Import substitution in modern conditions: priority directions and implementation problems

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Abstract. This article focuses on the concept of import substitution, which involves the replacement of imported goods and services with domestic alternatives. In the context of economic trends such as increasing prices for imported goods, difficulties with their supply, and the need to strengthen national economies, import substitution has become a relevant topic in many countries, including Russia. The article presents an author's definition of import substitution, as well as key directions, problems, and prospects of import substitution in modern conditions. Additionally, the article provides an algorithm for effective import substitution in Russian companies. The key concepts discussed in the article include the importance of domestic production and the development of domestic industries, as well as the challenges associated with implementing import substitution policies. Overall, this article offers valuable insights into the concept of import substitution and its potential role in strengthening national economies. The information presented in this article may be particularly useful for policymakers, economists, and business leaders who are interested in developing effective strategies for import substitution in their respective countries or industries.

1 Introduction

In recent years, the issue of import substitution has become increasingly important for many countries, including Russia. This topic has received significant attention from scholars, policymakers, and business leaders as a means to promote economic growth and national security.

Various authors have written about the challenges and opportunities of import substitution in the modern context. For instance, Kuzminov and Gokhberg argue that import substitution should be considered as part of a broader economic policy aimed at creating a competitive and innovative national economy. They suggest that such a policy should focus on promoting domestic industries, investing in research and development, and improving the business environment [1].

Another author, Yakovlev, emphasizes the importance of developing a clear and coherent import substitution strategy. He argues that such a strategy should be based on an assessment of the country's comparative advantages and should involve a collaboration between the government, private sector, and academic institutions [2].

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In addition to these studies, several recent books have addressed the topic of import substitution. For example, Ivanov and Kuznetsov examine the experiences of several countries, including Russia, in implementing import substitution policies. They highlight the challenges of implementing such policies and suggest strategies for overcoming them [3].

Overall, the literature suggests that import substitution remains a complex and multifaceted issue, requiring careful analysis and strategic planning. As such, this paper will explore the priority directions and implementation problems of import substitution in modern conditions, drawing on insights from recent studies and publications.

2 Materials and Methods

A comprehensive search of scholarly databases including Scopus, Web of Science, and Google Scholar was conducted to identify relevant literature on the concept of import substitution, its implementation, and its effects on national economies.

A systematic review approach was used to analyze and synthesize the literature on import substitution. The articles were analyzed thematically, with a focus on the definition, key directions, problems, and prospects of import substitution. The analysis also included a discussion of case studies on import substitution policies in different countries, with a particular focus on Russia. The algorithm for effective import substitution in Russian companies was developed based on a review of relevant literature and expert opinion.

Overall, the materials and methods used in this review allowed for a comprehensive analysis of the concept of import substitution and its implementation in different contexts.

3 Results

One of the key reasons for forced import substitution in Russia is the sanction policy of Western countries, which limits Russia's access to Western technologies and components. As a result, Russian companies are forced to seek alternative sources of supply or develop their own analogues.

Another important reason is economic: domestic production can sometimes be more efficient than imports, taking into account factors such as customs duties, transportation costs, and currency fluctuations.

Finally, Russian government policy also calls for an increase in the level of import substitution in order to strengthen national economic security and increase the competitiveness of Russian industry.

The reasons for the need for import substitution can be systematized as follows:

- Economic factors: increase in the price of imported goods;
- Political factors: embargo on imported goods, sanctions, military conflicts, external political instability in supplier countries;
- Social factors: mistrust of imported goods, preference for domestic products, the need to preserve jobs;
- Environmental factors: worse environmental situation in supplier countries, the need to comply with environmental requirements.

When implementing import substitution, priority should be given to positions that are critical for the economy and national security. Such positions may include:

- equipment and technologies necessary to ensure national security;
- components and materials critical to domestic industry;
- food and pharmaceutical products to ensure a high level of population health;
- consumer goods such as clothing, footwear, electronics, and others, to reduce dependence on imports and increase the efficiency of domestic industry.
However, it is important to note that import substitution should also take into account economic feasibility and technical feasibility of substitution. Each case should be considered individually, choosing the most suitable positions for substitution.

In recent years, steps have been taken to strengthen support for domestic industry, including through measures to protect national producers and develop infrastructure.

However, there are challenges and issues in implementing import substitution. Key challenges of import substitution in Russian industrial enterprises include:

- Lack of innovative technologies and equipment;
- Low quality of raw materials and components used in production;
- Shortage of qualified specialists and insufficient investment in education;
- Low efficiency and corruption in the management system of industrial enterprises;
- Insufficient international trade links and restrictions on imports;
- Inadequate government support in the form of financial instruments and incentives for development.

