

Analysis of Priority Sectors of the Economy in the Policy of Import Substitution

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Abstract. In this paper, the authors considered the priority sectors of the economy in the policy of import substitution. Analyses were carried out the work of foreign and domestic scientist proposed the author's interpretation of the import substitution policy, presented the scheme of work of the industry of import substitution in the Russian Federation, carried the analysis of changes in economic policies to reduce imports for businesses and the national economy as a whole in the priority sectors of the economy. The problems of import substitution industry are revealed.

1. Introduction

For the full detection of the topic, first of all, the authors studied the works of scientists, which identified the concept and essence of the policy of import substitution. We have considered the scientific works of such researcher as: V. K. Faltsman, D. Zaitsev, T. M. Kalashnikov, B. A. Raisberg, E. N. Nazarchuk, L. Sh. Lozovskaya, E. B. Starodubtseva, O. V. Starovoitova, L. N. Azojev, N. A. Suchkova, D. A. Smirnov, O. B. Berezinskaya, A. L. Vedev, P. A. Kadochnikov, E. F. Baranov, N. N. Volkov, E. V. Volkodavova [1]. After the analysis of the work, we concluded that the opinions of researcher are divided. So some consider that the essence of import substitution is to increase production within the country, while others – to limit imports. As Fedoseeva G. A. reflects in her work, [17] some scientists consider that import substitution is one of the types of economic policy that is not able to exist independently and requires constant control and intervention of the state.

There is also an opinion that import substitution is an independent uncontrolled process caused by the result of economic struggle.

We understand import substitution as a whole industry, which has its own characteristics, approaches, types, goals and objectives.

Import substitution can be considered as a series of measures taken by the state that support a particular enterprise for the whole period of application of the import substitution policy for the organization of production of high-quality domestic products in order to ensure national and economic security [2].

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 nominated by the state.

2. Problem statement

It is very important to determine the reasons that cause the need for the development of the import substitution industry. These reasons include national security, and the protection of the domestic market; the aggravation of international relations; the need to expand the domestic market and the growth of exports. It is important to understand that all of the above reasons require different deadlines, methods, vectors of development and ultimately different changes in the competitive position of the country. Also, in the analysis of the works of many scientists, we have identified a negative experience in the application of import substitution policy. This experience should be taken into account at the present time not to permit a negative impact on the country's economy. Negative experience, as the practice of South America and Belarus shows, can lead to a decrease in output and production growth, but only in the long term [3,4].

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.

Imagine the scheme of the import substitution industry in the Russian Federation, it is presented in figure 1.

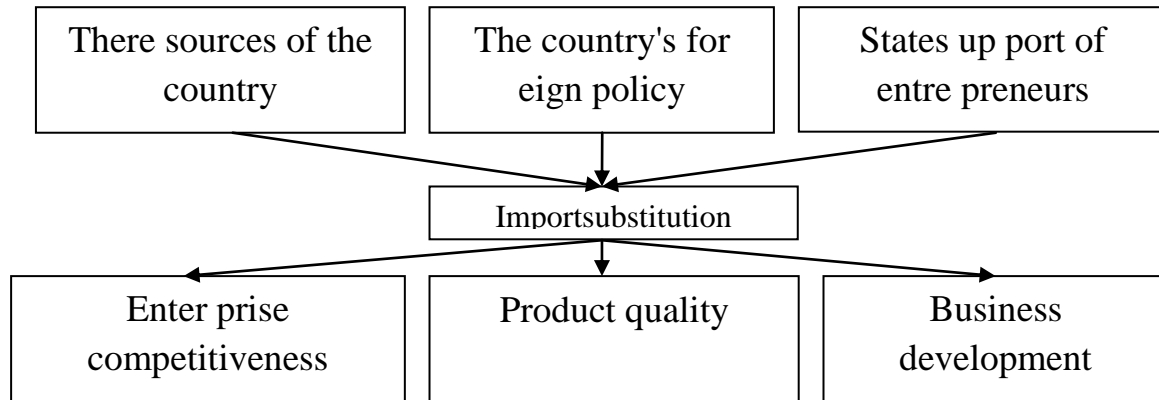


Figure 1. Scheme working of import substitution industry in Russia.

As we can see in figure 1, external and internal factors influence each other, which indicates the importance of each factor and the importance of the aggregate of all factors.

Theoretical part. Import substitution policy of course applies to all sectors of the economy, but the government of our country was allocated to priority sectors specified in the “Regulation on import substitution in the Russian Federation” in accordance with subparagraph "C" of paragraph 20 of the program of support of investment projects implemented on the territory of the Russian Federation on the basis of project financing requirement of the project in accordance with the Main directions of the Government of the Russian Federation until 2018, in one or more of the following priority sectors of the economy:

- Agriculture (including the provision of services in this sector);
- Manufacturing industries, including food production;
- Chemical production;
- Machine-building complex (aircraft, shipbuilding, automobile industry and other);
- Construction industry;
- Transport complex, including air transport (airports, air carriers, transport infrastructure);
- Communications and telecommunications;
- Production and distribution of electricity, gas and water and other resources.

