

## **The Export Potential of the Kyzylorda Region: Development, Evaluation and Opportunities**

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**Abstract:** This article features the formation and factors of development of an export potential of the considered region. The analysis of the current state of a foreign trade turnover of Kyzylorda region is carried out on the basis of minerals and the infrastructure of opportunities of the region. The main components of an export potential are characterized. Problems and prospects of development of an export potential of the region are revealed.

**Key words:** Export potential • Foreign trade turnover • the Mechanism of export potential development

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### **INTRODUCTION**

Economic and export potential, as its component is characterized by the number of labor resources, production capacities for material production, the length of transport arteries, the availability of vehicles, the development of intangible industries, the achievements of science, technology, and resources of explored reserves. At the same time, one should keep in mind that the export potential characterizes the volume of accumulated resources and the marginal opportunities for selling goods and services on the external market without affecting the needs of the domestic market [1].

Export of the Kyzylorda region is a combination of goods and services exported outside the borders of the region and the RK. Kyzylorda's exports are mainly made up of hard-to-replace energy systems, i.e. non-renewable exports. The share of renewable exports can be attributed to the production of grain, in particular, wheat and other agricultural products. According to the natural-material form, the export of the region is made up of mineral products, products of the metallurgical industry, animal and vegetable products, and ready-made food products.

Realization of investment potential is carried out not only, but also at formation of specific resources (for example, "human capital", informatization). This changes the socio-economic basis of production, as well as the economic interests of its participants. Provided an efficient market is established, a qualitative transformation

of the reproductive process itself takes place. First of all, its classical scheme is supplemented by another phase of scientific and technical production training. Analysis of the reproduction process includes production and distribution, including through the exchange of not only the means of production and consumer goods, but also specific goods such as services, information, etc. [2, 3].

Assessment of the first component should include natural resources and mineral deposits, which are highly competitive and can be used for the development of foreign economic activity. So, they can be transferred to rent, concession, exported to the world market, etc. The area, despite the availability of conditions for agriculture, however, does not participate in the production and export of fats and oils of animal or vegetable origin. The same can be said about the development of industries for the production and processing of precious or semiprecious stones, precious metals; costume jewelry, coins. The flows of imported products are diverse. The study of the commodity structure of the region's exports and imports shows that mineral products are in the first place in exports, while the second is the products of the metallurgical industry.

The second component of the export potential is production assets that are able to produce products that meet the requirements of the world market for assortment and quality, and provide a wide range of foreign economic services.

The third component of the export potential is labor resources, which can be attracted for the development of export industries and foreign economic infrastructure. On the labor resources, the external and internal migration of the population has significantly affected. Thus, the magnitude of migration loss, which is the difference between the outflow of population and the arrival of the population in the region, has been negative all the years. The reason for this was low parameters for the quality of life and the belonging of the region to the zone of ecological disaster.

The fourth component of the export potential, which includes scientific and educational institutions, which have advanced achievements corresponding to the modern world level. In the region there is a development of science and education. There are research institutes, design bureaus, and a number of branch social academies of sciences. In the recent past in the region conducted pilot development, applied research related to the "binding" of the development of industry design bureaus and research institutes to the conditions of farms and enterprises - producers of their products. At present, a significant part of the research and design organizations of the industry have lost their independence or are reoriented for other activities.

The fifth component of the export potential is the sphere, which includes the elements of the material base of the market infrastructure serving foreign economic relations (transport, warehousing, foreign trade commercial organizations, customs and border services, etc.). The region has a significant transit potential. The existing infrastructure of the region contributed to the fact that there is such an industry structure of the transportation process, where the predominant part of cargo and freight turnover falls on railway transport and stationary vehicles, incl. Pipelines. The geographical structure of the region's exports and imports shows that the main customers of the region are consumers of foreign countries. At the same time, I must say that in recent years the difference in the ratio of supplies to the far and near abroad is equalizing [1].

## **MATERIALS AND METHODS**

We study the impact of exports on the issues of socio-economic development of the region, reflected in the writings of scholars such as M.I. Maslennikov [4], V.F. Novikov [5], R.I. Shniper [6], V.V. Studentsov [7].

A great contribution to the development of this problem was brought by A.A. Arupov [8], D.M. Madiyarova [9], U.A. Tekenov [10], S.S. Satubaldin [11].

