

# Strategy Realization Tools Import Substitution of the Russian Federation in Industrial Sectors in Order to Improve Their Competitiveness

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**Abstract**—In the paper considers the state strategy of import substitution of industrial branches of the Russian Federation. Reflects the international experience of the import substitution policy and the implementation experience of import substitution in the Russian Federation; it shows the dynamics of imports to the Russian Federation; dynamics of imports of food products; defines the direction vectors of the import substitution strategy, identified problems in the implementation of the policy of import substitution priority sectors of the economy; it shows the influence of the import substitution strategy on the competitive position of industries; considered the road map of import substitution; the potential for the development of the domestic food complex is reflected; the positive and negative factors of the import substitution policy influence are revealed.

**Keywords**—the import substitution strategy, the competitive position of priority sectors, the mechanism of import substitution, the potential for the development of industrial sectors.

## I. PREFACE

Currently, the phrase "import substitution policy" is used more and more often. Since December 2013, the government of our country has decided to introduce a policy of import substitution of certain types of goods supplied from European countries.

As you know, for more than three years Russia has been under economic sanctions by the European Union, the United States, Japan and a number of other States.

About the same amount there is an embargo on the import of food from the same list of "unfriendly partners"[3].

If we carefully examine the problem of import substitution policy-both theoretically and practically, we can see the following.

First, the long-term policy of import substitution entails a number of other economic problems.

Secondly, import substitution can be caused by various reasons and, accordingly, will have various consequences, including both positive and negative.

Third, the instruments of this policy are very diverse, but it is not developed methodologically and does not take into account the full range of consequences for related enterprises and industries, for society and its individual groups, for the budget of regions and the country.

The main task now is to significantly increase investment attractiveness of industrial sectors.

The objectives of import substitution are [5]:

1. Ensuring national and state security of the Russian Federation.
2. The achievement of technological independence.
3. Promote the creation of a positive trade balance.
4. Growing national leaders to conquer the global market.

Achievement of objectives suppose the following tasks:

Improvement the technical level of production, ensuring the competitiveness of industrial sectors.

Regulation of the degree of openness of the domestic commodity market, protection of domestic producers from unfair imports, the production of domestic goods to the world commodity markets.

Improving the tax and customs regime to ensure the competitiveness of industrial sectors.

Creating conditions for attracting investments in the industry and crediting to enterprises.

To solve the problem of import substitution requires a comprehensive approach, taking into account all factors and features of the country [6].

The result of import substitution should be an increase in the competitiveness of industrial sectors by stimulating technological modernization of production, increasing its efficiency and the development of new competitive products with a relatively high added value [13].

**II. THE MAIN PART, FACTORS, CONDITIONS AND POLICY INSTRUMENTS OF IMPORT SUBSTITUTION**

First of all, in the course of the study, the authors proposed the definition of the policy of import substitution. By it we mean a number of measures taken by the state that support a particular company for the entire period of its import substitution policy for the organization of production of high-quality domestic products in order to ensure national and economic security. In our opinion, this definition is universal for the present time, reflecting the goals, content and methods of business restructuring in the conditions of the requirements put forward by the state [14].

Thus, import substitution of products is a direct substitution of imported goods with domestic goods instead of the types of products prohibited for any reason, produced abroad. First of all, there are a number of reasons that cause the need for an import substitution policy:

- national security, protection of the domestic market;
- escalation of international relations;
- the need to expand the domestic market, growth of export [15].

These reasons have a different impact on the timing of the policy FROM, on its methods, on the vector of development of industries and, as a result, to change the competitive position of the industry. It should be noted that a number of works by many authors reflected the negative experience of import substitution, namely the negative influence on the economy. Of course, import substitution creates new jobs, opens up new markets for domestic producers, reduces competition, but in the long term, the implementation of the strategy of import substitution in South America, there was a decrease in output and growth of production. It is important to understand and study the system of factors – both resource and management, instrumental, which determine the effectiveness of the implementation of the policy of import substitution.

The complexity of forecasting the impact of import substitution policy on the Russian economy is due to the fact that the economic conditions here are volatile, highly variable and there was a strict need to transition to the policy of import substitution [16]. Thus, the forced import substitution together with the devaluation of the ruble in 1998 led to a reduction in imports by 20 % (up to \$74 billion), in 1999 - by another 28% (up to \$53 billion). But then the results deteriorated-imports began to grow again (fig.1).

The dynamics of imports of goods to Russia reflects the impact of the policy of import substitution carried out in our country several times: since 1998, since 2008 and 2013.

We can make a clear conclusion that one of the core factors of the success of the policy is the state of the currency and financial markets, the exchange rate, which in turn depends on

the economic situation, demand and supply [9]. Monopolization as a characteristic of the country's economic system also significantly affects the success of activities and strategies to replace imported goods with domestic ones – through the pricing mechanism. All of the above applies to the group of macroeconomic factors of policy success [7].

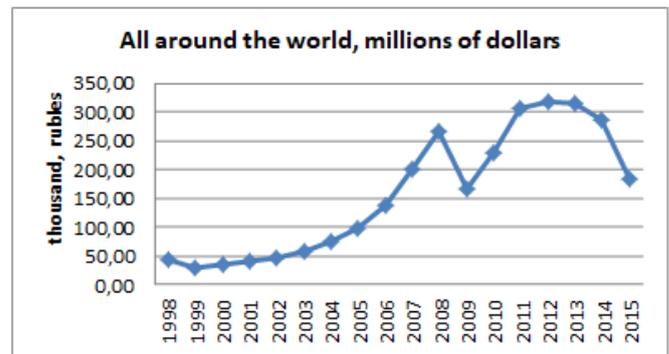


Fig. 1. Dynamics of imports of goods from 1998-2015.

