cluster consisting in weak intersectoral interaction within the cluster and in the textile industry of Kazakhstan as a whole was identified. The model of cluster’s operation, organized on the “top-down” principle of mainly by the initiative of the government, was analyzed and a new organizational and economic mechanism of cluster functioning was developed based on increased interest of cluster’s entities in joint results. This mechanism is based on the consolidation of the efforts of state and non-state actors of the cluster which will ensure the greatest effectiveness of its functioning and create a synergistic effect. The purpose of the proposed mechanism is to activate the cluster’s operations, strengthen the intra-industry and cross-industry interaction of subjects and create a single technological chain within the textile industry.

Key words: cluster, textile industry, mechanism, partnership, intersectoral interaction, activation, Kazakhstan.

Introduction

Development of Kazakhstani cotton and textile cluster is strategically important for the country’s economy and is designed to provide conditions for positive socio-economic changes. The socio-economic role of the textile industry is significant for any country and organization of the cluster is the most optimal tool for its development. The industry has impact on the economic security of the state, makes a serious contribution to the employment of the population and forms an economic change in light industry. In this regard, the textile industry is designated as a priority sector of the economy in Kazakhstan and in 2005 a cotton-textile cluster was created to ensure its maximum efficiency as well as accelerated development. However, our study [1] showed that the cluster is currently not functioning efficiently, developing quite slowly and does not achieve the main goals of its creation. At the same time, the main reasons for the current situation are: the problem of intersectoral interaction, insufficient effectiveness of vertical and horizontal connections within the cluster, narrow range of enterprises involved in the functioning of the cluster. Thus, the current situation does not allow to implement the advantages of the cluster model in the textile industry of Kazakhstan. However, with
the successful functioning of the cluster, the textile sector can become a significant source of state budget revenues and an industry compelling for foreign investors.

**Basic provisions**

The authors substantiated the reasons for an ineffective work of the Kazakhstani textile cluster and developed an organizational and economic mechanism for its activation by strengthening intersectoral interaction on the basis of combination of public and private interests.

**Materials and methods**

In the course of the study, the authors used modern methods of cause-and-effect analysis, a dialectical-logical approach, analysis and synthesis of thematic literature.

**Literature review**

The rationale for the need for clustering of the textile industry is found in the works of many economists. Researchers note the need for state support for clusters [1–4]. Many authors point to an innovative approach as a priority direction in the formation of textile clusters [2, 3]. Some authors argue that clusters are created independently, solely on the basis of the interests of its members [5].

Researches in this area deal mainly with general theoretical aspects of clustering in the textile industry. At the same time, reasons for low efficiency of the Kazakhstani textile cluster and determination of ways for its activation remain unexplored.

**Results and discussion**

Activation of the cluster is possible through the introduction of new management approaches. Efforts in this direction are justified by the socio-economic impact of the successful functioning of the textile industry, the synergy and multiplication effects of the cluster approach, as well as the availability of productive capacity and the steady increase in demand for textiles.

The main reason for the weak efficiency and slow development of the Kazakhstan textile cluster, in our opinion, is the lack of interest of the cluster entities, that is, the problem of intersectoral interaction which was already mentioned. The lack of intersectoral interaction is expressed in the desire of the cluster entities to get a quick benefit from their activities “right here and right now” without counting on the long perspective. As a result of the isolated functioning of subjects, the benefits of the cluster approach are not put into effect.

There are three main ways to organize a cluster model [2]:

1) “top-down”, when the cluster management initiative comes from the government;
2) “bottom-up”, when the cluster initiative belongs to private companies that have decided to unite in a cluster to receive a number of advantages;
3) a “mixed model” combining both management methods.

As international experience shows, the third option of organizing a cluster is the most effective for the textile industry when textile cluster enterprises develop on their own initiative obtaining a state support. In Kazakhstan the first method of clustering the textile industry is being implemented since the cluster initiative comes exclusively from the government.

The experts note that the probability of artificial cluster construction is minimal. “Clusters function as a kind of living organism, they are based on the interest of the parties. Artificial creation is almost impossible: the cluster is either there or it is not” [3]. Therefore, it is necessary to encourage the parties to have mutually beneficial partnerships for cluster to function successfully. As a priority the government should contribute to the development of the cluster system. At the same time as international experience shows it takes a long time to form a fully functioning cluster.

Thus, in order to pull out the Kazakhstan textile industry from the prolonged crisis and for the sake of effective functioning of the textile cluster, it is necessary to systematically develop a strategic
Partnership between its elements. Within the textile cluster, strategic partnerships can take several forms (Figure 1).