Therefore, based on the government's decision on the policy of import substitution, this article discusses the priority sectors of the economy [5].

In the table 1 presents the advantages and disadvantages of changing economic policy in the direction of reducing imports for enterprises and the national economic complex as a whole [6].

In recent years, there is a very tight replacement of imported domestic products. The emphasis is also placed on the fact that domestic products are made of high quality, meet Russian standards, which guarantees the consumer the use or demand of harmless goods. Also, it should be noted that the price of the product of Russian production is acceptable to the consumer and is much lower than the permitted imported goods. Currently, the policy of providing the population with necessary goods is aimed at ensuring that each region provides itself with products, and in the absence of production of goods, delivery from neighboring regions is available. In this case, the Russian regions are coping quite successfully with the current situation in the country-with the sanctions imposed against the Russian Federation [11].

Table 1. Analysis of changes in economic policy towards a decrease in imports for enterprises and the national economic complex as a whole by priority sectors of the economy.

№	Industry sector of the Russian Federation	Advantages of realization of import substitution policy	Disadvantages of implementation of import substitution policy
—	agriculture (including the provision of services in this industry);	<p>The Ministry of agriculture has created a register of vineyards, which will contain information about all vineyards in Russia: location, cultivated area, the owner of the plot, the number of shrubs and planting density per hectare, crop yield, etc. The introduction of the register will finally allow us to accurately determine and calculate — where exactly, from where and how much Russian wine arrives on the shelves of our stores. This will allow for a more thorough fight against counterfeiting [7].</p> <p>The production of food products has increased, and even those that were not produced in our country before, and after the introduction of the policy of import substitution began to be produced.</p> <p>Attraction of investments in domestic state projects</p> <p>Creating a new workforce</p>	<p>The illegal use of the agricultural purpose land plots. This often leads to ground contamination. Most violations — in the work responsible for the transfer of land ownership or lease.</p> <p>The current system of state support does not sufficiently take into account the efficiency of the use of funds, the introduction of technologies and the profitability of products.</p> <p>Reduction of production in the private sector, that is consolidation of production by combining medium companies; creation of clusters; eradication of small business</p> <p>Low purchase prices. Impossibility to negotiate with retailers for delivery. Weather conditions of the zone of risky agriculture. And credits that are very difficult to repay [8].</p>
—	processing industries, including food production; in this article, the author considers the food	Environmentally-friendly food	The analysis of the effectiveness of measures aimed at import substitution in the agricultural sector in 2015-2016, which was conducted at the initiative of the Accounts chamber of the Russian Federation, showed that the growth in production was mainly due to pork and

	<p>Access to new production capacities</p> <p>Providing residents of the Northern regions of the region with domestic food commodities. Import substitution program gives impetus to the development of the flour and cereal industry</p> <p>Opening of new lines of production of new types of goods</p>	<p>poultry, as well as a good grain harvest. The dairy sector is still a problem. Unscrupulous manufacturers, to save money, replace animal fats with vegetable fats, which leads to a deterioration in the quality of products [9]. Lagging behind the level of development of rural infrastructure: municipal, social, transport, engineering, cultural Special attention should be paid to the market of dairy products. The dairy market is filled with a large number of counterfeit and dairy products. In this regard, the production of quality dairy products is reduced. The risk for domestic producers is that soon the sanctions will end and import producers will start to return to the market, the demand for whose goods may increase. Equipment for new production lines is purchased abroad, that is the production chain is not subject to import substitution.</p>
<p>chemical production;</p>	<p>develops a new direction-bimodal polyethylene for the production of the shell of power cables domestic enterprises of the food and processing industry are provided with high-quality packaging material, which allows expanding the export of Russian products The introduction of new technologies reduces the emission of dangerous substances into the atmosphere, which improves the environment. expansion of the range of the Russian market of household chemicals and products for professional enterprises for cleaning of the Russian production. deductions to the budget of the country increased due to the production of domestic products</p>	<p>The production of chemical products, even the most advanced, harms the environmental situation in the world, although scientists are finding new ways to reduce harmful emissions into the atmosphere [10].</p>
<p>machine-building complex (aircraft, shipbuilding, automobile industry and other);</p>	<p>reaching a new level of technological development development and production of products that have no analogues in Russia revival of domestic industrial potential in the field of production of modern materials with the use of new technologies large orders of domestic machine-building products allow in a difficult time for the country to load the capacity of the enterprise by almost 100%, as well as to provide stable work and timely salaries of staff.</p>	

Today, the Russian Federation needs a new development strategy – product and market-and, accordingly, a methodology for its development. A sharp change in socio-economic and political goals causes a negative impact, but can serve as an impetus for positive changes [16].