The second group is the management factors: the quality and quantity of the impact tools used. We believe that they operate at two levels—at the state level and at the enterprise level.

Among the tools of the first level are: framework schemes, road maps, models, algorithms and programs defined at the macro level by legislative means. The instrument of the state policy is the provision of services to business owners in the selection of products for production, support and assistance in the period of formation and development, the ministries play the role of coordinator and scientific and technical consultant [8].

In addition, in this group of instruments includes recommendations and indicative parameters set by the state. But this is weak. The least developed instrument at present. More attention is paid to the choice of industries for a more focused policy of import substitution [17, 18]. Thus, in the Russian Federation in 2014, priority sectors were proposed, to which special state support is applied: agriculture, food industry, engineering, shipbuilding, transport and communications, energy supply, etc.

Measures are envisaged directed on the development the infrastructure and marketing systems of those enterprises that intend to produce an import substituting product, to develop their staff potential. Thus, the Ministry of education of science together with regional authorities plans to reconstruct industry research institutes and centers of scientific and technical services with departments for import substitution [19].

Especially important is the question of the creation of motivational mechanisms for import substitution. The point is that they bear the main risks and expenses of realization the policy FROM, suffer from lower profits, revenues at the time of the restructuring of the product range and technology, as a rule, the entire whole technology and logistics chain. Their functionality, marketing, customers, partners are changing. In order to compensate for these damages, there should be established equivalent incentives on the side of the state.

The Russian government planned to develop and approve by the end of September biennial plans to promote import substitution in industry and agricultural complex. It is expected that among the proposed measures will be, in particular, tariff and customs regulation, because the Russian Federation has such opportunities. Also, the Russian governments have plans to limit the scope of the new contract system of import supplies for defense and security needs, as well as for certain types of engineering and light industry products.

To ensure food security, the Ministry of agriculture included in the doctrine a point on the need to develop resources for the industry – machines, fertilizers, veterinary drugs, etc., as well as the creation of a network of wholesale distribution centers and a comprehensive system of traceability of safety and quality of goods [10].

Figure 2 shows an approximate scheme of factors determining the content of the import substitution policy, and those elements that are primarily affected by these factors.

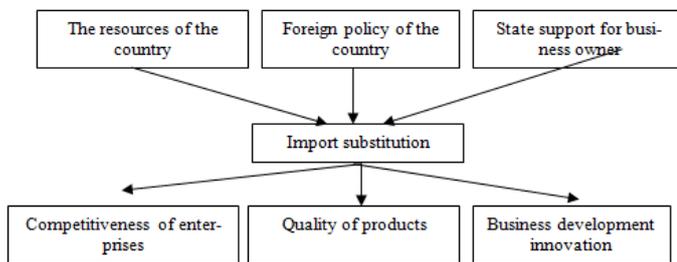


Fig. 2. Schema of factors of import substitution in Russia.

Next, we consider the tools of the second level—that is, at the level of enterprises. These instruments are more flexible and varied compared to the first level. They are chosen by enterprises, taking into account the framework conditions and requirements, as well as their resource base. These are business plans, investment and innovation projects, marketing technologies, crowdfunding, outsourcing, benchmarking and other methods of economic behavior. One of the most effective forms is public-private partnership, as well as the creation of clusters, special experimental zones, technological parks, engineering centers [11].

The authors propose a number of actions to apply the policy of import substitution at domestic enterprises:

- develop and adopt at the regional level a objective program to replace imported regional products for at least, but not more than five to six years;

- to resume training of working personnel: it is known that during the years of reforms there were no turners, millers, operators, locksmiths, electricians and other necessary professions;

- according to the experience of other countries and the Soviet times to introduce strategic planning of the most important products, import substituting business units (ISBU);

- at the federal and regional levels—to solve the issue of the revival of centers that study the validity of the purchase of equipment and components for import and limit purchases in

cases where their production is organized at domestic enterprises;

- to organize own production of electronics and software products, providing business processes;

- to ensure the intensive development of intangible assets associated to branding, including territories, reputation and image resources of organizations and regions where the policy of import substitution is carried out [4].

As a positive fact, it should be noted that after the introduction of the import substitution program by the government of the Russian Federation, domestic enterprises were able to increase the use of production capacity, equipment load, which increased the volume of products supplied to the market [12]. Import substitution contributes to the emergence of an active market within the regions, regulates the exchange rate (in this case, the ruble) and allows to increase economic growth. Imports of goods are carried out not only by single market participants, but also by competitors, so it is possible to introduce reasonable quantitative restrictions and apply moderate tariffs, the average rate of which will increase the possibility of further development of production.

In conclusion, we should add that import substitution should not increase on the principle that the more the better. When it is objectively more profitable to buy goods rather than produce them, it is necessary to engage in procurement-as a permanent part of the market or a temporary measure. This is a classic of economic theory, proved by the teachings of A. Smith. John. Ricardo, G. Mill and other stars of the world science about the richness of countries and regions.

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