## **RESULTS AND DISCUSSION**

In the period since 2014 to 2017, in the export of the region, the dominant position will be maintained for goods of a commodity orientation. Due to excess of exports over imports, a positive balance of foreign trade turnover is envisaged. However, it will not be possible to quickly overcome the raw material orientation of exports in the region. This is a matter of several decades [12, 13].

Therefore, the current trend will continue until the end of the forecast period and to eliminate it, concentration of forces and resources is needed. And as it's rightly noted, there is a need to use resources to transform them into advantages [14]. It allows the growth of export potential in several areas.

Production problems. Export potential is a complex phenomenon that includes both the natural resource base, and the state of the regional economy, which ensures the region, technical and scientific, technological, industrial, social and cultural development, allowing the achievement in sustainable rates of export production, and high living standards, taking into account current and projected market conditions.

Today in Kazakhstan, within the framework of export development programs, the basic provisions to strengthen the export potential with the release of government support measures for export has been formulated. Regions in this regard are less active - many of them still have not formed the basic structure of exports, without which it is impossible to use the pledged optimal potential. This is largely determined by the low competitiveness of the regional economy, the lack of experience on the international market and the lack of export support measures.

The study of the export potential of the regional economy, which is a subsystem of the economy, organized on the basis of the interaction of sectoral and territorial division of labor, is built taking into account the impact of a number of external and internal factors.

Therefore, the study of the concept of the region's export potential should be carried out to study the following points:

- Efficient and sustainable economic development of the region, within the structure of the system with global economic relations and priority development of export complex territory, for the purpose of accelerating the reconstruction of the regional economy;
- Conducting a related analysis of inter-regional, external economic relations with the possibilities of export-oriented production;

- Determination of the macroeconomic effectiveness of export-oriented production at the level of the economic sector and the allocation of priorities for their increase.

Today Kazakhstan regions are feeling the pressure of internal and external factors. This contributes to the global market, presenting only the demand for certain types of raw materials, mainly for fuel and energy. Old spatial planning tools do not work because it is necessary to dwell on the understanding of the category of "region". On the territory of the republic, formed markets with boundaries define the territorial administrative units. Therefore, territorial and administrative pre-determination are led to the understanding of many spatial formations, including that of the region. So, I.V. Arzhenovsky defines the region as "stand out in the process of social (territorial) division of labor of the country, which is characterized by focusing on the production of certain goods and services in relation to other territories with the nature of the reproductive process, complexity and the integrity of the economy; the presence of controls that provide a solution to the problems of the region" [15].

According I.V. Elkin export potential of the region will consist of the sum of the export potential of enterprises selling goods (service providers) on specific foreign markets [16].

In general, the development of export potential is a core circuit model to promote economic development in the region. If previously the economic potential of territorial systems were driven first and foremost by the production potential, there is a possibility of production with the widest range on the territory of the region. But today it is defined by the institutional capacity of the region, ie, opportunities seen in early organization and production of new goods and services using the highest effective means of cooperation and the productive capacity of other countries and territories. In this context, interestingly the position represented by M.I. Zahmatov, according to which "the basis for the creation of an export potential are not natural resources, and organizational and political factors and motivation of the vigorous activity of individuals (entrepreneurs, and works)" [17].

Based on the above-considered opinions of scientists, we can say that the export potential of the region - is above all, an integral part of the country's export potential and is influenced by a variety of economic and geographic, climatic, historical factors and factors of scientific, technological and innovative character. Therefore, especially in the region's export potential are determined by the specifics of its socio-economic needs and multi-potential.

The purpose of the study is to examine the nature of the export potential, the formation and development, identifying challenges and opportunities for building the capacity in the region.

Key findings. The concept of export capacity is rather complex in its definition, as it should combine the interpretation of these economic categories, contributing to its development: financial capacity, industrial resources, marketing potential and competitiveness (Figure 1).

It is also important to note the factors of export potential in the region: These factors can affect the state region, both individually and cumulatively (Table 1).

According to the industrial specialization, the Kyzylorda region is an agrarian-industrial region. The rich natural potential of the region is of a competitive advantage. However, there is a significant imbalance in the structure of production- the predominance of the mining industry (94%) and manufacturing (6%). This situation makes the economy vulnerable to price fluctuations in raw materials of several kinds with export of mineral resources, as well as dependence on the activity of several oil and gas companies.