3. Practical significance, proposals and results of implementations, results of experimental studies

The portion of imported cheese in the Russian market has always been large. This is explained by the low quality of mass inexpensive cheese, which is produced in Russia. The share of imports a year ago was 60%, and now-about 30%. The main countries delivering cheese and dairy products were: Germany, Finland, Poland, Estonia, Lithuania, New Zealand, Belarus, Ukraine. Now the situation forces to start production of cheeses, cream, condensed milk and other production in the territory of Russia.

For example, the share of foreign apples a year ago was 75%. The main importer was Poland. Taking into account that apples are growing even in the Northern regions, this situation is catastrophic. In addition, the quality is depressing - European apples are tasteless, processed with various chemicals and practically do not contain useful substances [12].

As for vegetables and fruits, not all types of these goods are growing in Russia. For example, the same bananas or figs. As a result, the share of imports in some areas is 100%. In General, the import indications are also high.

The share of imported vegetables is up to 40%. So potatoes a year ago were delivered from Belgium, Holland, Belarus, Poland, Egypt. Cucumbers and tomatoes are delivered from Turkey and Spain; carrots, onions and sweet peppers are delivered from China and Israel [13].

In contrast to the meat and dairy market, it is possible to replace imported vegetables with foreign ones relatively quickly - the construction of a greenhouse with all the infrastructure takes several months. Already for the next season it is possible to provide at the expense of one cluster several areas with fresh cucumbers, tomatoes, greens. Full import substitution is still far away, but the first steps have been taken. For example, in the Belgorod region, several greenhouses for growing vegetables have already been built and are functioning [18].

The next problem for the Russian sector is the industry. In some areas we buy 100% of equipment, spare parts and materials. Often because there is nothing domestic. With the fall of the ruble, the situation itself made a choice for us-we need domestic, because it became twice as expensive to buy from Europe, China and the United States [14].

In the last year, Russia has been actively establishing the production of components, organizes ready assembly of foreign parts, makes its attempts to enter the market. The replacement process is under way, despite the fact that some Russians and companies are wary of looking at the Russian, the most expensive, but well-known, from the European Union.

In mechanical engineering, for example, the process of import substitution is relatively successful. In last two years, the share of purchases of equipment and machines fell by 30%. Experts say that 6% of plants refused to import completely, buying domestic [15].

The worst situation is with the high-tech industry: computers, mobile devices, motherboards, components, control systems. The share of imports at the grassroots level is 100%. Experts say that it is simply impossible to carry out a revolution here in a few years.

First of all, assembly and production is still more profitable in China than in Russia;

Secondly, there are no technologies in our country, as well as specialized equipment, and competitors from the West do not just sell it;

Thirdly, we have a serious shortage of specialists in these areas.

In metal industry, things are slightly worse - only 6% of enterprises do not use foreign equipment, the rest are forced to buy control panels and computers abroad. The goal for the near future is to reduce the share of imports by at least 25%, to transfer several large enterprises working for the Ministry of defense and the government, completely to the domestic one. 69% of companies are forced to use imported equipment, primarily due to the lack of domestic or low quality.

If Soviet industry in the XX century could envy even more advanced West, with the collapse of the country industry completely failed. Clothes were fully purchased in China, Turkey, Ukraine, Belarus. Have us if and sewed, then not thanks to, and contrary. Only in recent years there has been a turning point-domestic companies have purchased new equipment, established markets, opened branded stores, improved product quality. Increasingly, in stores you can find t-shirts, pants, jackets, shorts from Russia, not China. Russians have paid attention to this and prefer higher-quality domestic. Clothing imports have already fallen by 30%.

By the end of 2015, Russian companies plan to expand the range of purchased domestic equipment by about 25% [19].

The share of foreign equipment in the food industry is about 20%.

The most modest results of import substitution in the chemical industry, despite the fact that Russia is a traditional exporter of fertilizers, chemical products, raw materials. Only 15% of chemical enterprises in the last two years have reduced the share of imports in investments in equipment. Management openly declares that it will adhere to a restrained policy of import substitution due to the reluctance to reduce the share in the domestic and global market. The reason is banal — with the replacement of equipment can fall and quality.

4. Conclusion

Of course, three years is not enough for such a serious task as import substitution. It is naive to assume that from a country that does not know how to produce cheeses and diamond processing machines, in 12 months, we will start selling them to the Arab Emirates. Somewhere there are not enough financial means, in the other direction - the business itself opposes, in the third-the technology is simply not sold to Russians, not wanting to lose a large market. The process takes years, in some industries - decades.

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