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## **POLICY AIMED AT THE PRODUCTION OF IMPORT-SUBSTITUTING PRODUCTS IN THE MANAGEMENT OF COMPETITIVENESS**

**Abstract.** The specifics of the production of import-substituting products play a special role in today's integration into the world economy. Effective implementation of this approach will reduce the country's dependence on imports and achieve economic stability, in this regard, it can be seen that the use of import substitution mechanisms by developing countries is becoming increasingly popular in recent decades. The article examines the theoretical and methodological matters an basis of the processes associated with the role of activity in the ongoing structural reforms in the automobile industry of the country. As well as, scientific proposals and practical recommendations for improving the production of basic raw materials and components necessary for the development of the automobile industry were formed.

**Keywords:** automobile industry, investment activity, investment policy, import substitution strategy, production, competitiveness.

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## **РАҚОБАТДОШЛИКНИ БОШҚАРИШДА ИМПОРТ ЎРНИНИ БОСУВЧИ МАҲСУЛОТЛАРНИ ИШЛАБ ЧИҚАРИШГА ҚАРАТИЛГАН СИЁСАТ**

**Аннотация.** Импорт ўрнини босувчи маҳсулотлар ишлаб чиқаришнинг ўзига хос жиҳатлари бугунги жаҳон хўжалигига интеграллашув жараёнларида алоҳида ўрин тутмоқда. Мазкур ёндашувни самарали йўлга қўйиш мамлакатнинг импортга боғлиқлик даражасини камайтириб, иқтисодий барқарорликка эришиш имкониятини беради, шу жиҳатдан олганда ривожланаётган давлатлар томонидан импорт ўрнини босиш механизмларидан фойдаланиш тобора оммалашиб бораётганини кузатиш мумкин. Мақолада мамлакат автомобиль саноатида амалга оширилаётган таркибий ислохотларда фаолликнинг ўрни билан боғлиқ жараёнларнинг назарий ва услубий асослари ўрганилган. Шунингдек, автомобилсозлик саноатини ривожлантириш учун зарур бўлган асосий хом ашё ва бутловчи қисмлар ишлаб чиқаришни такомиллаштириш бўйича илмий таклифлар ва амалий тавсиялар шакллантирилди.

**Таянч сўз ва иборалар:** автомобиль саноати, инвестиция фаолияти, инвестиция сиёсати, импорт ўрнини босиш стратегияси, ишлаб чиқариш, рақобатбардошлик.

### **Introduction**

Reducing the share of imports and reducing the cost of products, strengthening the competitive environment and foreign exchange in foreign markets by deepening the localization of the production of components and components of the automobile industry, expanding the development of inter-sectoral cooperation to develop and increase the production of basic raw materials and materials needed for the development of the automobile industry to ensure the sustainable development of the industry in the context of policy liberalization. The main matters of the article are the

issues of localization in UzAutoMotors by increasing the profitability of UzAutoMotors, and the introduction of modern international standards.

Reducing the share of imports and reducing the cost of products, strengthening the competitive environment and foreign exchange in foreign markets by deepening the localization of the production of components and components of the automobile industry, expanding the development of inter-sectoral cooperation to develop and increase the production of basic raw materials and materials needed for the development of the automobile industry liberalization of the policy environment to ensure sustainable development of the industry, to increase the profitability of the company UzAutoMotors activities, through the introduction of international advanced standards UzAutoMotors Company article on the issues of localization of the main issues.

On April 16, 2020, President of the Republic of Uzbekistan Sh. Mirziyoyev held a video conference on ensuring the pace of production and implementation of new projects in the chemical, agricultural and automobile industries. At the selector meeting, the President of the Republic of Uzbekistan noted that one of the sectors most affected by the pandemic in the world is the automobile industry, and in order to ensure the sustainable operation of enterprises in such conditions, it is necessary to take full advantage of domestic markets.

It has clearly shown that internal resources are not being used effectively in this regard. “For example, the market of spare parts and components in our country is \$ 500 million. The share of local products in it is only 9%” [1]. In this regard, Uzavtosanoat has set a task to produce 300 types of imported components of the same quality as foreign ones by the end of this year.

In this regard, it is appropriate to reconcile the essence of deepening the localization of production with the corporate strategy, to consider the formation of the corporate work style of managers at all levels within the economic system.

### **Literature Review**

Scientific research on the scientific literature shows that there are different interpretations of the localization of booster production and the mechanisms that support it. Naturally, the existence of different approaches to the problem shows the urgency of the topic

In particular, E.A.Chervinsky analyzed the world experience in the development of import-substituting industry, described the existing approaches and mechanisms for its implementation. It analyzes the economic significance of the import-substituting industry and the existing theoretical approaches to its study, as well as world practice and experience in the development of the import-substituting industry [2].