Partnerships between actors involve commitments on a range of issues. Participants in such cooperation based on their own interests and taking into account the interests of partners work together to achieve common goals. Strategic partnerships can be implemented as follows:

- implementation of joint projects;
- joining efforts and resources to find new opportunities;
- exchange of experience;
- exchange of information on suppliers, markets, technologies, etc.

Textile industry has close interrelations with other industries. One of the forms of strategic cooperation are technopoles, within the framework of which the interaction of production, science and vocational education is carried out. Such interaction contributes to the creation of competitive advantages of textile cluster enterprises.

Creation of favorable investment climate, as well as joint ventures with foreign partners should become an important direction in increasing the competitiveness of industry enterprises. The experience of Uzbekistan where enterprises with foreign capital are provided with a number of tax benefits can be used. Investors should be solicited by providing information on opportunities for partnership, benefits, guarantees and benefits in light industry.

Figure 1 – Opportunities of strategic partnership of textile cluster enterprises

Note – Developed by authors.

Establishment of strategic partnership with foreign representatives of light industry is advisable for the following reasons:

- assistance of foreign partners in modernization of production;
- access to external markets;
- this will contribute to the enhancement of human capacity.
Cooperation with competitors is one of the ways to increase the competitiveness of the enterprise. Instead of competing, it is possible to join forces, take advantage of an integrated approach to solving problems and jointly strengthen their positions on international market.

Tools for mutually beneficial cooperation:
- creating common goals;
- developing an informational base that facilitates the search for partners through media, Internet and social networks;
- organization of events that contribute to the establishment of useful contacts: conferences, exhibitions, forums, round tables, fashion shows, etc.;
- motivation, interest, transparency of growth prospects;
- formation of trust relations between possible partners.

The listed instruments should be implemented both by the enterprises themselves and with the support of the government.

The risks of strategic cooperation should be taken into account:
- potential weakening of interaction between firms due to conflicts;
- leakage of information;
- rapprochement with some partners can create distancing from others;
- there is a risk of being suppressed by the partner;
- joint decision-making can be time-consuming and require compromises;
- legislative uncertainty: partnership agreements may not be legally binding but supported in reality;
- wrong selection of partners can have negative consequences.

At the same time, the benefits of partnership exceed the disadvantages and risks, provided that cooperation tactics are properly applied.

The main question arises then: how to join the efforts for mutually beneficial cooperation?

Lack of information on potential partnerships may prevent the conclusion of mutually beneficial contracts. Therefore, the first step in this direction should be the creation of high-quality information base containing data on textile and garment producers ready for cooperation. The creation of such database can be entrusted to interested parties – the Association of Light Industry Enterprises (ALIE of RK), cluster enterprises and governmental structures.

Thus, we have come to a conclusion that the successful development of the Kazakhstan textile cluster requires a new organizational mechanism based primarily on strengthening mutually beneficial partnership between the cluster elements (Figure 2, p. 41).

Any cluster model is based on the interests of the parties, therefore, strengthening the interest of the participants of the Kazakhstan textile cluster should become an impulse for the functioning of the organizational and economic mechanism. The mechanism involves improving cluster policy coordination aimed at strengthening the interest of cluster enterprises in deepening and expanding strategic interaction.

The regulators of this mechanism are:
- cluster coordination center represented by the “Ontustik” free economic zone (FEZ) Directorate;
- State and local government bodies entrusted with direct and indirect regulation of cluster development;
- non-state actors – JSC “Kazakhstan Institute for Industry Development” (JSC KIID) and ALIE of RK, which will provide informational and consulting support to the management’s object, that is, cluster.

Activities of government bodies will be carried out in the following areas:
- financing of projects, including the creation of new cluster enterprises and the placement of government orders;
- creating a favourable investment climate and soliciting investors, including foreign investors;
- promotion of exports of high value added products;
• assistance in the conclusion of contracts for the supply of raw materials from abroad and the sale of finished goods abroad;
• assistance in the implementation of modernization of production, leasing;
• organization of training and retraining of specialists for cluster enterprises.

Organizational and economic mechanism of development of Kazakhstan textile cluster will include two blocks:

1) Organizational: normative and legal regulation, coordination of cluster functioning, personnel and scientific support, monitoring and information support.

2) Economical: assessment of economic potential, measures of state support, credit policy, solicitation of investments, market regulation, foreign economic relations.

Figure 2 – Organizational and economic mechanism of textile cluster development in Kazakhstan

Note – Developed by the authors.
It is impossible to ensure the stable operation of the cluster with the help of governmental tools alone. The desired result will not be achieved and all efforts will lose their meaning without strategic management at the enterprise level. The limited role of the state in the market economy must also be taken into account. Therefore, the development of the Kazakhstan textile cluster primarily depends on the efforts of enterprises themselves.

