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## THE ROLE OF LOGISTIC INDUSTRY IN INNOVATIVE DEVELOPMENT OF KAZAKHSTAN

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### Резюме

В данной статье анализируется роль логистики в инновационном развитии Казахстана. Спрос на услуги логистики постоянно растет, и это связано с увеличением производства товаров и услуг, количества предприятий, постоянного роста потребительского сектора национальной экономики и объемов торговли.

Данная работа характеризует современное состояние логистики в стране и ее роль в развитии Казахстана, а также перспективы развития и пути совершенствования этого сектора.

**Ключевые слова:** логистика, Казахстан, экономика, транспорт, инновационное развитие.

### Түйін

Бұл мақалада логистиканың Қазақстанның инновациялық құлпырауындағы рөлі жан-жақты талданылады. Логистика саласындағы қызметтерге сұраныс әрдайым өседі, себебі өнеркәсібіміз күн санап ілгері дамуда. Сонымен қатар ұлттық экономиканың тұтынушы секторы және сауданың көлемі де ілгері дамуда, өсуде.

Мақалада заманауи логистиканың жай күйі, оның Қазақстандағы инновациялық дамуындағы рөлі, осы сектордың болашақ даму бағыттары және жетілдіру жолдары баяндалған.

**Кілт сөздер:** логистика, Қазақстан, экономика, келік, инновациялық даму.

***Abstract.** The paper analyses the role of logistic industry in innovative development of Kazakhstan. Demand for logistics services is constantly increasing. This is due to increased production of goods and services, the number of enterprises, the steady increase in the consumer sector of the national economy and trading volumes. The work paper characterizes the modern state and problems of logistic services in the Republic of Kazakhstan and its role in development of Kazakhstan, as well as prospects of development and ways to improve this sector.*

### Introduction

In the economic system of any country transport plays an important role - it is one of the basic sectors, which forms the infrastructure of the economy and provides the interconnection of all its elements. The level of development of the transport system of the state is one of the most important features of technological progress of the country and its civilization.

It is believed that the twenty-first century will be the century of logistics. For this view there is a good reason, as many perceive the structure of logistics as a “panacea” to solve many problems. Perhaps this is too much exaggeration

of the role of logistics, but still speaks of the importance of the role of logistics in the economy [1].

Logistics is a catalyst for industrial development, and its improvement is essential for any country. This process is the pillar upon which to build interstate integration. And Kazakhstan, an active supporter of various integration processes, has an important advantage its geopolitical and economic resources, allows to successfully implement transit potential as the best option land transport links with Europe, Asian countries.

### **Concept of Logistics**

Professor Pavellek and staff of the National Council of US on Materials Management distribution, defining the essence of logistics, focus on the managerial aspects. Logistics, in their opinion, is planning, management and control of the flow of material production and the corresponding information flow, entering the company, processed there and leaving the enterprise [2].

Many experts studying this area, including French, prefer the economic side of logistics and interpret it as "... a set of different activities in order to obtain the required number of products at a set time and in the prescribed place where there is a specific need of these products with lowest cost".

Some definitions of logistics reflect both managerial and economic aspects. The most typical in this respect characteristic of logistics, given by professor Pfolem, which links together the planning and control of movement of material assets to reduce the cost of their travel and information support.

Other definitions of logistics emphasize its operational and financial aspects. The logistics interpretation comes from the calculation time of the transaction partners and activities related to the movement and storage of raw materials, semi-finished and finished products in economic circulation after payment of money to the supplier until it receives money for the delivery of the final product to the consumer.

### **Role of logistics in the innovative development of Kazakhstan**

In today's economy of developed countries, logistics is an effective tool in the management of a group of companies, industries, regions and the state in order to optimize flows of goods and reduce the cost of production and sales.

To survive in these circumstances, the company has to adjust its proposal to the required standard of customer required high quality of service, competent staff, first-class facilities with the most modern equipment, convenience throughout.

