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Import Substitution as a Regional Economy Development Basis

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Abstract: The main goal of import substitution is to provide for the huge growth of the national industry. Supporters of this concept report that stable economic development of the state is likely in the case of a significant increase in the index of industrial self-sufficiency, as well as an increase in the production volume. This approach is the result of the low stability of the processes that occur in the world economy and vigilant attitude towards the foreign capital. But that when import substitution is the main source of funds, in order to give the economy an impulse of growth, the incomes of the export sector will remain. Therefore, one should not forget that goods created in import substituting industries should be directed not only to the domestic market but also to the external market, since only in this case the competitiveness indicator of production will be appropriate and the success will not be lost after the return to the course customary for a given country. In other words, it is necessary to improve not only the production of specific industries within the country but also to increase the growth rate of the economy, infrastructure, social sphere, thereby making the country itself fit to compete with developed industrial countries.

Keywords: import substitution, system development, regional economy, socio-economic systems

JEL Classification: P48, R10, R11, R58

INTRODUCTION

The relevance of the research topic was determined by the fact that import substitution issues are currently the focus of attention in the Russian Federation. "Import substitution is a type of economic strategy and industrial policy of the state aimed at replacing the import of manufactured goods that are in demand on

the domestic market with goods of national production.” Thus, the policy of import substitution includes high import duties; Tax incentives to local producers; Development of a program for the development of the necessary production infrastructure. It should be note that the implementation of import-substituting policies is characteristic of the import-substituting stage of industrialization.

In the current economic situation in Russia, the implementation of a competent import-substituting policy can contribute to the development of high-tech industries, including the production of medical products. We need to strive not so much to saturate the domestic market with domestic medical products, but rather to develop the production of medical products that can compete in the world market.

Among the advantages of the import substitution policy are the following:

- exchange rate independence of the product price,
- the absence of overpayment for customs duties on imported raw materials for the manufacture of imported products,
- the receipt of the final product directly from the manufacturer, which excludes its forgery, etc.

The unfavorable external political and economic background resulted in a sharp drop in the Russian national currency, which, in its turn, led to a considerable price growth of goods and components imported for domestic consumers and producers.

As the main goal of import substitution, one can consider the creation of an environment for the national industry that would contribute to a serious increase in the output of industrial products.

The import substitution program can be seen as a forced response to the unfriendly actions of a number of Western countries associated with the introduction of economic sanctions against the Russian Federation, which forced the Russian leadership to think about domestic food and economic security issues. Also, due to the weakening of the national currency, domestic products are becoming more price-competitive with their imported counterparts.

Accordingly, the import substitution program, which according to the idea of the country’s leadership should promote the growth of production of domestic goods, has the opportunity to be realized because of the high probability of a market for new Russian goods.

Programs related to import substitution are applied in a significant part of industries that correspond to the real sector of the economy. First of all, these are industries where the Russian Federation has certain competitive advantages. Among such advantages, one can single out the availability of open raw materials, the presence of a huge domestic market, the existence of experience and traditions that have been there for a long time. Examples include industries such as consumer goods manufacturing, forestry, pharmaceuticals and automotive industries.

Considering the fact that the regions of the Russian Federation have the different infrastructure, and also differ in the level of development of certain industrial branches, an information and statistical analysis of the processes of import substitution in the industry in the regions of the Russian Federation seems important and urgent.

LITERATURE REVIEW

The study of the possibilities of the progressive movement of the country's economy towards the displacement of certain types of imported products and the harmonious replacement of it with domestic analogs is an extremely topical issue for the modern Russian economic science.

The problem of the economic feasibility of replacing imported products with domestic counterparts is multifaceted and includes the level of quality that domestic enterprises are able to provide, difficulties with finding markets, the need to protect the domestic market from foreign competition, etc. In the economic literature, import substitution is viewed as a model of integration of the country into the system of world economic relations, oriented to the economic growth of the state (Gorbachenko, Kuznetsova & Silnov, 2016). This model of international trade, based on the idea of industrial import substitution, focuses on the development of the domestic market for manufactured goods.

The theory and methodology of import substitution were considered in the works of modern domestic and foreign scientists. In particular, the American economist P. Lindert examines the impact of import-substituting growth on the changing international terms of trade.