According to statistics, foreign trade of Kyzylorda region on the basis of 2015 amounted to \$ 3.2 billion. Dollars.. In the structure of trade turnover, the region is dominated by the export of 92% or 3 billion US Dollars which declined to \$2.2 billion. Due to the decrease in oil supplies. Imports fell to 29% of \$248 million (Table 2).

In terms of export from the Kyzylorda region to other regions of Kazakhstan, it is on the 8th place and takes a 3.8% stake.

In 2015, exports from the Kyzylorda region amounted to \$3 billion compared to 2014 when exports fell by 42%. The share of processed products in total exports of the region of 2% or \$ 72.2 million with a negative growth of 37%.

Total exports in the area - \$3 billion, of which in EAEC countries - \$ 23.2 million (0.8% share), in other countries -

\$2,974, 600,000.....

The structure of the export:

- 98.5% (US \$ 2 953 800 000) - Mineral products (oil) markets: China, Switzerland, Tajikistan;
- 0.9% (25.5 million US dollars) - FOOD INDUSTRY (rice, fish products), sales mar-ki: Tajikistan, Russia, Kyrgyzstan;
- 0.5% (US \$ 16 million) - The chemical industry (uranium) market: Russia;
- 0.1% (US \$ 2.4 million) - Other commodity groups.

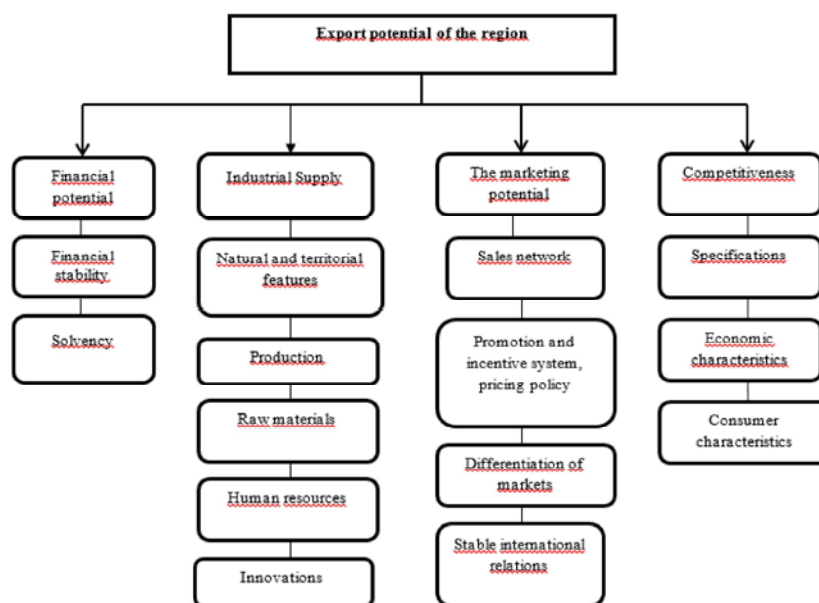


Fig. 1. The structure of the region's export potential, authoring

Table 1: Classification of factors in the formation of the region's export potential, authoring

Factors indirect effects	The factors directly impact
<i>The natural and geographical environment:</i> -The geographical position of the region and the development of market infrastructure; -Natural resources (security, performance, environmental condition); - Climatic resources.	- GRP. - Foreign trade turnover of the region; - Retail trade in the region; - Investments in fixed capital and foreign investment
<i>Public policy:</i> -Industrial policy; -Privatization policy; -money-credit policy; - Competition policy; - Investment policy; - Innovation policy; - Fiscal policy.	- The volume of industrial production; - Incomes of the population; - The structure of human resources capacity of export industries; - Competitiveness of the regional production; - The availability of consumer exports; - export-oriented production level in the region; - Increasing the share of finished products in the region's exports.
<i>Economic environment</i> - Development of market relations in the region; - Development of institutional structure of the economy of the region; - Restructuring of economic sectors in the region; - The presence or absence of administrative, technical and information barriers to entry; - Openness of the region's economy.	
<i>The international environment</i> - The international division of labor; - International trade and exchange; - International competitiveness.	
<i>Socio-demographic environment:</i> - Population; - The standard of living and employment; - Social tensions.	