It should be noted that in today's global environment, logistics plays a key role in the industrial development of the countries. In some countries, the government first had focused on the development of logistics as a major factor

stimulating industrial development. In Kazakhstan, this tool can also bring significant economic effect for industrial jerk:

Firstly, it stimulates logistic service of existing and new businesses. This could include acceleration, simplification and reduction in price of domestic traffic at supplying raw material production, delivery of finished goods to the consumer, transportation over long distances in remote areas;

Secondly, it is national expert services, ie logistics, stimulating the involvement of transit through the territory of Kazakhstan;

Thirdly, logistics, promoting investment processes in the economy, ie. . Externalities of logistics, when the foreign partner decides to realization of investment projects in Kazakhstan due to advanced logistics system [3].

Kazakhstan's economy, which is located in the center of the Eurasian continent between capacious and dynamically developing markets of Europe, East and South-East Asia, largely depends on the efficient use of potentially high transit capacity of the state. Thus, according to area of the republic among the top ten countries in the world, occupying about 2% of the entire globe, 6.1% in Asia.

Currently, the state of the transport and logistics industry in the country cannot be called brilliant. The index of efficiency of logistics systems of the World Bank in 2012 LPI Kazakhstan occupies 86<sup>th</sup> place. Forecast by the year 2020 to 40<sup>th</sup> place. LPI is the index of the World Bank, considering the ease of implementation of the supply of goods and the state of trade logistics and trade at the national level. The indicator measures the efficiency of deliveries in international trade [4].

Today Kazakhstan is the leader among the CIS countries in economic, as well as in the industrial and logistics sector. Every year, consumer markets get stronger and gathering pace, which gives the possibility of further expansion of the companies, access to the world market and as well is of interest to manufacturers [5]. Today's consumers' demand in logistics market ranges, as companies want to minimize their problems with the shipping and prefer logistics operator took over these concerns.

The main priority of Kazakhstan's development today is the development of industrial zones in the territory of which the producers could locate their facilities and fully enjoy a number of advantages.

Kazakhstani firms build market relations, and for their effective functioning needed clarity cooperation of all flows of goods, information linkage of internal and external environment, the rational distribution of goods, interaction of management logistics, transportation, planning flows of raw and finished goods inventory, work in process and final products from its production to its consumption. Thus, logistics solves the problems of development and implementation of integrated management of material and information flows in

the production, transport in the distribution of goods and services for the timely and full satisfaction of the demand in the market.

In-depth knowledge of the market and the ability to skillfully use modern tools of influence on the evolving situation on it are particularly important in a market economy. Business success is not achieved, without knowing the subtleties of condition and prospects of the market; it's most important segments, needs and demands of consumers are within the target market.

In the leading countries with advanced economies, about 93% of the time of the movement of goods from the primary sources of raw materials to the final consumer falls on its movement through the channels and storage. So, the production has only 2% of the total time, transportation - about 5%. In addition, over 20% of GDP in developed economies includes product distribution. Expenditures for the costs of maintaining stocks of raw materials, semi-finished and finished products are about 44%, warehousing and freight forwarding - 16%, long-distance transportation and technology - 23 and 9% , cost of providing the marketing of finished products is 8%. Logistic systems contribute to the development of integrated functions to coordinate all communications flow processes, with which the company is dealing with the interaction of its internal and external environment. This function is related to the general management and marketing, combines them and creates a common goal. The study of this function also seems to be very relevant, and thus addressed the issue of marketing logistics, which is becoming a key factor in the company's success in the struggle for competitive advantage.

The urgency of the problems of logistics for Kazakhstan in the transition to a market economy is particularly acute. Logistics Development in Kazakhstan requires broad visibility of methods and forms among entrepreneurs and scientists, especially in such a favorable introduction to the principles of the logistics sector, such as transport, which is one of the most important components of the infrastructure of the national economy [6].

The scope of application of logistics is very extensive in public administration, in various sectors of the economy, in the military sphere. At the present stage it began to form a new logistics system management of economic processes. It is an integral part of the market mechanism and created for the implementation and coordination of interests of all participants in the business and social activities through the most efficient use of material, financial, information and other public resources.

State support for logistic systems should be one of the forms of state regulation of the economy, which is coordinating the economic interests of enterprises and participants of logistic units, the promotion of mutually beneficial relations between them. This requires the creation of new or conversion of existing principles of government, society and business - structures in order to achieve

the main objective of logistics - the final results reducing total costs and gaining competitive advantage by streamlining, optimizing economic processes with a high degree of coordination.