In the works of A. Kireyev, the advantages and mechanism of import-substituting growth are substantiated. P.A. Kadochnikov examines the impact of macroeconomic processes on the development of import substitution.

L.R. Ismagilova considers directions and the mechanism of development of import-substituting productions in the scale of the region. D.N. Zaitsev proposes the organization of production of import-substituting products as a direction for the economic development of the region.

S.I. Red'ko considers import substitution of certain commodity groups as a factor in ensuring the economic security of the country. A.P. Terekhov considers the problems of competitiveness of import-substituting products of industrial enterprises.

Various aspects of the analysis of reserves at the enterprise are disclosed in the works of L.E. Syrkin-Shklovsky, R.P. Satanovsky, G.V. Savitskaya, O.P. Yakovleva, S.A. Shuvalova, and representatives of the Saratov school: B.L. Bentsman, V.M. Larin, I.M. Herman, V.T. Denisov.

Import substitution in the studies of Western authors. The topic of import substitution itself is based on the studies of such well-known world economists as Adam Smith, David Ricardo, who first touched upon the impact of the volume of foreign trade operations on the economy of the country.

Industrial import substitution was proclaimed as one of the goals of economic development in theoretical models developed by such representatives of the neo-Keynesian school as X. Chenery, M. Bruno, A. Strauge, N. Carter.

However, despite a large number of works devoted to the topic of import substitution, the problem of implementing this strategy within the enterprise has not been fully disclosed. There is no research into the mechanism of import substitution in the enterprise, analysis of the reserves of the enterprise from the point of view of import substitution, factors affecting their effective use.

MATERIALS AND METHODS

The Russian economy has shown a catastrophic increase in dependence on foreign financial sources not only on development, high technology, but even consumer goods.

Sanctions against the Russian Federation, imposed by a number of countries in connection with the events in Ukraine, as well as the Russian response to their introduction, contributed to the development of import substitution ideas in many sectors of our country's economy that are most dependent on imports. In order to take advantage of the anti-Russian sanctions and focus their efforts on developing their own production, the Government of the Russian Federation has identified priority areas for the distribution of state support measures, both in the sectors of the economy and in the regions of the country.

In the industries basic for the country's economy, production has declined several times. Regarding the share of imports by industry, statistics show that in the machine-tool industry and consumer goods manufacturing it exceeds 90%, in heavy engineering, radio electronics, medical equipment - 80%, etc. At present, the Russian economy is in crisis, similar to the crisis of the late 1990-s: there is a deficit of currency in economic entities, a fall in the ruble and a sharp rise in the price of imported products (Il'yashchenko & Zernin, 2011). The current situation is exacerbated by the fall in world energy prices, as well as economic sanctions against Russia on the part of a number of states.

The subject of the study is the economic relations that arise during the organization of import-substituting processes during the implementation of the import-substituting strategy for the development of Russian industrial enterprises. The object of the study is industrial enterprises of the Russian Federation.

Methodical and theoretical bases of the research include: scientific works of domestic and foreign scientists, modern economic theory, devoted to the problems of economic growth using the import-substituting model of industrial production development, regulatory legal acts of the Russian Federation, sectoral instructional materials and methodological developments determining the principles and conditions for sustainable development of industrial enterprises.

When solving research problems at various stages of development, a set of methods was used, including system analysis, economic analysis, logical analysis, factor analysis, and expert evaluation methods.

The scientific novelty of the research results lies in the development of theoretical and methodological foundations for effective import substitution in industrial enterprises.

The theoretical significance of the research is that its results complement the existing research in the field of import substitution, and are aimed at providing methodological recommendations for the effective implementation of this strategy in enterprises.

The practical significance of this work is that the theoretical results obtained are brought to the level of practical proposals for increasing the efficiency of introducing an import substitution strategy at the enterprise, which can be used by the leaders of domestic industrial enterprises.

DISCUSSION

Importance and Objectives of Import Substitution in the Russian Federation. Import substitution is the decline or cessation of the import of a commodity through production, the release in the country of the same or similar goods. Similar goods are called import-substituting.