In this case the priority must be given to indirect control methods. It is impossible to use such methods as tax and customs policy in the conditions of Kazakhstan’s participation in the WTO and the EAEU, since all tariff changes should be agreed with all participants in integration groups.

The main task of ALIE of Kazakhstan is to protect the economic interests of enterprises of light industry of Kazakhstan. JSC “KIID” carries out research and analytical work in the field of industrial policy, diversification, modernization, as well as increasing the competitiveness of manufacturing industries, including light industry. ALIE RK and JSC “KIID” interact with each other exchanging analytical information and proposals for the development of the industry.

In order to expand the cluster, a large number of garment enterprises should be included. In addition to existing enterprises specializing in production of bed clothes, it is necessary to expand significantly the range of products and organize the production of outerwear for children and adults within the cluster. Wool textile industries should also be included in the cluster.

To link the textile sector to clothing production, the following activities are required:

- revision of the textile product range of the cluster so that it best meets the needs of domestic garment enterprises;
- a significant improvement in product quality as textile products are currently unable to compete with foreign supplies;
- establishment of partnership between textiles and garments that benefits enterprises in each sector.

It should be noted that it is not possible to replace imports of textiles within a short period of time since the rehabilitation of the textile sector requires a long time and the soliciting of large investments.

Conclusion

The activation of the Kazakh textile cluster is a difficult and, at the same time, important task. However, actions in this direction are economically justified and of great social importance to the country. The effectiveness of proposed organizational and economic mechanism depends largely on the coordinated and focused work of all its elements. The successful implementation of this mechanism will contribute to the development of the Kazakhstan textile cluster and the light industry in general, implementation of the advantages of the cluster model, as well as the rise and growth of related sectors of the economy.

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ҚАЗАҚСТАН РЕСПУБЛИКАСЫНДА ТОҚЫМА КЛАСТЕРДІ ДАМЫТУДЫҢ ҰЙЫМДАСТЫРУ-ЭКОНОМИКАЛЫҚ ТЕТІГІ

Ангатта

Макаланың мақсаты – Қазақстан Республикасында токымадамы ұйымдастыру-экономикалық тетігін зерттеу. Қазақстандық токымадамы ұйымды құрастырмалады. Токымадамының басым секторларының бірі болып табылады. Осы саласының дамытуы құрастырылған Қазақстан Республикасының өнеркәсібінің 50%-ға терісінен бірі болады.

Елімізде токымадамының барлық секторлары қоғамдық құрылуын қамтамасыз етуде арнайы қолдауға қаянады. Елімізде токымадамының бағдарламалары кеңейтіледі.

Тірек сөздер: кластер, токымадамы, тетік, серіктестік, салааралық іс-қимыл, жандандыру, Қазақстан.

ОРГАНИЗАЦИЯНО-ЭКОНОМИЧЕСКИЙ МЕХАНИЗМ РАЗВИТИЯ ТЕКСТИЛЬНОГО КЛАСТЕРА В РЕСПУБЛИКЕ КАЗАХСТАН

Аннотация

Цель статьи – исследование организационно-экономического механизма развития текстильного кластера в Республике Казахстан. Рассматриваются вопросы развития казахстанского текстильного кластера. Текстильная отрасль является одним из приоритетных секторов промышленности Республики Казахстан.
призванных обеспечить качественное преобразование экономики страны. С целью развития данной отрасли в Казахстане еще в 2005 г. был организован хлопково-текстильный кластер, объединяющий около 50% казахстанского текстильного производства. Для поддержки развития текстильной и всей легкой промышленности в стране были разработаны специальные программы, поддерживающие данный сектор и, в частности, текстильный кластер. На основе анализа проблем, препятствующих его эффективному функционированию, авторами статьи обоснована необходимость внедрения нового организационно-экономического механизма управления кластером. Выявлена основная проблема низкой эффективности и медленного развития кластера, состоящая в слабом межотраслевом взаимодействии в рамках кластера и в целом в текстильной промышленности Казахстана. Проанализирована модель работы кластера, организованная по принципу «сверху вниз», преимущественно по инициативе государства и разработан новый организационно-экономический механизм функционирования кластера, основанный на усилии заинтересованности субъектов кластера в общих результатах. Данный механизм основан на консолидации усилий государственных и негосударственных субъектов кластера, что обеспечит наибольшую результативность его функционирования и создаст синергетический эффект. Целью предложенного механизма выступает активизация кластера, укрепление внутриотраслевого и межотраслевого взаимодействия субъектов и создание единой технологической цепи в рамках текстильной отрасли.

**Ключевые слова:** кластер, текстильная промышленность, механизм, партнерство, межотраслевое взаимодействие, активизация, Казахстан.