In particular, Aregbeshola R. Adewale, having studied the issues of import substitution, notes that this affects the prices of raw materials, which were the main exports of developing countries. However, he notes, no economy can export manufactured goods without creating the local infrastructure needed for such production [3].

S.D. Bodrunov analyzed the problems of import substitution, the causes of these problems, the processes of socio-economic changes resulting from the deindustrialization of the economy, declining in industrial activity in the country, falling energy prices, economic sanctions. The author discusses a retrospective approach to macroeconomic theory. According to him, the main aspects of re-industrialization of the economy, the basic principles of shaping the policy of import substitution will be replaced [4].

At the same time, U. Chashikhin presented scientifically based conclusions on how to save companies and organizations, firms and companies from crises based on global competition or various factors, to save jobs, to bring companies' profits to the global level [5].

I. Ershova believes that the most important condition for import substitution is the ability to ensure the quality and recognition of domestic analogues in foreign markets, especially in markets abroad. At the same time, it should be noted the differences in the perception of the level of quality in terms of geography. That is, the quality level acceptable for domestic consumption and consumers, for example, from the CIS countries, does not satisfy the needs of consumers, such as the EU, the USA [6].

At the end of his research, E.N. Nazarchuk focused on applied research and studied the evaluation of the effectiveness of import substitution projects in industrial enterprises. In particular, describing the results of such an important scientific task as the analysis of import-substituting products from the point of view of producers and the definition of the position of these entities, the development of a methodological approach to assessing the effectiveness of import-substituting industrial enterprises. It is noteworthy that the advantages and risks of its implementation have been considered on the basis of scientific findings expressed by local and foreign economists [7].

The most important aspect of I.I. Shutov's research is the scientific conclusions he has developed on the issue of social responsibility for the implementation of import-substituting industrial policy aimed at reducing the country's dependence on imports [8].

In their article, B. Bobozhonov and L. Mingeshov note that import substitution is an integral part of the state's economic policy, the correct implementation of which will lead not only to a reduction in imports, but also to an improvement in important economic indicators due to the liberalization of foreign exchange circulation. According to scientists, it is possible to enter foreign markets with competitive products through incentives for local producers, while maintaining the effectiveness of economic financing of import substitution projects [9].

L.G. Matveeva described a methodological tool for evaluating the effectiveness of the implementation of import-substituting industrial policy in the manufacturing sector, developed on the basis of these ideas. The author emphasizes the need to evaluate the effectiveness of this policy at the micro-, mezzo- and macro-levels. At the same time, import-substituting industrial policy is expressed as an economic component of national security, with the main goal being the level of creation of a

logically complete, integrated chain of production in the relevant industries, from the individual enterprise level [10].

B.A.Keyfets and V.Yu.Chernova’s localization program highlights the strategies of transnational companies distinguished by great flexibility, as in the case of multinational companies, to reduce the negative impact of sanctions and geopolitical conflict and the success of the import substitution opportunity to join with the scientific conclusions put forward [11].

It follows from the above that while import substitution policy has strategic planning on the one hand, on the other hand the research work and approaches mentioned in the articles that should ensure the implementation of the localization strategy allowed us to observe the research directions of our scientific work.

### **Research methodology**

As a result of our research, changes in the efficiency of deepening the localization of the production of components and connecting parts of the automobile industry have been studied, and scientific conclusions and recommendations for future localization, expansion and improvements have been developed. Methods such as abstract thinking, systematic approach, complex assessment were widely used in the research process.

### **Analysis and results**

According to the analysis, the import of more than 100 groups of goods has been completely stopped in the last three years due to the localization of production in the country. These include mine trolleys, vacuum pumps, cranes, some types of refractory and acid-resistant materials, various construction equipment, sandwich panels, artificial synthetic turf, glass jars, bottles, starch, yeast for bakery products. Imports of more than 350 types of products, such as TVs, refrigerators and freezers, lighting fixtures, vacuum cleaners, car filters and radiators, steel pipes, ceramic tiles, some types of synthetic fibers, medical ampoules, polygraphed dyes, children's toys, sports equipment have seen double decrease. Taking into account such advantages of the localization process, this issue has been given a special place in the most important priorities of the programs of economic and social development of the republic. Extensive work is underway to reduce domestic production and imports through the development of industrial cooperation across sectors of the economy. It should be noted that the protectionist measures chosen by the country, which seeks to take a strong place in the world economy, have a different impact on national producers and consumers, as well as the state itself at different times. In the management of competitiveness, the strategy of import-substituting products can be seen as a policy that restricts imports at first glance, protecting domestic producers from major competitors in foreign markets, but ultimately promotes exports through the formation of an industrial production base.

