

## Prospects of territorial and structural transformation and modernization of economy of the West Kazakhstan region

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**Abstract.** In scientific work tendencies of development of economy and a problem are reflected in the territorial organization of economy of the West Kazakhstan oblast (WKO). Recommendations about territorial and structural transformation and modernization of economy of the WKO on the basis of mobilization and effective use of the natural resources, new forms of the territorial organization of productive forces are developed. The offered perspective directions of territorial and structural transformation and modernization will allow to increase competitiveness of economy and to reduce spatial asymmetry in level of social and economic development of territorial administrative units of the WKO.

[Imashev E.Z. **Prospects of territorial and structural transformation and modernization of economy of the West Kazakhstan region.** *Life Sci J* 2014;11(8s):201-206] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 43

**Keywords:** territorial organization of economy, transformation, modernization, West Kazakhstan region

### Introduction

The market relations, openness of the economy, occurring integration processes and hard-fought competitive battle both in Kazakhstan, and beyond its limits dictate need of definition of the priority directions of territorial and structural transformation and modernization of economy of districts of the country which result there has to be an increase of efficiency of the territorial organization of economy, qualities of life of the population, decrease in spatial asymmetry in level of social and economic development.

In Strategy of territorial development of the Republic of Kazakhstan till 2015 it is emphasized that, "oblasts and the large cities have to be engaged in elaboration of competitive strategy and search of a place not only in national system of division of labor, but also oblastal and world" [1, p. 3]. In this regard, the new paradigm of spatial social and economic development of districts of the Republic of Kazakhstan has to be based on the maximum use of competitive advantages.

The WKO is located in the northwest of the Republic of Kazakhstan. In the north the WKO has the general borders with Saratov, Samara, Orenburg, in the West – with the Volgograd and Astrakhan oblasts of the Russian Federation. In the south borders on Atyrau, in the east – with Aktobe oblasts of Kazakhstan. The district of the territory of the WKO makes 151.3 thousand sq.km. Population of district as of January 1, 2012 was made by 612.6 thousand people [2]. In administrative-territorial division the West Kazakhstan oblast is subdivided into 12 administrative oblasts and territories of the Ural city administration.

### Development tendency and territorial concentration of economy

Bases of the modern territorial organization of economy and the population of the WKO are put during development of the centralized, monopolized state economy. As a result of uneven placement of productive forces and population moving historically it developed so that the northern administrative Oblasts of WKO have higher level of economic and social development, than the administrative oblasts located in the south, the East, the West and the southwest. So, economical and geographical monitoring of tendencies and features of spatial development of the WKO for 1997-2011 testifies to dynamic progress of economy (tab. 1) with strengthening of territorial localization of economy and the population.

**Table 1. The dynamics of gross regional product and development of WKO economic sectors for 1997-2011**

	1997	2000	2003	2006	2009	2011
Gross regional product (millions of U.S. dollars)	0,70	0,77	1341,97	4063,12	5583,60	9026,59
Gross regional product per capita (U.S. dollars)	1,1	1,3	2228,8	6668,5	9023,3	14839,7
Industry (millions of U.S. dollars / %)	0,08 / 11,4	0,20 / 26,0	290,33 / 21,6	1966,34 / 48,4	2918,70 / 52,3	4794,06 / 53,1
Agriculture, hunting, forestry and fishing (millions of U.S. dollars / %)	0,18 / 25,7	0,05 / 6,5	95,37 / 7,1	139,08 / 3,4	218,20 / 3,9	323,87 / 3,6
Construction (millions of U.S. dollars / %)	0,02 / 2,9	0,17 / 22,1	187,76 / 14,0	374,36 / 9,2	355,00 / 6,4	346,71 / 3,8
Transport and telecommunications (millions of U.S. dollars / %)	0,07 / 10,0	0,10 / 13,0	148,00 / 11,1	354,74 / 8,7	358,90 / 6,4	570,73 / 6,3
Trade (millions of U.S. dollars / %)	0,16 / 22,9	0,06 / 7,8	138,00 / 10,3	249,66 / 6,2	385,00 / 6,9	464,16 / 5,2
Other services (millions of U.S. dollars / %)	0,19 / 27,1	0,19 / 24,6	482,51 / 35,9	978,94 / 24,1	1347,80 / 24,1	2527,46 / 28,0

Sources: [3, p. 11; 4, p. 22; 2].