Import substitution is a type of strategy of the economy and industrial policy of the state, aimed at the protection of the domestic producer through the replacement of imported manufactured goods with goods of national production. The result of this type should be an increase in the competitiveness of

domestic products of firms by creating an incentive for technological modernization of production, increasing its efficiency and studying new competitive products with high added value (Gelbras, 2013).

The strategy of import substitution expects a smooth transition from the production of conventional goods to high-tech and science-intensive products through improving the level of technology and production improvement, education of large sections of society.

In industry, the strategy of import substitution was prepared by the Government of the Russian Federation in terms of measures to support import substitution in industry, approved on October 1, 2014 and an action plan to reduce the dependence of the Russian fuel and energy complex on imports of equipment, technical devices, and services of foreign companies, ensuring the improvement of the oil and gas complex. As part of the strategy, the Industrial Improvement Fund is organized, and the Government of the Russian Federation intends to create a coordinating body for implementing the state policy in the field of import substitution (Beksultanova, 2016).

The very strategy of import substitution is based on improving the entire production, increasing the quality of the produced goods, technologies that are used in firms, improving innovation. And this is more urgent for the country, the indicator of production sectors of which cannot keep pace with the indicator of the states with which it cooperates.

Import substitution programs operate in numerous sectors of the real economy, primarily where Russia has obvious competitive advantages, such as open raw materials, a huge internal market, traditions and experience that exist for many years. Examples are such industries as consumer goods production, forestry, automotive industry, pharmaceuticals production. From the point of view of experts, import substitution is not an end in itself, and it is sometimes more profitable to function more efficiently within the framework of the international division of labor, i.e. to receive an inexpensive high-quality product from abroad. But in some circumstances, Russia must pay attention to import substitution, because even where there is no security and defense, many things related to them lie in the sphere of civil production. The goal is not the preservation of backwardness and the closure of the domestic market, but, on the contrary, the creation of new truly competitive industries that produce high-quality and sought-after consumer goods. For example, the cars currently produced in Russia, especially with the participation of foreign investors, fully meet the world quality standards.

As is known, in 2013 and in 2014 the ruble exchange rate decreased significantly, which facilitated import substitution. This affected the decline in imports and the high rate of increase in a number of industries that are oriented toward the domestic market.

In international relations in early 2014, there was a crisis connected with the events in Ukraine. Many Western countries have announced the imposition of sanctions on the Russian economy. This contributed to the activation of the import substitution process, including at the level of state policy. In March 2014, Dmitry Medvedev marked the import substitution as one of the priorities for Russia. According to experts, the potential of the country makes it possible to independently produce a huge range of goods (Fedoljak, 2014).

In Russia, the import substitution of OAO "Gazprom" is actively promoted. The import substitution program was adopted by OAO "Gazprom" in 2003, and from that moment OOO "Gazprom

Komplektatsiya”, together with the production departments of “Gazprom”, conducts systematic work on the organization of manufacturing of import-substituting products at domestic enterprises. The list of imported products recommended by OAO “Gazprom” for development to domestic producers is available to all enterprises and posted on the corporate website of OAO “Gazprom” in the section “Classified ads”, subsection “Import substitution” and on the site of OOO “Gazprom Komplektatsiya” in the section “Import substitution”. To develop domestic production, the company is implementing a program to assist OAO “Gazprom” with Russian enterprises in developing new products within the import substitution program. “Gazprom Komplektatsiya” is a centralized supplier of Gazprom’s subsidiaries and organizations; its main task is the organization of timely supplies of material and technical resources (MTR) for the needs of OAO “Gazprom” and its subsidiaries in the required volume, the required quality, and economically favorable terms.

Not all types of import-substituting products have been mastered by Russian producers yet. Nevertheless, the share of equipment and materials purchased abroad is constantly decreasing. The average annual volume of purchases of products abroad in 2013 made up no more than 9% of the total volume of supplied MTR.

At the same time, despite the steady tendency to increase the share of purchases of Russian products, the quality of domestic equipment in some cases is inferior to foreign analogs.

