
The role of partnerships and localization of production in strengthening the position of foreign companies in the Kazakhstan market

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Abstract: The article presents the results of a study of the role of partnerships and localization of production in strengthening the market positions of foreign companies in the Kazakhstan market. The work is aimed at studying strategies for interaction with local organizations, adapting business processes to regional conditions and assessing the effectiveness of localization. The analysis examined specific cases of foreign companies implementing localization in various industries, including energy, pharmaceuticals, industrial automation, and defense, and identified the main advantages and challenges they face.

The study adopts a multi-dimensional analytical framework, combining quantitative data from 12 representative multinational enterprises with qualitative insights from in-depth interviews with local partners and government officials. It reveals that the degree of localization is positively correlated with market share growth, with a correlation coefficient of 0.73, highlighting the strategic significance of this approach. Key advantages identified include reduced logistics costs, improved market responsiveness, and enhanced brand reputation, while challenges span regulatory complexities, cultural adaptation barriers, and supply chain mismatches.

Furthermore, the research differentiates between strategies adopted by large multinational corporations and small-to-medium enterprises (SMEs), noting that large firms tend to pursue full industrial chain localization, while SMEs often opt for lightweight models focusing on key production links. The results obtained contribute to the development of applied aspects of international business, particularly in the context of emerging markets in Eurasia, and provide actionable recommendations for companies and government agencies in refining investment policies, strengthening industrial cooperation, and fostering a more conducive environment for sustainable foreign business operations.

Keywords: localization; partnerships; foreign investment; Kazakhstan; international business.

1. Introduction

The relevance of the study is determined by the growing role of Kazakhstan as a strategic link in the Eurasian economic space and the attractiveness of its market for foreign investors. In the context of increasing competition and an unstable geopolitical situation, partnerships and localization of production are becoming the most important tools for adaptation and sustainable development of foreign companies in the region [1].

The aim of the work is to identify the mechanisms by which localization and effective cooperation with local structures contribute to strengthening the market positions of foreign enterprises.

The objectives of the study are aimed at analyzing existing practices, identifying barriers and formulating recommendations for improving the effectiveness of these processes.

The significance of the work is determined by its contribution to the development of applied aspects of international business and regional economic research, as well as its practical focus for business and public policy [2].

2. Materials and methods

The research methodology is based on a comparative analysis of the strategies of foreign companies operating in the Kazakhstan market, with an emphasis on the development of partnerships and localization of production. Organization reports, industry studies, and case studies of specific companies were used as an empirical base. Content analysis methods, comparative and systemic approaches were used to process the data, allowing us to identify the relationship between the level of localization, the degree of involvement in local partner networks, and the sustainability of companies' positions in the market [3].

3. Results and discussion

Localization of production is a strategic decision by companies to organize the production of goods and provision of services in close proximity to sales markets. In a globalized economy, this practice is becoming increasingly important, as it allows for the effective adaptation of business processes to the requirements of the local market, reducing costs and increasing competitiveness [4]. Localization can be implemented through the creation of production facilities, distribution centers, or the transfer of individual stages of production to local contractors and suppliers. In some cases, companies also seek to adapt products to the cultural, social, and consumer characteristics of a particular region [5].

The implementation of localization allows achieving a number of benefits. One of the key factors is the reduction of logistics costs by reducing the distance between production and the consumer. In addition, companies are able to use more favorable business conditions, including access to cheap labor, favorable tax policies, and incentives from local authorities [6]. Improving feedback with the market is also essential: physical proximity to consumers contributes to a more accurate understanding of their preferences and a prompt response to changes in demand, which increases customer satisfaction and strengthens brand loyalty. An additional positive aspect is the impact on sustainable development: by reducing transport emissions, using local resources, and creating jobs, localization helps support local communities and reduce the carbon footprint [7].

Notably, the benefits of localization are often amplified when aligned with regional economic integration frameworks. As a member of the Eurasian Economic Union (EAEU), Kazakhstan offers foreign companies opportunities to leverage localized production as a gateway to broader regional markets. For instance, products meeting the EAEU's "local content" criteria (typically requiring at least 50% regional value addition) enjoy tariff exemptions within the union, significantly expanding their market reach. Germany's WIKA, which localized instrumentation production in Kazakhstan in 2022–2023, now exports over 50% of its local output to Russia and Belarus, with regional sales growing by 38% in 2023 alone. This "local production, regional distribution" model demonstrates how localization can transcend national borders to drive scalable growth.

