

Import substitution as an instrument of socio-economic development on the example of the Chechen Republic

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Abstract. In recent years, the Russian Federation and its constituent regions have experienced serious difficulties associated with the introduction of international sanctions. International economic sanctions have different mechanisms and structures - they affect the export of high-tech equipment, the ability to attract external borrowing, the functioning of digital services and other aspects of the activities of commercial enterprises. The key tool to counter these challenges is import substitution, which allows reducing dependence on external supplies and ensuring more stable development in conditions of economic uncertainty. Import substitution stimulates the development of national production and the creation of new jobs, which in turn can help improve the economic situation in Russia. This article examines the theoretical foundations of the policy of import substitution, analyzes strategies and plans for import substitution at the present stage, and also characterizes import substitution as a tool of socio-economic development using the example of the Chechen Republic.

1 Introduction

Measures to ensure import substitution should be taken not only at the federal, but also at the regional level. Thus, in the Chechen Republic, import substitution seems to be an important condition for the comprehensive socio-economic development of the territory. The petrochemical complex is of key importance in the region's economy. In this area, it seems necessary to transition from crude oil production to the production of high-value petroleum products. The construction of modern oil refineries will contribute to the development of the region's infrastructure, which will contribute to economic growth and improve the quality of life of the population. The development of the industrial complex is of great importance, in particular the production of machinery and equipment for the oil industry, the activation of light industry and the production of building materials.

The Chechen Republic must also follow the path of a comprehensive transformation of the agro-industrial complex to move from traditional cattle breeding and cultivation of

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fodder crops to full-cycle vegetable and livestock farming, the production of final dairy and meat products, and the development of modern canning technologies. A significant area is also the development of tourism in the region. The Chechen Republic has unique natural and cultural resources that can be used to create a variety of tourist routes in the mountains, national parks, as well as cultural and historical attractions. To attract tourists, it is important to provide them with comfortable accommodation, therefore it is necessary to develop hotel infrastructure, build modern hotels, recreation centers, campsites and other tourist facilities. An important aspect for the development of tourism is ensuring the safety of tourists. Carrying out public order activities and monitoring tourist sites and routes helps strengthen the image of the region as a safe and hospitable place to visit.

2 Research Methodology

Economic growth and import substitution in the Russian Federation is one of the most significant areas for the implementation of national projects. To ensure sustainable economic growth and improve the standard of living of the population, national development goals were developed, formulated in Decree of the President of the Russian Federation dated May 7, 2018 No. 204 “On national goals and strategic objectives of the development of the Russian Federation for the period until 2024” and dated July 21, 2020 No. 474 “On the national development goals of the Russian Federation for the period until 2030.”

Also in Russia, national projects are being implemented - complex programs that have national significance and require large-scale injections of public funds. The development and implementation of national projects is carried out in accordance with the Decree of the Government of the Russian Federation of October 31, 2018 No. 1288 “On the organization of project activities in the Government of the Russian Federation.” Since 2019, the Government of the Russian Federation has been implementing 13 national projects in three main areas - “Human Capital”, “Comfortable Living Environment” and “Economic Growth” for a total amount of 25.7 trillion rubles. National projects are financed from federal and regional budgets, from state extra-budgetary funds and from private sources [4].

At the present stage in Russia, priority areas for stimulating import substitution include:

1) Development of domestic production - supporting domestic producers and stimulating the creation of new production capacities. This area includes the provision of government grants, subsidies, tax breaks and other forms of government support.

2) Research and innovation - funding research and development work to create new technologies and products. Encouraging innovation, promoting patenting and developing technology parks and incubators.

3) Education and training – creation of an education system aimed at training highly qualified specialists in areas where there is a need for import substitution. This direction may include the development of technical and engineering specialties, training programs in the field of innovation and entrepreneurship.

4) Development of small and medium-sized businesses - support and stimulation of the development of small and medium-sized enterprises that can be flexible and adaptive in the conditions of import substitution. This may include providing financial support, advisory services, access to markets and technology.

5) Government procurement – providing advantages to domestic producers in government procurement. This could include providing preferential terms to domestic suppliers and increasing the share of domestic products in government orders.

6) Development of local production chains - support for the formation and development of local production chains, including various stages of production from raw materials to the final product. This helps strengthen vertical integration and reduce dependence on imports.

7) Infrastructural development – creation and modernization of the infrastructure necessary for the development of domestic production. This may include the construction and modernization of production facilities, transport routes, energy infrastructure and logistics networks.

8) Information support - dissemination of information about the possibilities and advantages of domestic products, holding advertising campaigns and exhibitions. As part of this direction, it is expected to increase awareness and interest in domestic goods and services.

9) Regulatory policy - the introduction of regulatory measures to reduce import dependence in certain industries. This may include the introduction of tariff and non-tariff restrictions, incentives for localization of production and the adoption of special programs and strategies for import substitution [5].