As for the relevance of import substitution for certain types of products, the development, and production of certain types of gas turbine engines, hermetic and centrifugal pumps, shut-off and control valves, launching and receiving devices for cleaning and diagnostics of seismic-proof gas pipelines are of the greatest interest. To implement investment projects of the gas industry, there is a need to create new high-tech equipment (Beksultanova, 2016).

Statistical analysis of import substitution in industry in the regions of the Russian Federation.

Starting statistical analysis of import substitution in the industry in the regions of the Russian Federation, let us consider the media rating of the regions for the implementation of the import substitution program in 2015 (Table 1).

Table 1
Media coverage of the regions in the implementation of the import substitution program

<i>No</i>	<i>Region</i>	<i>Media Index</i>
1	Moscow	9 007,65
2	Krasnodar Territory	7 345,43
3	Sverdlovsk Region	5 456,78
4	Chelyabinsk Region	3 067,87
5	Moscow Region	2 591,98
6	Saint Petersburg	2 456,23
7	Ingushetia	2 276,24
8	Rostov Region	2 131,23
9	Stavropol Territory	2 106,17

contd. table 1

<i>№</i>	<i>Region</i>	<i>Media Index</i>
10	Omsk Region	2 071,94
11	Voronezh Region	2 048,71
12	Primorye Territory	2 008,78
13	Tatarstan	2 004,27
14	Mordovia	1 998,07
15	Tyumen Region	1 800,96
16	North Ossetia	1 634,34
17	Dagestan	1 600,09
18	Tomsk Region	1 535,56
19	Khanty-Mansiysk Autonomous District	1 505,55
20	Perm Region	1 498,78
21	Khabarovsk Region	1 405,67
22	Vladimir Region	1 388,98
23	Tver Region	1 308,02
24	Adygea	1 207,23
25	Tula Region	1 199,23

Proceeding from the table, we can say that the leaders in the media rating for implementing the import substitution program are Moscow and the Krasnodar Territory. Adygea and Tula region can be identified as outsiders.

Further, in order to visually show the success or failure of activities related to import substitution in various regions of the Russian Federation, we will analyze the indices of industrial development in various regions of the country.

In the first quarter of 2016 in the Russian Federation, the decline in industrial production continued, and the rate of decline in comparison with the same period of the previous year increased. The index of industrial production in January-March 2016 was 99.4% and in the first quarter of 2015 99.6%. The biggest impact on the reduction in total industrial production was in the manufacturing sector, while in the mining and in the production and distribution of electricity, gas, and water, there was an increase of 3.4% and 0.6%, respectively.

The emerging trend is likely to continue in the future. RIA Rating Experts predict an approximate 1% decline in industrial production in Russia in 2016.

The decline has been recorded in three federal districts - the Central, Siberian and Volga federal districts, and in the remaining, six industrial production has grown. At the same time, the share of federal districts where in the first quarter of 2016 the industrial production index was less than 100%, accounts for 57% of the total volume of shipped goods of own production, performed works and services on its own in three economic activities (“Mining”, “Processing industries “and” Production and distribution of electricity, gas and water”).

The growth of industrial production, on the contrary, is recorded mainly in the federal districts with a low absolute volume of production. The Crimean Federal District is the leader in the index of industrial

production in the first quarter of 2016. This figure in the district was 136.8%. Such a high increase can be explained by the active development of targeted state programs in the territory of the Crimea. However, significant growth in the federal district could not have a significant impact on the all-Russian indicator due to low absolute volumes of production. The share of the Crimean federal district accounts for less than 1% of the total Russian volume of shipped goods of its own production, works performed and services provided by its own resources for three types of economic activity.

The second place in terms of growth in industrial production is occupied by the North Caucasus Federal District, whose share in the all-Russian volume is also low (about 1%).

In addition to the above-mentioned federal districts, industrial production has grown in the Urals Federal District, the Far Eastern Federal District, the Southern Federal District and the North-West Federal District. Of these, more than 10% of the all-Russian volume of goods shipped from our own production, works performed and services on our own in three types of economic activity fall only on the Urals and North-West Federal Districts, but in the latter, it was only 0.2%.