Table 2: External trade in Kyzylorda region, compiled on the basis of "Kazakhstan Regions: Statistical Yearbook" (2015) [18]

mln. USD.	2012	2013	2014	2015	Growth 2015-2014	Share
Commodity turnover	5 066.4	5 428.6	5 518.7	3 245.7	-41.2%	100%
Export	4 727.1	5 003.1	5 168.1	2 997.8	-42.0%	92%
Import	339.3	425.5	350.6	247.9	-29.3%	8%

Table 3: Drawn up on the basis of "Kazakhstan Regions: Statistical Yearbook" [18]. Export country Top 15 Kyzylorda Region

mln. USD.	2015	The main export products
China	2 754.8	Crude oil - 2.7 billion dollars..
Switzerland	169.8	Crude oil - 169.8 million USD
Tajikistan	25.1	Propane - 18.2; Figure - 6.9 mln USD
Russia	23.2	Uranium - 16; Figure - 6 million USD
Latvia	10.1	Oil-products- 10.1 mln USD
Kyrgyzstan	5.5	Riesz 4; w / d cars - 0.7; Salt - 0.6 mln USD
Uzbekistan	2.4	Figure - 2.1; agricultural equipment- 0.1 mln USD
Denmark	1.7	Fish fillets - 1.7 mln USD
Austria	1.2	Fish fillets - 1.2 mln USD
Turkmenistan	1.0	Risk 0.8; w / d cars - 0.2 million USD
Romania	1.0	Agriculture - 1 million USD
Poland	1.0	Fish fillets - 1 million USD
Ukraine	0.4	Frozen fish - 0.3; Figure - 0.1 mln USD
Germany	0.3	Fish fillets - 0.3 mln USD
Georgia	0.1	Frozen fish - 0.1; Figure - 0.1 mln USD

In the structure of exports of processed products, intermediate consumption goods and finished goods are present in the ratio of 42% to 58%. Export goods decreased by 9% to \$ 27.8 million... The largest volume of export fell on rice (20 mln. US dollars), fish products (5 mln. US dollars) Equipment for processing of minerals (USD 1,1mln.. the USA) and others.

The export policy area is mainly focused on China - 92% interest (oil) and Switzerland 5.7% (oil). Exports of processed goods are mainly manifested in EAEC countries (Eurasian Economic Community) and Central Asia (Central Asia) - 78% share. Exports within the EAEC have increased from 7.8 to \$ 23.2 million.. By increasing the supply of uranium and rice. It should be noted that the results of 2015 on the export of uranium was completely focused on Russia with the amount of \$ 16 million... In the Central Asian countries, exports decreased by 1.8 times from 62 to \$ 34 million... With a reduction in the supply of propane and butane in the United States of Tajikistan for \$ 26 million (Table 3).

Kyzylorda region has 99.8% import processed goods worth \$247.4 million... Of these, \$135.3 million or 55% of the share accounted for engineering industry, aimed for the technical development of the region's industrial park (buses, pumps, agricultural machinery, valves and so on.). 22% or \$ 54.6 million.. In the metallurgical industry (metal pipes, ferrous metals, pipe fittings and so on.). The following products of the chemical industry with a share of 10% or \$ 24.8 million...

In the import policy, the region focused more on China, which accounts for 49% of total imports in the

region. From China, mainly imported products are of mechanical engineering and metallurgy. On imports from the EAEC countries it accounted for 27% stake, the main import products - agricultural machinery, metal pipes, light trucks, pumps and so on.

Analysis of export diversification in Kyzylorda region by commodity groups with commodity code reveals the following facts. On average, 20 export items, exports concentrated on just one type of product (oil) was fixed for 5 years. Facts export the analyzed region recorded in 20 partner countries, with the major share of exports accounts for only 1 country (China).

Therefore, the following measures and proposals are present in the implementation and formation of regional innovative approach of export-oriented economic structure:

- Analysis of "comparative advantage" of the region and existing regional scientific competence to create demand in the international market of products (export potential);
- Analysis of the "comparative disadvantages" of the region, which are manifested with a particular force with conditions involving its removal with consequences of the economic crisis which the regional technological policy should be directed to overcome. Definition of a set of key technologies, the implementation of which may have a significant impact; definition of structural and promising sectors ("regional growth poles") to increase the export potential and structurally unviable branches, whose resources should be redistributed gradually in the direction of the development with promising sectors in the terms of globalization and the WTO;
- Creation of a system of rewards in respect of promising innovative companies (financing costs for certain types of research on "bringing" technology to the commercial result, the creation of conditions for the diffusion of successful technologies, the use of the regional tax and customs arrangements towards the development of specific, innovative benchmarks entrepreneurial activities.