3 Results and Discussions

The systemic transformations facing the Russian national economy at the present stage of its development, expressed primarily in large-scale sanctions pressure and restrictions on foreign trade, predetermine the need to develop strategic decisions and development directions that are adapted to new conditions. The most urgent of these is import substitution of foreign technologies and goods leaving the Russian market. Considering that the share of these goods in the structure of Russia's economic turnover is very high, the hypothesis about the emergence of increased risks of sustainable development seems quite obvious. At the same time, despite a certain triviality of this conclusion, an important methodological issue is the search and justification of directions that ensure the processes of import substitution, as well as conducting an empirical assessment of the identification of possible economic damage associated with the restrictions that have arisen in foreign trade. This article is devoted to an attempt to solve, within an approximate outline, the question posed at the macro- and meso-level through the use of descriptive and economic-statistical research methods that provide the opportunity to identify emerging trends and patterns, as well as structural relationships between the analyzed processes. It is important to note that the directions of import substitution should largely be based on an understanding of the priorities of state economic policy based on the current situation and the "severity" of the problem. This approach will ensure the most effective implementation of adaptation solutions in practice. In this regard, in the proposed study, the conceptual understanding of this hypothesis is set as an important task, which finds its solution in the form of the author's concept of justifying differentiation in approaches to developing the socio-economic efficiency of import substitution programs. It should be noted that the problem posed in this study is not new. In scientific and special professional literature it receives quite a lot of attention. At the same time, the greatest impetus to intensify work in this area among Russian scientists has been noted precisely in the last few years [1–7] (Mingazov, 2020; Ershov, 2017; Eshtokin, 2021; Goncharenko, Pecheritsa, 2021; Saryeva, Kakageldieva, 2022; Pechatkin, 2022; Afanasev, 2022). This is largely due to systemic and opportunistic transformations in the national economy, caused primarily by the active phase of the coronavirus pandemic in 2019–2020, which introduced significant disruptions in the formation and development of reproduction chains. An equally significant role in this process was played by the large-scale sanctions policy that unfolded in relation to the Russian economy in 2022 on the part of a number of countries.

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It is important to emphasize that it is advisable to divide the import substitution policy into two types: 1. The policy of forced import substitution in the context of large-scale sanctions and restrictions on foreign trade relations. 2. A policy of export-oriented import substitution, which involves the creation of a type of national production that will be competitive not only in domestic markets, but also in external ones. The first type of import substitution policy is aimed at preserving and maintaining the development of the labor market and maintaining the sustainability of socio-economic dynamics in conditions of limited supplies of foreign components and services. The second is to strengthen the country’s competitive position in the world economic arena. Based on this, the answer to the question regarding the mechanisms for implementing protectionist economic policy aimed at replacing imported products with domestic ones should lie in the plane of two dimensions under study: “forced import substitution - export-oriented import substitution.” This is due to the fact that the difference between these strategic guidelines also implies a different set of tools that justify the need for their implementation and justify their effectiveness. Undoubtedly, the choice of import substitution policy, regardless of which of the two types it belongs to, should largely be based on industry/regional characteristics and existing competitive advantages. In this regard, it is extremely important to study the structure of foreign trade turnover both sectorally and regionally, as well as to identify the degree of vulnerability of individual industries to the localization of import supplies. Only after this can the prioritization of the import substitution policy be developed both in terms of the degree of its variability and adaptability to the economic situation, and from the position of priorities of national economic significance. In the context of the above, it should be noted that the policy of forced import substitution currently actively implemented in the Russian Federation, provoked by large-scale sanctions, does not so effectively contribute to breakthrough development in the field of economics and technology, improving the quality of life, structural transformations, etc. Its main goal, at least at the first stage of implementation, is to fill the emerging vacated niches in terms of replacing foreign products, technologies and services leaving the markets. In other words, the priority is to maintain the sustainability of the functioning of production complexes in conditions of limited import supplies of final or intermediate consumption products. Research and identification of these niches, their scale and criticality from the point of view of sustainable economic development, both national and regional, is an extremely relevant and sought-after task today. Below, some features of the trends emerging in Russian foreign trade are presented in an annotated form. According to the Federal Customs Service of Russia, in 2022, imports to the Russian Federation increased by 26.5% compared to the previous year 2020 and amounted to \$296.2 billion. It is important to note that such impressive dynamics were largely due to the effect of the low base that formed in 2020, as part of the unfolding coronavirus pandemic and the large-scale inter-country restrictions in

the field of trade communications caused by it. These measures and directions contribute to the development of domestic production and reducing dependence on imports, which is a priority in order to ensure sustainable economic development and security of the country.

4 Conclusions

Relying on the results obtained, a conclusion that is quite trivial from the point of view of economic logic arises about the need to intensify the processes of import substitution at both the national and regional levels. This, as the estimates show, will not only make it possible to maintain the current high rates of development of economic systems, increase economic security, but also subsequently strengthen economic potential and global competitiveness. However, it should be understood that the import substitution strategy itself should largely rely on scientific and technological development, an active search for alternative logistics channels for the supply of components from other countries, optimization of business processes, etc. In conclusion, it should be noted that in Russia the closest attention is paid to the issues of import substitution. It is enough to note that after Crimea joined the Russian Federation in 2014, the subsequent sanctions not only aggravated the problem of import substitution with Russian analogues, but also formed a stable basis for the development of large-scale measures in this area. In this regard, a number of strategic state planning documents in the field of import substitution were adopted. This is primarily the state program “Development of industry and increasing its competitiveness” launched on April 15, 2014, where among its main tasks is the need to reduce imports of finished products and replace them with domestic analogues. An equally significant place among import substitution programs in the Russian Federation is occupied by the Scientific and Technological Development Program, the most important goal of which is the creation and subsequent replication of domestic technologies for the production of foreign analogues.

One of the key measures to stimulate import substitution is the creation of a favorable investment environment in the region, which will attract investors for industrial development. In addition, it is necessary to increase scientific research and development carried out in domestic scientific institutions and companies in order to improve the quality of domestic products. Another important measure is the development of small and medium-sized businesses, which can become the basis for production in the Chechen Republic. This goal can be achieved through the formation of an effective system of subsidizing innovation-oriented small businesses from the regional budget.

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