The policy of import substitution has laid the foundation for the implementation of programs of reform, restructuring and diversification of industries, strengthening the

material and technical base, the development of industrial production in the country. Our analysis shows that the localization process is aimed at ensuring rapid and sustainable development of the economy, reducing its dependence on external factors, accelerating the introduction of new, efficient technologies in production processes, extensive use of local raw materials and production resources. and rational use, as well as the creation of new jobs. In the management of competitiveness, projects for the production of import-substituting industrial products must meet the following criteria: availability of local raw material resources and sufficient production capacity to establish the production of import-substituting products; availability of demand for the product in the domestic and foreign markets; the presence of imports of the same product; the price of the import-substituting product should not be higher than the imported similar product (taking into account transportation costs, taxes and customs duties); creation of additional new jobs during the project implementation. The world experience in the production of import-substituting industrial products shows that import substitution policy is currently being pursued in many countries. In our opinion, the main views of mercantilists are to protect the domestic market from the inflow of foreign market products and to sell their products as much as possible. This can also be an example of one of the import substitution mechanisms [9].

According to the State Statistics Committee of the Republic of Uzbekistan, the implementation of the Program of localization of production of finished products, components and materials also had an impact on the development of industrial production in the country. 457.8 million UZS worth of goods were produced. USD worth of localized products were exported and 1,092 new jobs were created. Despite the decrease in the number of projects in January-December 2018 compared to the same period last year, it can be observed that the volume of localized products decreased by 1.5 times, while their exports and jobs created decreased compared to January-December 2017.

In 2018, enterprises with foreign investment invested 94.0 trillion UZS, the growth rate was 135.8% compared to the same period last year. Last year, the share of joint ventures in total production was 35.1%, while in the reporting period this figure increased to 41.1%. In January-December 2018, the contribution of joint ventures to the growth of total industrial production of the republic amounted to 12.3%, which allowed to reform and liberalize the economy, increase the competitiveness of products in world markets [12].

**Table 1.**

**The main indicators of the program of localization of production of finished products, components and materials in 2016-2019<sup>1</sup>**

№	Indicators	2016	2017	2018	2019
1.	Number of projects	695	799	714	839
2.	Number of enterprises	287	343	297	340
3.	The volume of products produced, bln. UZS	6145.8	9860.6	14999.4	21750.7
4.	Exports of products, billion US dollars	425.7	512.4	457.8	549.4
5.	New jobs created	1510	3018	1092	10038

In general, in 2019, due to the expansion of localization, specific measures to optimize the volume and types of imports have been increased. In particular, the implementation of the Program of localization of production of finished products, components and materials has had an impact on achieving high growth rates of industrial production in the country. 21.8 trillion UZS were allocated for 839 projects included in the program. UZS, which is 6.6% of the total industrial output. 549.4 million tons of products were produced under the localization program. Exports in the amount of US dollars accounted for 3.1% of total exports. 10,038 new jobs were created in January-December 2019 under the localization program, the number of newly created jobs increased by 9.2 times compared to the same period last year. At the same time, it should be noted that in January-December 2018, the volume of exports of localized products increased by 91.6 million US dollars [13].

The President of the Republic of Uzbekistan Sh. Mirziyoyev made an in-depth analysis of the implementation of the Localization Program and the Import Reduction Plan and critically assessed the shortcomings. In 2017, out of 948 localization projects, production was not started on 176, and the production forecast was not fulfilled on 218.

In particular, 17 projects of Uzavtosanoat were critically analyzed for insufficient implementation, the plan to reduce imports was implemented by 88%.

President of the Republic of Uzbekistan Sh. Mirziyoyev said: “We have been talking for 10-15 years about the organization of production in our country of the necessary equipment and components for the industry. However, there is no initiative and no practical action. A number of industry leaders are not considering localization, easily importing the necessary products. This is due to the fact that in the current competitive environment, hard-earned foreign exchange, which is the basis of the economy, is being spent [14], and the effectiveness of tax and customs benefits provided to encourage localization was also analyzed.