As part of the Industrialization Map for 5 years, 21 projects were implemented in the region, which produce 10 types of goods. Based on current production and realized the industrialization map list of projects promising export products has been formed, in which the export potential assessment was carried out (Table 4).

Table 4: Perspective export-oriented products in the region, compiled on the basis of [19].

Name of product and the volume of export supplies	
- figure - 160 thousand tons per year.	- feed - 80 tons per day
- milk - 4.1 thousand tons.	- gas - 400 million cubic meters per year
- Meat - 8 tons per year	- Sulfuric acid - 500 thousand tons per year.
- Food & Industrial	- Brick - 15 million units.. in year
- Salt - 200 thousand tons per year.	- Equipment for the header ipress Wagons – 100 u in year
- Tomato products - 3.8 thousand tons per year.	- LED lamps - 31.2 thousand units per year.
- Fish fillets - 684 tons per year	-

To identify potential export products and to find alternative markets to those export-oriented products were analyzed as an example of a rice and fish products.

Till date, Kazakhstan imported 24.6 thousand. Tons of rice, 19.3 thousand tons of which (79% share) are accounted for Aktobe region. This area semi-milled rice imports from Russia 17.9 thousand tons, India 0.9 thousand tons and Tajikistan 0.5 thousand tons. In turn, the Kyzylorda region has the potential to export rice outside the country, and to saturate the domestic market.

The analysis revealed that Kazakhstan following the results of 2015 imported 33.6 thousand. Tons of fish products, including 8.4 thousand tons, or a quarter of imports accounted for Karaganda region. This area mainly imports frozen fish from Norway 4.9 thousand tons, Russia 1.2 thousand tons, Vietnam 0.9 thous. tons and Iceland 0.8 thousand tons. The volume of Kyzylorda region exports amounted to 1.6 thousand. Tons, the average notional amount of fish exported 3.2 thousand dollars per ton.

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In this regard, the region offers a concentration and support exporters and manufacturers with identified export goods to enter the foreign markets. In addition, there is a possibility to organize a joint trade mission with rice producers on new markets, such as Turkey and

Mongolia taking into account the existing potential of rice producers in the region, we offer to organize exhibition stands for the presentation of their products at the International Agricultural Exhibition in Turkey in 2016.

With the right strategic approach to enhance capacity in export volumes and positioning the region as a supplier of quality products in the manufacturing sector the share of the region in the country's exports will grow from 3.8% to 5.0%

In addition, there is the need to use resources to transform them into advantages. It allows you to increase the export potential of exercise in several ways:

1st direction - preservation of export-oriented production of oil and gas extracting industry. In the structure of the export potential of the largest share will continue to hold crude oil (over 90 per cent in the volume of exports), as well as salt.

2nd direction of export growth potential includes the revival of work on the export of production of mechanical engineering industry, in particular, the production of harvesters. Along with its development in the field, it can get a third direction of capacity building due to advances in the export industries with a number of iron and steel production industry, in particular the production of gold and zinc mining. Having the prospects for the development of areas of industrial and innovative development of the country. Thus, a number of projects for the production of building materials from local raw materials, polished glass, bricks, concrete blocks, tiles, petrochemical products, including pipe products, plastic window and door frames, ready-made garments.

A significant reserve is in building export capacity for tourism, which is the 4th line. The area has potential for the development of religious tourism, cultural and historical monuments. Tourism development can be associated with the operation of the cosmo drome "Baikonur". Development of the service sector, construction of roadside campsites; becoming a tourist route "Silk Road" in the segment of Kyzylorda region and other areas of tourism may be the consequences.

5th direction can also be associated with the operation of the cosmodrome "Baikonur" in the direction of the development of international scientific and technical cooperation, trade and transfer of "know-how", the development of professional training.

### CONCLUSION

In conclusion the following conclusions are given. Export in Kyzylorda region is poorly diversified and focuses only on one product - oil. The world practice shows that the higher the level of export diversification, the lower its dependence on external factors.

At the same time, the region is actively working on attracting investments, creation and modernization of production facilities, as well as launching new projects within the industrialization map. Till date, more than 20 projects are successfully operating out of which about 10 export-oriented production belong to the manufacturing sector.

The analysis revealed that the greatest potential for export belongs to rice and fish products. Data on the cost of alternative markets (in addition to traditional countries), as well as calculation of the optimal delivery routes on the identified products with export potential.

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