During 1997-2011, localization of the population increased from 63.5% to 70.3% in Burlinsky, Zelenovsky, Taskalinsky, Terektinsky districts, in the territory of the Uralsk city administration located in the north and occupying 20.0% of WKO, localization of industrial output in

this district rose from 87.1% to 99.6%, localization of retail trade and paid services from 90.5% to 96.5%, localization of investment in fixed assets from 87.9% to 95.7%, localization of property assets from 91.0% to 98.5%. And only in agricultural production the share of the northern districts fell from 74.9% to 61.2% [2].

This polarization in the territorial organization of the economy and population leads to a spatial asymmetry in the level of social and economic development of administrative districts and is a barrier to formation of the complete territorial socio-economic system and reduces the competitiveness of WKO.

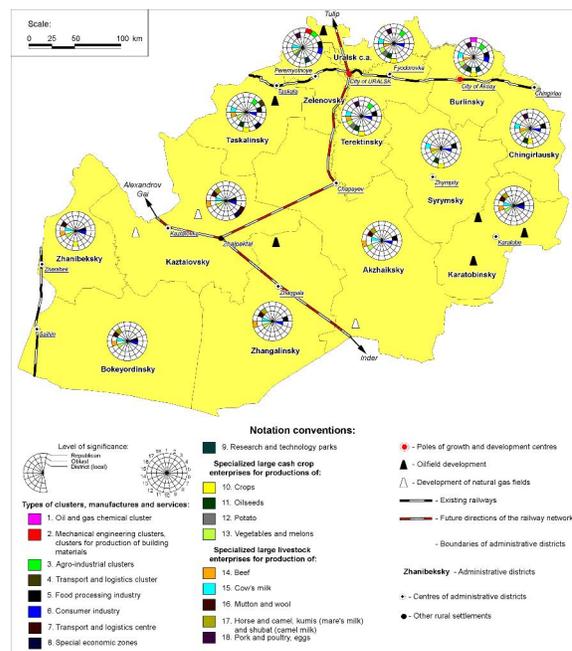
### Perspective directions of territorial branch transformation and modernization industry

The prospect of development of oil and gas extraction industry of the WKO is defined by existence on territories of small oil fields and natural gas which don't accustom yet. So, in the territory of Karatobinsky, Zelenovsky, Taskalinsky, Zhargalinsky districts oil fields are reconnoitered. Natural gas fields are available in a subsoil of Kaztalovsky and Akzhaiksky districts (fig. 1). Development of these fields in the long term with participation of the foreign capital will have social effect and will reduce a territorial disproportion in district oil and gas extraction industry.

The WKO has high potential for creation of a petrochemical complex and development of machine-building branch. For this purpose it is necessary to solve problems of the territorial organization of the oil and gas extraction, gas-processing industry and mechanical engineering. In the territorial organization of the oil and gas extraction and gas-processing industry (the Burlinsky districts) as leading branch of economy of the WKO, and mechanical engineering (Uralsk) it is expedient to use cluster approach as these branches are territorially localized that will allow the adjoining enterprises and firms effectively to interact for receiving the maximum economic benefit.

The theory of geographical (territorial) industrial clusters is connected with the American economist M. Porter [5, 6, 7] and his follower M. Enright [8, 9, 10]. Cluster approach forms a basis for constructive dialogue between representatives of business and the state. He allows to increase efficiency of interaction of the private sector, the state, trade associations, scientific and educational institutions in innovative process, in increase of competitiveness of economy [11, p. 18]. As it is correctly noticed by V.A. Yermolaeva: "... in a zone of formation of oblastal clusters it is possible to create optimum conditions for formation of the new

firms connected with existence of a manpower of the corresponding classification, specific modes of the taxation" [12]. According to Yu.G. Lavrikova: "Formation of clusters in the territory of the oblast allows to solve not only branch problems, but also promotes multipolar distribution of points of growth on the oblast territory and by that provides uniformity and balance of spatial development" [13, p. 4].