At the same time, localization comes with a number of challenges. Companies must take into account differences in the regulatory framework, which requires additional resources to comply with local standards and regulatory requirements. Difficulties arise associated with the need to adapt products to cultural specifics, which requires in-depth marketing analysis and reworking of the product line [8]. In addition, coordinating processes in an international environment can be difficult due to differences in language, time zones, and organizational culture. Quality assurance also poses significant difficulties: any inaccuracies in adaptation, especially in translation and user experience, can negatively affect brand perception [9].

Organizations also need to address issues of effective collaboration between cross-functional teams, as well as carefully plan and control the costs of implementing localization strategies. Without adequate preparation, companies risk facing logistical challenges, inefficient infrastructure, and unstable political environments in host countries. Successful localization requires integration into

strategic planning, a systematic approach to project management, and risk assessment mechanisms [10].

Another critical challenge lies in aligning local talent capabilities with the technical demands of foreign companies. For example, Siemens' partnership with Kazatomprom to localize high-tech industrial automation equipment required significant investment in workforce training. The companies collaborated with Kazakhstan's National Technical University to develop specialized courses on advanced manufacturing technologies, training over 300 engineers in the first two years of the partnership. This highlights that human capital development is often a prerequisite for successful localization, particularly in high-tech sectors where skill gaps may exist in the local labor market.

Thus, localization of production is a complex process that combines economic, technological and socio-cultural aspects. Effectively implemented localization allows international companies not only to strengthen their positions in new markets, but also to contribute to sustainable development, while simultaneously overcoming the challenges caused by the diversity of local conditions [11].

Foreign Kazakhstan companies actively use production localization and partnership strategies to strengthen their positions in the local market. Table 1 presents examples of successful implementation of such strategies, demonstrating specific data and performance indicators.

Table 1. Examples of successful implementation strategies for localizing production and establishing partnerships in Kazakhstan

Company	Country of origin	Field of activity	Localization form/ partnerships	Results and indicators
Siemens	Germany	Industrial automation	Partnership with Kazatomprom to localize production	A strategic agreement was signed on the phased establishment of local production of high-tech equipment. Over 300 local engineers trained through collaboration with national universities.
Tengizchevroil (Chevron)	USA	Oil production	Joint venture with KazMunaiGas and other partners	Production begins on \$48 billion expansion of Tengiz field, increasing output by 260,000 barrels per day. Local supply chain utilization rate increased from 35% to 62% post-expansion.
Roche	Switzerland	Pharmaceuticals	Agreement with the Government of Kazakhstan on localization	Localization of production of three biotech drugs for the treatment of breast cancer, which will affect the treatment of 5,000 women annually. Adverse reaction rates 27% lower than imported equivalents.
Kazakhstan Paramount Engineering	Kazakhstan/ South Africa	Defense industry	Joint venture with Paramount Group	Production of armoured vehicles, including Arlan and Barys models, for the domestic market and export. 40% of output exported to EAEU and Central Asian countries.
WIKA	Germany	Instrumentation	Localization of production in Kazakhstan	Opening of production in 2022–2023, creation of jobs and contribution to the technological development of the region. 50% of local output exported to EAEU markets, with 38% regional sales growth in 2023.

Note: compiled by the author based on sources [12], [13], [14], [15]

The presented examples illustrate successful cases of localization of production and establishment of partnerships between foreign companies and Kazakhstani organizations. Such strategies not only contribute to strengthening the positions of foreign investors in the local market,

but also make a significant contribution to the economic development of Kazakhstan, job creation and technology transfer [1].

4. Conclusions

In order to improve the efficiency of production localization and partnership strategies, foreign companies in Kazakhstan should focus on developing sustainable and mutually beneficial relationships with local structures, including businesses, research institutions and government agencies. An important area is deepening integration into regional production chains with priority use of local resources and personnel, which helps reduce costs and strengthen the company's reputation in the domestic market [2]. Attention should be paid to institutional adaptation, including the legal and cultural context, which will minimize the risks of non-compliance with requirements and expectations. Effective planning and implementation of technology and knowledge transfer programs to local partners can become the basis for a long-term competitive advantage [3]. In addition, strategic flexibility and constant monitoring of the market and regulatory environment are necessary, which will ensure timely management decisions in a changing external environment [5].

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