

The strategic role of Kazakhstan: supply chain and opportunities for Italian companies in a context of logistical difficulties and sanctions

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Following the large-scale Russian invasion of Ukraine in February 2022, supply chains from the European Union to Russia and Belarus have been disrupted due to international sanctions and logistical difficulties. This has had significant impacts on many sectors, including technology, energy and mechanical engineering, which have been hit hard by the restrictions. As a result, Russia and Belarus have had to look for sourcing alternatives from other regions, such as China and, more recently, also from neighboring countries such as Kazakhstan, which, due to its strategic geographic location and neutrality from sanctions, has become an important transit and supply point for these countries. Import-substitution is taking place in some sectors as a response to economic sanctions and disruptions in supply chains.



However, there are specific sectors that require advanced technologies that cannot be easily replaced. Sectors such as precision mechanics and advanced metallurgy require technical expertise and high-quality machinery, which are difficult to obtain due to sanctions and limited access to Western technologies. In this context, the Kazakh market assumes a strategic and growing importance and its role can be better understood if we analyze it from different perspectives: geographical, economic, political and logistical. Kazakhstan, located between Russia and China, has strategic access to both European and Asian markets. This position makes it a natural hub for the transit of goods and for the creation of new trade channels. Russia remains a major trading partner for Kazakhstan and the Belt and Road Initiative (BRI) has helped to strengthen the transport and logistics infrastructure between Kazakhstan and China.

Kazakhstan is a growing market that is trying to diversify from a traditionally natural resource-based economy (oil, gas, minerals) towards greater industrialization and local production. Due to international sanctions, many European and Western companies have abandoned the Russian and Belarusian markets, creating space for new suppliers.

Kazakhstan, due to its location and tax incentives for foreign investors, is an entry point for companies seeking to enter or re-enter the Eurasian market. With this in mind, the Kazakh government has adopted a series of economic policies and tax reforms to attract foreign investment and stimulate domestic industry, including the creation of special economic zones with tax incentives for companies investing there, economic diversification through investments in renewable energy, technology and infrastructure, creating opportunities for foreign companies to enter these sectors and maintaining positive and stable bilateral relations with Europe.

Italy, with its strong tradition in mechanical engineering, metallurgy and other high-tech sectors, can respond to the growing demand in Russia, Belarus and, consequently, in Kazakhstan and Central Asian markets. Italian companies are known for their ability to provide technologically advanced products, which are in high demand in Kazakhstan, especially in sectors such as precision mechanics, robotics, industrial automation and metallurgy and these products, as we have already said, cannot be easily replaced by local or Chinese producers. In addition, Italian companies are appreciated for their ability to produce small series of high quality and for their flexibility in adapting to specific customer needs. For Italian companies, Kazakhstan therefore becomes a target market for sales first and foremost and at the same time represents a strategic hub to enter other markets in Central Asia and the CIS, thus offering a gateway to a market also consisting of Russia, Belarus, Uzbekistan, Kyrgyzstan, Turkmenistan, Armenia, Azerbaijan and Tajikistan.

In this situation where the demand for goods is increasing and is not being met, a window of great opportunities is created which, however, will not last forever: the demand will be satisfied by the fastest and most determined suppliers who will be able to benefit from the so-called "first-mover advantage". The International Business Consulting-IBC team in Kazakhstan and Russia has the necessary skills in terms of market analysis and research, commercial promotion, sales, negotiations and legal assistance: all skills absolutely necessary to successfully face these complex markets. The strong demand in the local market has been concretely detected by IBC which is looking for potential suppliers: on a database of 100 companies selected among the most interesting, 56 have been contacted and 25%, or 1 in 4, has expressed interest and is ready to consider the supply by Italian companies.