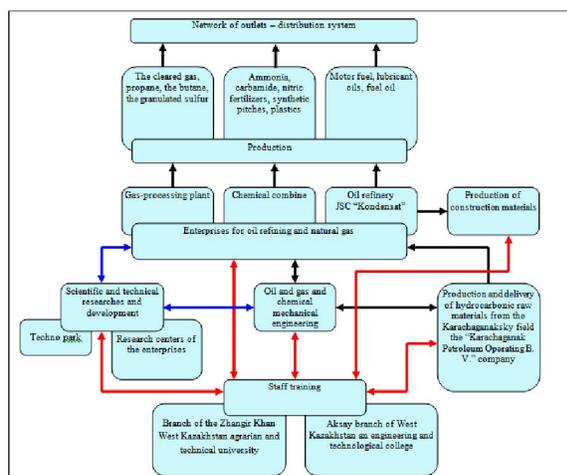


**Fig. 1. Priority directions of territorial and structural transformation and modernization of the WKO economy [prepared by the author]**

In the territory of the WKO – in the city of Aksay of the Burlinsky districts there are prerequisites for formation of a petrochemical cluster (fig. 2).

Main goal of this cluster is development of high-tech processing industries on the basis of use of local hydrocarbonic raw materials and production of competitive demanded production. Formation of the Aksay petrochemical cluster requires increase in power of production of oil refinery of the Kondensat joint-stock company (JSC) construction of gas-processing plant and chemical combine, to stimulate development oil and gas and chemical mechanical engineering, to create science and technology park and branch of the Zhangir Khan West Kazakhstan agrarian and technical university for training of high qualification and carrying out research and developmental works, to arrange production of the construction materials which source of raw materials there is a part of waste of oil processing (fig. 2). Such system territorial integration and the organization of participants of a cluster will

allow to create an oil and gas power chemical production cycle, production which will have a high value added.



**Fig. 2. Aksay petrochemical cluster [prepared by the author].**

Potential of formation of two machine-building clusters on release of the oil and gas equipment and devices, low-tonnage vessels and spare parts to them now developed in Uralsk.

The project on creation of a cluster of oil and gas mechanical engineering is already realized and represents integration of seven industrial enterprises (JSC "West Kazakhstan machine-building company", JSC Uralsk factory "Zenit", JSC Device constructing factory "Omega", JSC "KazArmaProm", JSC "Uralskagroremmash", the production cooperative (PC) "Ural foundry and mechanical plant", SPP "Metalloizdeliya" (LLP) limited liability company) and JSC "Gidropribor" Scientific Research Institute. In respect of completion we offer: 1) to integrate into a cluster two educational institutions for preparation of the corresponding shots; 2) to strengthen scientific and technical researches and development by means of science and technology park "Algorithm" with financial support from the investment center "Gradiyent". The purpose of this cluster is an association of efforts of the industrial enterprises, educational institutions and scientific institutions for joint development and production of competitive production.

Dynamic development of oil and gas subsector of the industry in the Kazakhstan sector of the Caspian Sea, revival of river navigation and wear of a vessel fleet in the country, need of high-speed warships for armed forces of Kazakhstan promoted increase in demand at low-tonnage vessels. The shipbuilding gained development in Uralsk, and there

are prerequisites for creation of a ship-building cluster. JSC Uralsk factory "Zenit" which specializes on production of courts with the displacement up to 500 tons (fig. 3) can become the main base for formation of this cluster.

Integration and cooperation of participants of a ship-building cluster will allow to get them stable economic profit. Cooperation of firms, scientific and educational institutions promotes increase of innovative activity of the industrial enterprises and their competitiveness. The effort of all participants of a cluster will allow to make qualitative vessels with low prime cost.