Import substitution in the area of regulatory activity. The topic of import substitution is constantly in the focus of attention of legislators, in particular, the Federation Council of the Federal Assembly of the Russian Federation. So, on April 20, 2016, the Committee for Industrial Policy of the Federation Council held parliamentary hearings on “Import Replacement in the Russian Federation: Problems and Their Solutions”.

As noted in the materials of the hearings, import substitution in Russia is viewed as a type of economic strategy aimed at protecting the domestic producer by replacing imported goods and technologies with products of national production, which is implemented with the aim of increasing the competitiveness of domestic products by stimulating production modernization, increasing its efficiency and developing new ones Types of products with high added value. Along with this, import substitution is characterized as a complete reindustrialization of the economy, contributing to the creation of large innovative industries, integrating industry and science, and creating thousands of new jobs.

However, in our opinion, these provisions do not correspond to the scientific-theoretical and normative-practical platform of the phenomenon under consideration.

The first thing to note is the ubiquitous confusion of such concepts as “economic strategy”, “economic development (growth)”, “industrial policy”, “re-industrialization”, “innovation development”, “state program to improve the competitiveness of industry”, “industry in the Russian Federation”, etc. Without denying the certain interrelation of the listed phenomena, there are reasons to believe that each of them has its own, specific area of goals, tasks to be solved and the expected results.

The strategic goals and objectives of social and economic development in the Russian Federation are defined in the Concept of Long-Term Social and Economic Development of the Russian Federation for the period until 2020, approved by the RF Government Resolution No. 1662-r of November 17, 2008 (hereinafter - the Concept). In it, the word “import substitution” occurs only five times as one of the tools for solving economic problems, but not as a “type of economic strategy.” In addition, there is not a single indicator in the Concept that could characterize the results of “import substitution as an economic strategy” that has an independent meaning.

The second is a reflection of the fact that neither the normative documents nor the discussions of the scientific community have formed a unified opinion on such issues as neoindustrialization, re-industrialization, modernization of the industry and the place in them of the import substitution process.

The question of the need for import substitution has become particularly relevant in many respects, due to the application of economic sanctions against Russia in 2014, the subsequent decline in prices for raw materials, the sharp fall in the exchange rate of the Russian ruble against world currencies, the blocking of access to credit in international financial markets and the cessation of technology transfer. This put Russia's economy in a situation where it became obvious that it was necessary to mobilize existing domestic opportunities for supporting the economy and preventing its collapse.

The main measures for launching the import substitution policy were determined by the RF Government Decree No. 1936-r of September 30, 2014, "The Plan for the Promotion of Import Substitution in Industry," which provided for the development of sectoral plans for import substitution in the industries of the Russian Federation (hereinafter plans) for the period up to 2018. Such plans by mid-2015 were developed and approved by the orders of the Ministry of Industry and Trade of Russia.

Often, characterizing the importance of measures for import substitution, they refer to the annual message of the President of the Russian Federation to the Federal Assembly in December 2014. However, the significance of the message as a document defining import substitution as an economic strategy is clearly exaggerated (Doronina *et al.*, 2016). "We have a lot to do. Create new technologies and competitive products. Form an additional margin of safety in industry, in the financial system, in the training of modern cadres," the message says. Along with other factors, the President of the Russian Federation drew attention to the fact that "it is necessary to use this factor of weakening the national currency for the policy of import substitution (in any case, where appropriate and necessary), including within three to five years, we must provide people with high-quality, affordable medicines and food products, to a large extent, of course, of domestic production." "In addition, we must not support a domestic monopoly. It is reasonable import substitution that is our long-term priority, regardless of external circumstances. Moreover, import substitution programs should work to create a mass layer of production companies in Russia that can be competitive not only within the country but also in international markets." This is how the President of the Russian Federation formulated the task.

In subsequent strategic documents, the problem of import substitution has not been properly developed. The order of the Government of the Russian Federation No. 98-r of January 27, 2015, which approved the Plan of Priority Actions for Ensuring Sustainable Development of the Economy and Social Stability in 2015 (below referred to as "Plan"), determined that "the key directions of the Government of the Russian Federation in the coming months include: support of import substitution and export for a wide range of non-commodity, including high-tech, goods, which is difficult to define as a valid roadmap.