Improving the mechanisms for the formation and implementation of the localization program, the logical conclusion of the implementation of government decisions on the establishment of a system that clearly defines the powers and functions

<sup>1</sup> Ўзбекистон Республикаси давлат статистикаси қўмитаси маълумотлари. <https://stat.uz>  
Data of the State Statistics Committee of the Republic of Uzbekistan. <https://stat.uz>

of the ministries responsible for the development of localization programs. [15], It includes the following issues:

- the organization of the production of new export-oriented and import-substituting products, namely, the establishment of domestic production of products imported from abroad, which are very important for the economy;
- mastering technical and technological modernization of production;
- establishment of an existing mechanism to increase the interest of specific business entities in the implementation of systematic work to deepen the localization of production;
- mastering technical and technological modernization of production;
- establishment of an existing mechanism to increase the interest of specific business entities in the implementation of systematic work to deepen the localization of production;
- saving foreign exchange for the purchase and import of foreign products;
- improving the structure of the economy through the modernization of existing enterprises and the creation of new ones;
- creation of new jobs, namely, providing thousands of citizens with permanent jobs;
- the issues of mastering international standards and improving the quality and competitiveness of products are clearly stated in the products.

Table 2

**Projects implemented and ongoing in the framework of the localization program in the system "UzAutoMotors"<sup>2</sup>**

<b><u>Assimilated technologies</u></b> <b><u>(More than 200)</u></b>	<b><u>Assimilating technologies</u></b> <b><u>(More than 200)</u></b>
Metalworking (laser cutting, cold stamping, roller forming, pipe bending, mold making, etc.) Welding (contact, electric, ultrasonic, etc.) Processing of plastic parts (compounding, burning under pressure, burning with air pressure, laser cutting, etc.) Plastic and metal painting (electrodeposition, powder, water painting, etc.) Glass processing (tempering, cutting, bending and lamination) Combustion of aluminum parts (high pressure and gravity) and machining Polyurethane combustion and others	Hot stamping of metals (hot stamping) Laser welding of metals, rubber parts and extrusion method burns Manufacture of plastic fuel tanks Production of low pressure aluminum parts (aluminum discs) Magnesium fuel welding (steering wheel) Burning of plastic parts under gas pressure (door handles) and others

<sup>2</sup> "Uzauto motors" акциядорлик жамияти маълумотлари асосида шакллантирилган. <https://uzautomotors.com/>  
 Formed on the basis of Uzauto Motors JSC. <https://uzautomotors.com/>

### **Conclusion and suggestions**

Thus, over the past decades, the global structure of the automobile market has undergone significant changes, in particular, car production and consumption are shifting from developed countries to developing countries.

In our opinion, such structural changes in the global automobile market are the result of two common trends in the development of the global automobile industry formed in recent decades:

First, the consumer markets of developing countries have grown on average 2-3 times faster than developed countries, the middle class is actively forming, as a result of which the interest of developing countries in foreign direct investment is growing.

Second, the globalization of the information and communication environment and management technologies has facilitated the efficient and low-risk entry of international business into the markets of developing countries in various forms, from simple imports to high value-added business processes.

Studies have shown that these trends depend on a number of factors, such as the level and form of foreign participation in the automobile industry in a number of developing countries. These factors cover the capacity and dynamics of the domestic market, economic infrastructure and business traditions, the role of the automobile industry in the state, and industrial policy, and the configuration of factors is unique to each developing country.

From our standpoint, the level of localization in developing countries is much lower than in developed countries, which are leaders in the automobile industry, for a number of reasons. The following aspects characterize this situation:

- international automobile manufacturers are often not interested in developing large-scale production in a developing country due to the small size of the domestic market;
- lack of the necessary infrastructure for the automobile industry in the country;
- insufficient development of the segment of production of automobile components;
- lack of modern scientific and technical capabilities for the automobile industry;
- lack of high-tech local products to meet the needs of the modern automobile industry.

The main way to solve these problems at an early stage is to build plants for the production of components by foreign companies, suppliers of primary automobile components. At this stage, the prospects of domestic enterprises can be seen in improving the quality of secondary and tertiary suppliers around the production and technological base of first-tier foreign suppliers - system integrators.

We believe that this is the situation that should play a decisive role in improving the situation in the national automobile industry, which will provide additional incentives for the local automobile industry to attract investment flows by local enterprises. International experience of state regulation of the automobile industry in developing countries shows that the main efforts of national authorities are aimed at stimulating import substitution processes and supporting domestic automobile production. Taking into account national characteristics, public policy includes

management measures to achieve optimal results depending on the current needs of the automobile industry.

Therefore, given the growing demand for technological features of automobiles in our national automobile industry and the growing competition in the global market, special attention should be paid to stimulating the production of high-tech components. An important aspect of modern state policy on the development of the national automobile industry is related to the large-scale implementation of localization and import substitution policies.

Thus, the localization of automobile components is very important for the effective development of the national automobile industry in our country, especially given the current trends in the development of the national automobile industry and the country's passenger car market.

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