In Uralsk the cluster territorial organization of productions is possible also in agro-industrial complex and light industry, in the construction industry, on condition of integration and cooperation of firms, modernization and development (on the basis of introduction of advanced technologies), these subsectors and increase in the range of made goods with high quality and expansion of sales markets.

We offer to create a oblastal agro-industrial cluster which will unite country (farmer) farms of Zelenovsky, Terektinsky, Taskalinsky districts, territories of the Ural city administration, the industrial enterprises for production of foodstuff and light industry, scientific and educational institutions of Uralsk (fig. 4).

Main goal of a oblastal agro-industrial cluster is system territorial integration of country (farmer) farms, the industrial enterprises, educational institutions, scientific institutions for increase of their competitiveness and production of qualitative food products with a high value added. This cluster becomes a basis for formation of an industrial and agrarian power production cycle and will allow to lift on new level agro-industrial complex that will influence modernization of territorial structure of economy of WKO.

The northern administrative districts of WKO (Zelenovsky, Burlinsky, Terektinsky, Taskalinsky) where the grain farm and animal husbandry gained development, have opportunity to create agro-industrial clusters on production of flour and meat-packing products (fig. 1). These administrative oblasts have a favorable economical geographical position: proximity to the oblastal center – the capacious intraoblastal consumer market; border on the Saratov, Samara and Orenburg oblasts of Russia where it is also possible to realize part of made production at competitiveness of goods. For formation of agro-industrial clusters on production of flour and meat-packing goods it is necessary to develop processing productions in these administrative oblasts. Lack of the corresponding

processing productions is a limiting factor in the organization of agro-industrial clusters.

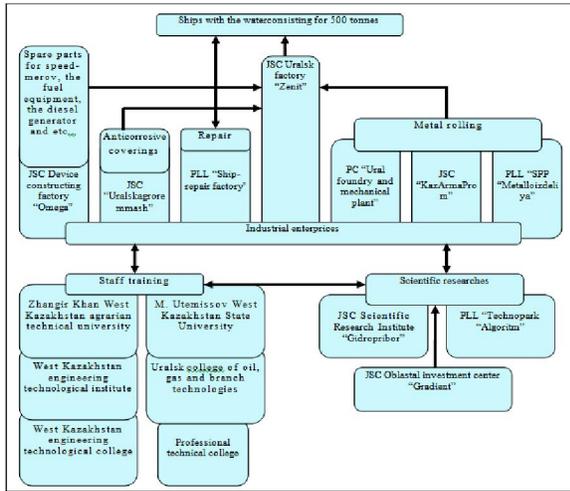


Fig. 3. The Uralskship-building cluster [prepared by the author]

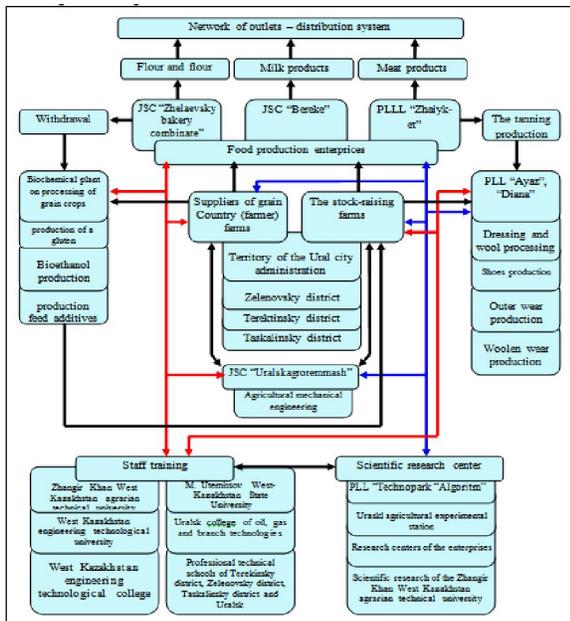


Fig. 4. The oblastal agro-industrial cluster [prepared by the author]

Existence on territories of the WKO of construction raw materials, dynamic development of the market of housing construction and increase in demand at construction materials promoted development of the construction industry. Major civil engineering firms are localized in Uralsk and have potential for creation of an industrial cluster. Integration of the industrial enterprises, scientific and educational institutions of Uralsk and the Taskalinsky

district for cluster formation on production of construction materials (fig. 5) is offered.