In the transport sector the program envisages the development and strengthening of transport links between Kazakhstan and the EU, the creation of conditions for the provision of transport and logistics services for the free movement of passengers, cargo and vehicles on the basis of the unity of the transport infrastructure and processes. We must learn from the experience of European countries in the organization of transport and logistics services.

Experts predict that in 2020 the total volume of transit traffic can reach 40 million tons. Already transit brings to the economy of Kazakhstan about 500 million Dollars. According to experts, this is just the beginning. Volumes of freight flows in the direction of China-Europe-Asia grow, so speedy implementation of transit capacity will allow Kazakhstan to minimize the negative effects of the global economic crisis on the economy. The experts emphasize the relevance of the early establishment and adoption of the Law on transit and the importance of the country's modern logistics centers [7].

In this regard, the Government of Kazakhstan takes a number of problems, which are reflected in policy documents. For example, in the Transport Strategy tasked to forming the optimal transport infrastructure using the principles of logistics, creation of multimodal transport corridors, a network of terminals and logistic centers providing technological interaction between all modes of transport in the organization and implementation of passenger and cargo traffic on the basis of the modified model on the East-West and North-South cooperation; development of the market for transport services.

The implementation of the Transport Strategy and Territorial Development Strategy of Kazakhstan involves the creation of large commercial and logistics hubs, focused on the Central Asian market and providing favorable conditions for the world's producers sell their products in the region, the formation of transport and logistics hubs, focused on customer service the entire Central Asian region.

To create favorable conditions for the development of transit potential of the country and the revival of the Silk Road, passing through the territory of Kazakhstan, is necessary to form a modern logistics infrastructure in key transit points.

The success of transit, including transport and logistics centers in Kazakhstan due to the initial involvement in the project of world transport structures, shippers of China, South-East Asia, Europe, and Russia.

### **Improvements in Logistic industry**

The plans of the Ministry of Transport include the creation of logistics centers, which will be linked to the strategy of development of the transport

sector, transport hubs, near the megacities, at the intersection of roads and railways.

Another thing that affects the development of the sphere of the warehouse building is state support for business. Thus, a number of logistics projects will be developed through public-private partnership. This applies, for example, the development of international sea port of Aktau. Aktau seaport is defined as a strategic port controller in the structure of a single transport and logistics system of Central Asian transport-industrial corridor [8].

The most active development of the Logistics Center in the suburbs of Almaty, where it is planned to create a basic unit of all of logistics of Kazakhstan with a unified system of transport units, warehouses and reception centers, distribution and transshipment of goods. Logistics centers will also develop in the major airports of Kazakhstan. It is desirable to have a road and rail access roads, conveniently located in relation to the city. System needs a systematic approach to the construction of the planned network and multimodality (association of road, rail, water and air transport).

However, this is only the beginning, and in future, we should expect to see in Kazakhstan entire complex combining both storage space for various purposes, as well as the capabilities of all existing routes. Currently in this area we are working on the implementation of the Strategy "3A" - a concept combining into a single system three major transport hubs in Kazakhstan – Astana, Almaty and Aktobe. Individually transport hub covers its part of the republic. Aktobe - West, Almaty South East, and Astana - North. Creating a powerful modern industrial and logistics facilities at these sites in order to improve the quality and dynamics of the turnover in the country, the company "High Tech Logistic" plans to develop a unified logistics network. The emergence of high-quality logistics network that will cover the entire country, will strengthen the status of Kazakhstan as a bridge between Europe and Asia.