Creation of a conceptual model of import substitution in industry. Analysis and systematization of different points of view of modern authors allow us to identify several basic scientific approaches to the interpretation of the economic concept of "import substitution."

The first scientific approach considers import substitution as a regulated positive for the country and a time-limited process, as a result of which there is a reduction or gradual replacement of imported products with domestic counterparts. For example, according to A.N. Matantsev, import substitution is "the process

of replacing imported goods with domestic ones on the market.” (Matantsev, 2013). According to E.E. Rumyantseva, import substitution is “the reduction or termination of the import of a certain product through the development of national (domestic) production of the same or similar goods.” (Rumyantseva, 2014). A similar definition is formulated by a team of authors under the leadership of G.L. Azoeva: import substitution is understood as a reduction or termination of the import of a certain commodity through the production in the country of the same or similar goods (Azoev, Porshnev *et al.*, 2012). The most concise definition seems to be the following: import substitution is the cessation of the importation of a given product into the country because of the organization of its production on the spot.

The second approach treats import substitution from broader functional positions. In particular, import substitution can be interpreted as a certain type of economic strategy and state policy aimed at replacing the import of goods that are in demand in the domestic market with goods of national production. High import duties are combined with tax incentives to local producers. A program for the development of the necessary production infrastructure is being developed and is being implemented (Belousova, Gurianov *et al.*, 2016; Oleinikova *et al.*, 2016). According to this approach, import substitution is most often understood as a policy of substituting imported goods for domestic products, which is carried out under the protection of quotas and tariffs in order to ensure economic independence, develop their own production, and achieve economic benefits.

In general, we can talk about import substitution of certain types of goods and services at the level of the state as a whole, individual regions, enterprises, and organizations, as well as about import substitution in any spheres of production and entrepreneurial activity (for example, in the industry, agriculture).

The conceptual model of import substitution in industry assumes the presence of three blocks.

I block: analysis of the media rating of the regions on the implementation of the import substitution program.

II block: the identification of the requirements for investment in these or those industries.

III block: analysis of the index of industrial production by federal districts and individual regions.

In the first block, the distribution of regions according to the media rating is considered. Those data that correspond to this block indicate how local authorities of a region participate in the processes associated with import substitution.

The second block examines the need for investment for import substitution in various industries.

The third block is a visual, statistical indicator that indicates the implementation of measures for import substitution in practice. In the third block, indices of industrial production for individual federal regions and districts are considered.

The third block is divided into three separate blocks:

- a general analysis of the index of industrial production by federal districts;
- identification of regions that are leaders in terms of growth in the industrial production index;
- identification of regions that are leaders in the fall of the index of industrial production.

A conceptual model of import substitution in the industry will be illustrated in Figure 1.