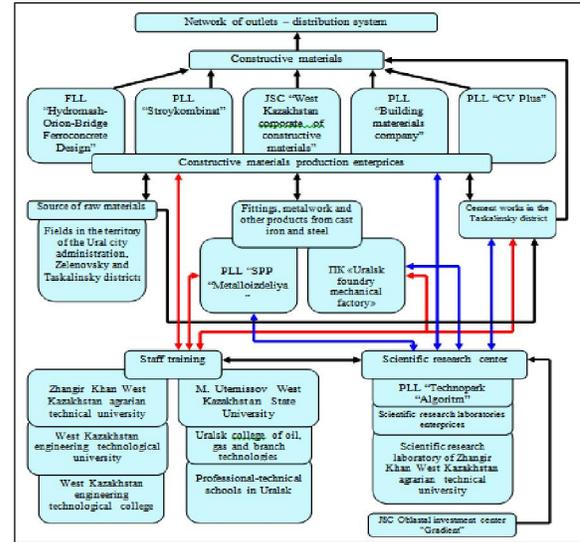


Fig. 5. The Ural cluster on production of construction materials [prepared by the author]

The cluster organization in the construction industry will provide mutually beneficial cooperation of participants which will have territorial effect in development of this subsector of the industry.

Main goal of this cluster – production of competitive production, increase in the nomenclature of the let-out goods, full satisfaction of domestic market in construction materials and expansion of export opportunities of the enterprises of building industry due to common efforts and territorial and branch integration of participants of a cluster which will have social and economic effect. On the basis of the Ural cluster on production of construction materials, probably to create an industrial and construction power production cycle.

Integration of participants into the holding companies can become an effective form the organization of territorial industrial clusters in the WKO. Association of participants of a cluster is supposed as for the account “horizontal integration” (by means of consecutive accession or receiving control over the enterprises which are joint by one kind of activity), and “vertical integration” (association of the enterprises of a uniform production cycle). Standard and legal base for integration of participants of territorial industrial clusters into the holding companies are Laws of the Republic of Kazakhstan “About joint-stock companies”, “About private business”, etc.

In the administrative districts of WKO located in the south, the southwest, the East, the West, the North (Taskalinsky, Terekinsky) and the

East where low level of industrial development is observed it is necessary to stimulate development of the food industry on the basis of local agriculture with introduction of new production technologies (fig. 1). Further development of the food industry in these administrative oblasts will increase competitiveness of the enterprises and will allow to advance production not only on the oblastal market, but also the markets of the next oblasts (Atyrau, Aktobe) and border territories of Russia.

The local agriculture can give raw materials not only for food, but also for textile and clothing industry. Therefore it is necessary to provide investment appeal of administrative oblasts, and local governing bodies have to promote process of the organization and development of the specified subsectors of the industry. Thus the enterprises have to be formed within development of small and average business.

The northern administrative districts of WKO have competitive advantages over other administrative districts. It is necessary to accelerate industrial development of the administrative districts located in the south, the southwest, the West and the East having unrealized potential for the solution of social and economic problems of these territories. It concerns development of new small oil fields and natural gas, development of food and light industry that will allow to pursue policy of a territorial deconcentration of productive forces (fig. 1).

The accounting of our offers on the territorial organization of the industry in the long term can promote a deconcentration of industrial production, territorial and structural transformation and modernization of economy of the WKO. It will influence formation of uniform territorial social and economic system of the WKO, capable to compete in modern market conditions both on intra republican, and on international levels.