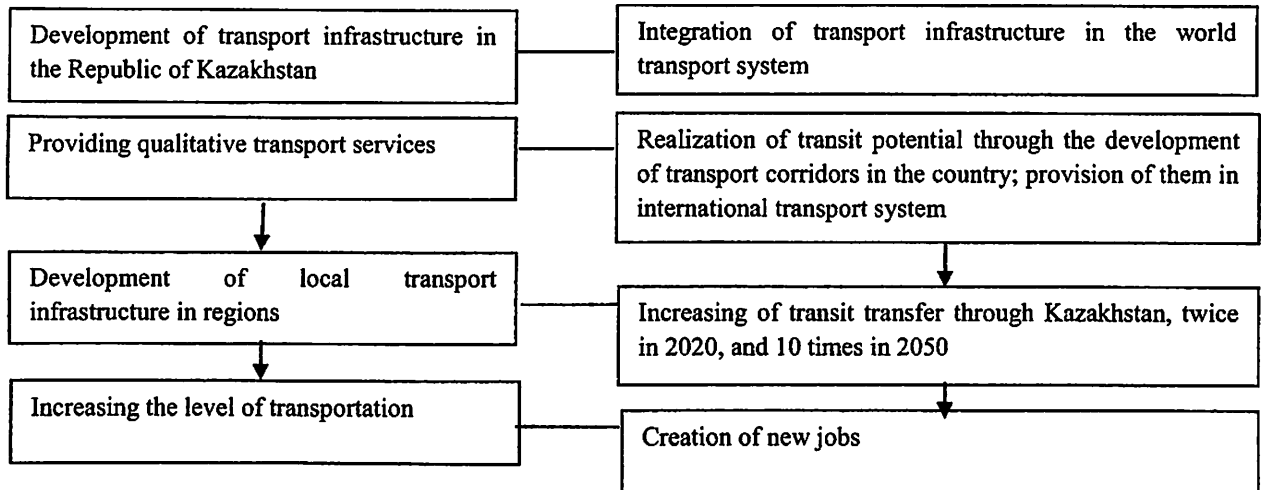
In general, the market of transport and logistics services in Kazakhstan today is insufficiently developed. Creating a high-performance network transport and logistics centers is an independent industry breakthrough project.

The Government of Kazakhstan, based on the orders of the President of the Republic of Kazakhstan Nursultan Nazarbayev, has launched a new project to diversify Kazakhstan's economy through the development of clusters. The emergence of CALM (Central Asian Logistics Management) due to the establishment and development of the pilot cluster "Transport Logistics".

The company's services for the first time in Kazakhstan will allow the client to receive a complete package of logistics services, as only it can actually reduce costs and shorten the path to consumer goods. For customers it is important that the goods received, processed, stored and distributed at the request of these goods. This should be a single, integrated system that will keep

track of the passage of goods throughout the supply chain. Working with CALM will help the client gain a competitive advantage and strengthen its position in the market.

The main directions of development of the transport system are set out in the State Program.



State program of developing and integration of transport system due to 2020[9].

There is a need to establish an effective integrated platform that can meet the needs of modern transport and logistics industry in Kazakhstan, which requires openness, international recognition, operational awareness, quick solution of current problems, system strategic issues, access to specialized information analysis, training of qualified specialists, attracting foreign investors the market and improving the logistic climate as a whole. The Republic of Kazakhstan conducted systematic work to improve the quality of transport services. This is primarily reducing transport time, reducing the cost of transportation, optimization of tariffs, cargo safety and, most importantly, the development of qualitative human resource capacity, which aims to ensure the proper functioning of the entire logistics system [10].

Outside of Kazakhstan there are also formed network of transport and logistics systems, consolidation centers and distribution centers, and transit traffic. Within the framework of the Common Economic Space, one of the key projects is the creation of an integrated transport and logistics companies, whose activities will be to provide the railway administrations of Kazakhstan, Russia and Belarus using integrated services based on the principles of "one window", a single technology, quality standards and price policy and, as a consequence, to coordinate the development of technological parameters of terminal infrastructure corridors. Transport and logistics complex could become one of the drivers of economic growth. The overall effect of the gross value added of

the program of development of transport and logistics system for the period up to 2020 will amount to \$ 15 billion, The average effect on GDP growth will be at the level of 1%. To this end, the development of infrastructure will be attracted about 5 trillion tenge.

### **Conclusion**

Demand for logistics services is constantly increasing, and logistic systems contribute to the development of integrated functions to coordinate all communications flow processes, with which the company is dealing with the interaction of its internal and external environment. Transport and logistics complex could become one of the drivers of economic growth. The implementation of the Transport Strategy and Territorial Development Strategy of Kazakhstan involves the creation of large commercial and logistics hubs, focused on the Central Asian market and providing favorable conditions for the world's producers sell their products in the region, the formation of transport and logistics hubs, focused on customer service the entire Central Asian region. To create favorable conditions for the development of transit potential of the country and the revival of the Silk Road, passing through the territory of Kazakhstan, is necessary to form a modern logistics infrastructure in key transit points.

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