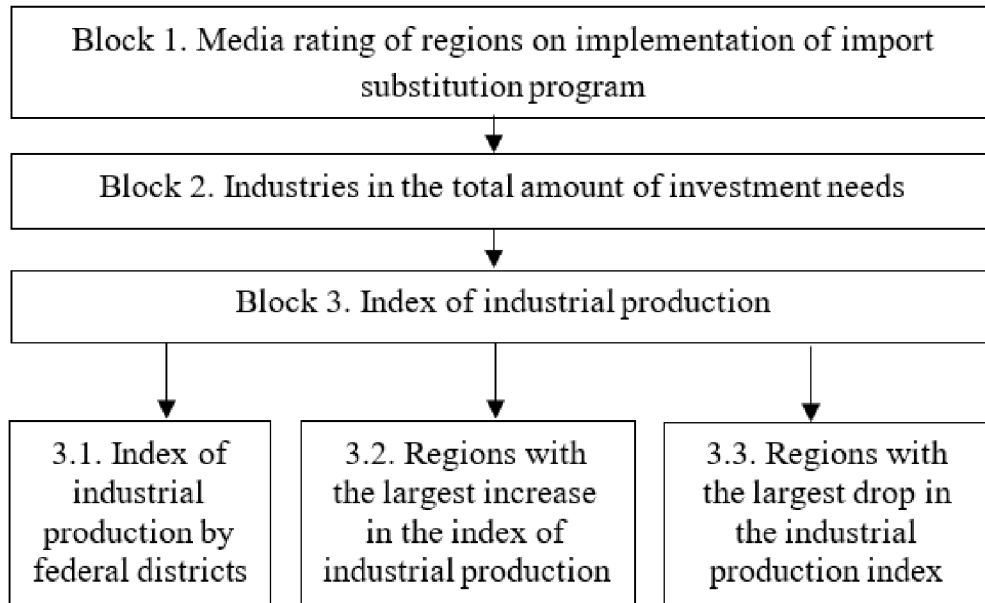


Figure 1: Conceptual model of import substitution in industry

Data entry of Russian citizens in the United States, Canada, Australia, New Zealand, the UK are not reflected in the OECD report, most likely, because of their insignificance in the background of migratory flows from other countries. But for Russia, the scale of emigration to these countries is significant. For example, according to the security of the United States in 2014, about 9 thousand people born in Russia, had obtained legal permanent resident status in the country. This amounted to only 0.9% of all immigrants in the United States (the country in 2014, he took 1017 thousand immigrants). A similar comparison of American and Russian data shows the excess of the former over the latter by 5 to 7 times (Ryazantsev, 2016).

Paradoxically, the data of foreign statistics capture larger numbers of Russians abroad, and more adequately reflect the scale of the phenomenon of Russian emigration. The Russian government, unfortunately, does not have adequate statistical information on the number of immigrants from Russia and Russian citizens who currently reside abroad.

CONCLUSION

Thus, it can be concluded that import substitution is a type of economic strategy and industrial policy of the state and economic entities aimed at protecting the domestic producer by replacing imported manufactured goods and technologies with products of national production; it has the goal of increasing the competitiveness of domestic products by stimulating modernization of production, increase of its efficiency and development of new types of products with a relatively high added value.

The basic principles of implementing import-substituting industrial policy in Russia are:

- reindustrialization, increasing the share of industry in GDP and advanced (technologically speaking) industries in the structure of the industry;
- stimulation of domestic demand for products of industrial enterprises, including prices “subsidizing” and the state order system (Gharib & Shkurkin, 2017);
- long-term nature of ongoing activities, which allows attracting long-term investments;
- maintaining a high degree of openness of the economy, with the exception of industries that ensure the defense capability and security of citizens; Development of cooperation with foreign partners in the areas of technological exchange, scientific cooperation and the creation of advanced production technologies;
- state support for the export of competitive industrial products.

The implementation of import substitution strategy depends on many factors, such as the development of technologies and the level of innovation in the country, the availability of the necessary human resources, investments, state participation throughout the implementation of the strategy. But at the same time, an effective organization of import substitution in an enterprise is impossible without management based on a mechanism for managing import substitution, which is a set of measures aimed at the effective implementation of this strategy.

Having analyzed the activity of a number of companies using imports in their production, it can be said that the main reasons restraining the development of import substitution in domestic enterprises are the following:

- a narrow market of the domestic supply of a large number of products, a narrow range of products;
- lower import price;
- The main orientation to the domestic market (the absence of export orientation for most companies), against the backdrop of Russia’s accession to the WTO, this becomes a significant drawback;
- weak development of non-price factors of competition (provision of better services, post-warranty, and warranty services, improving product quality, improving the design, ergonomics, etc.);
- obsolete production assets that do not allow the use of high-tech equipment and modern technologies in production and, thus, reduce prices.

In the opinion of the authors, the significant scale of the domestic market is a significant advantage when implementing the strategy of import substitution. Realization of import substitution by the state assumes creation of the state program on import substitution with the obligatory inclusion of the following measures:

Subsidies to those industries that require such support (the AIC sector) and other forms of support to domestic industry (simplification of the tax regime, provision of various types of benefits to companies, etc.);

- development of own machine-tool industry;
- development of the innovation sector, creation of design schools;
- development of education for growing the necessary in certain industries specialists.

In the opinion of the authors, the implementation of the strategy of import substitution by an enterprise necessarily requires an assessment of available reserves. For this purpose, the authors provide the original concept of reserves from the point of view of import substitution, which represents the existing opportunities for increasing the efficiency of the enterprise's activities and are the result of setting the organization of import substitution in the enterprise as the goal.

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