#### **Priorities of territorial and branch development of agriculture**

Territorial development of agriculture of the WKO has to be carried out, generally at the expense of an intensification of agricultural production and creation of the country (farmer) farms specialized the large products.

In production of products of plant growing advantage remains behind the administrative oblasts, located in the North and the East of the WKO. Only the Akzhaiksky district has high potential in development of commodity melon growing and vegetable growing. In other administrative oblasts located in the south, the West and the southwest of the WKO, the commodity organization of production is possible in animal husbandry (fig. 1).

In Zhangalinsky, Akzhaiksky, Kaztalovsky, Zhanibeksky, Terektinsky, Bokeyordinsky, Taskalinsky districts in the long term, probably, creation of the strong livestock base leaning on extensive pasturable and haying grounds and on a local grain farm, on condition of an intensification of production of livestock production. Taking into account livestock base, in these administrative oblasts production of meat-packing, sausage, sour-milk products and other types of production which can satisfy not only internal requirements of the market, but also be exported can gain development.

For increase of efficiency of cattle and production of high-quality agricultural production it is necessary to organize specialized large productive livestock farms. In creation of livestock farms on cultivation of cattle of the meat direction and production of beef Akzhaiksky, Kaztalovsky, Zhangalinsky, Terektinsky, Zhanibeksky, Taskalinsky, Karatobinsky districts have high potential; is more profitable to organize farms of dairy specialization in Zelenovsky, Burlinsky, Terektinsky, Taskalinsky, Chingirlausky, Syrymsky districts and in the territory of the Ural city administration. Advantages in development of sheep breeding and production of wool have Akzhaiksky, Zhangalinsky, Kaztalovsky, Zhanibeksky, Karatobinsky, Bokeyordinsky districts. It is expedient to organize horse-breeding and verblyudovodchesky farms in Bokeyordinsky, Kaztalovsky, Zhangalinsky, Akzhaiksky and Karatobinsky districts. Pig-breeding and poultry-farming farms have to gravitate to zernoseyushchy territories: Zelenovsky, Burlinsky, Terektinsky and Chingirlausky districts (fig. 1).

Creation of the livestock farms specialized the large productive demands construction of capacities, and also improvement of food and substantial supply of country (farmer) farms, labor productivity increase due to mechanization of works, improvement of veterinary and sanitary control of cattle and a bird, development of selection of agricultural animals with removal of the breeds adapted for local climatic conditions etc.

#### **Conclusions**

As a result of a territorial disproportion in placement of productive forces and population movings in the WKO there was a spatial asymmetry in level of social and economic development. The typology of the administrative Oblasts of WKO carried out by the author testifies that the districts located in the south, the West, the East, the southwest of district have low level of social and economic development. They lag behind both on level, and on rates of development northern districts. For the effective territorial organization of economy and the

population of the WKO acceleration of development of economy of lagging behind administrative oblasts, and improvement of quality of life of the population in rural districts has to become the priority direction in carrying out intra oblastal policy.

The solution of territorial problems, formations of uniform territorial social and economic system, increase of competitiveness of economy and quality of life of the population requires territorial and structural transformation and modernization of economy of the WKO. In territorial and structural transformation and modernization of economy of the WKO it is necessary: development of new oil fields and natural gas; formation of territorial industrial clusters (Aksaysky petrochemical, agro-industrial, Ural oil and gas machine-building, Ural ship-building, Ural on production of construction materials, oblastal agro-industrial) which become a basis for further development of poles and growth centers; improvement and construction of transport, production, social and market infrastructure; development specialized the of the large products of crop and livestock farms in agrarian sector; stimulation of development of small and medium business; increase of innovative activity of the enterprises due to creation of science and technology parks and close cooperation between them.

Thus, noted perspective directions of territorial and structural transformation and modernization of economy are higher can promote reduction of territorial concentration of productive forces, decrease in spatial asymmetry in level of social and economic development of administrative oblasts, to increase of competitiveness of economy and efficiency of the territorial organization of economy and the population of the WKO.

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5/18/2014