Moreover, the complexity of implementing import substitution may be associated with high economic and financial requirements. Implementation of import substitution requires significant investment in technology, equipment, and personnel training.

To achieve successful import substitution, the following are necessary:

- Support and development of domestic industry through government programs and investments;
- Optimization of procurement and reduction of dependence on imports through localization of production and increased efficiency;
- Development of key competencies and technologies, including through cooperation with foreign partners and knowledge transfer;
- Development of domestic infrastructure, including transportation and logistics, to ensure efficient production and delivery of goods;
- Market regulation, including through customs duties, quotas, and other supportive measures.

The import substitution algorithm for a specific enterprise may include the following steps:

- Definition of import substitution goals and objectives, including an analysis of the deficit of imported products and market conditions;
- Evaluation of the current level of production and enterprise needs;
- Identification of potential suppliers of goods and components, as well as an assessment of the feasibility of replacing suppliers from an economic and security point of view;
- Development of an import substitution plan, including financial, technological, and organizational aspects;
- Implementation of the import substitution plan, including production improvement and new technology implementation;
- Control and evaluation of the effectiveness of the import substitution process.

For effective import substitution, Russian companies should consider opportunities to develop new products, improve the quality of existing products, and increase production efficiency. It is also important to consider market needs and consumer requirements.

To maintain the effectiveness of import substitution, it is necessary to develop and implement a state policy aimed at supporting national producers and improving the competitiveness of Russian industrial companies. The concept of effective import substitution is presented in the figure.
Thus, the concept of effective import substitution at Russian enterprises is based on the principle of replacing imported goods and services with analogues produced in the Russian market. The goal of this concept is to improve the national economy and increase the efficiency of Russian enterprises.

To implement this concept, it is necessary to improve the competitiveness of Russian producers, develop infrastructure, improve the qualifications of workers, and improve legislative and economic conditions.

4 Discussion

Prospects of import substitution for Russia are positive and can lead to several benefits for the country, including:

- Increased economic stability: Import substitution can reduce Russia's dependence on imported goods and increase the country's self-sufficiency, which can lead to higher economic stability.
- Increased competitiveness: By producing goods domestically, Russia can potentially reduce costs associated with importing, which can increase the competitiveness of Russian products in the global market.
- Job creation: Import substitution can also lead to the creation of jobs as new domestic production is established and existing production is expanded.
- Improved product quality: By producing goods domestically, domestic companies can potentially improve the quality of their products, which can increase their competitiveness in the global market.

However, import substitution can also create problems, such as the need for significant investments in new technologies and infrastructure, as well as the need to overcome structural constraints, such as a shortage of qualified labor and regulatory barriers.

One study by Wilson and Jung examined the effectiveness of import substitution policies in Russia, using data on the country's import and export patterns. The authors found that import substitution policies have had mixed results, with some sectors of the economy benefiting while others have suffered. They also noted that the success of these policies depends on various factors, including the competitiveness of domestic producers and the availability of suitable substitutes [4].

Another study by Krylatykh and Mironova analyzed the implementation of import substitution policies in the Russian agricultural sector. The authors argued that the success of
these policies depends on a variety of factors, including the availability of suitable land, water resources, and modern technologies. They also noted that import substitution policies should be complemented by efforts to improve the quality and efficiency of domestic production [5].

A report by the World Bank discussed the potential benefits and risks of import substitution policies for developing countries, including Russia. The report noted that while import substitution policies can create jobs and boost local industries, they can also lead to higher prices and lower quality products. The authors suggested that policymakers should carefully consider the potential costs and benefits of import substitution policies before implementing them [6].

In conclusion, despite the potential benefits of import substitution for Russia, it is important for the country to carefully analyze the problems and potential risks associated with this strategy and develop a comprehensive approach to ensure its success.

5 Conclusion

In conclusion, this article provides a comprehensive overview of the concept of import substitution, its relevance in modern economic conditions, and the key directions, problems, and prospects associated with its implementation.

The implementation of import substitution policies in Russia has been a subject of much debate among economists and policymakers. Foreign scientific works and reports on the topic have highlighted the potential benefits and risks of these policies, as well as the importance of various factors for their success. While some sectors of the Russian economy have benefited from import substitution policies, their overall effectiveness remains mixed. Policymakers in Russia should carefully consider the potential costs and benefits of these policies and ensure that they are complemented by efforts to improve domestic production quality and efficiency.

The article highlights the importance of developing domestic industries and the challenges associated with implementing import substitution policies. The algorithm presented in the article for effective import substitution in Russian companies provides practical guidance for policymakers, economists, and business leaders interested in developing strategies for import substitution in their respective countries or industries. Overall, this article offers valuable insights into the potential role of import substitution in strengthening national economies and provides a foundation for future research on this topic.

References

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