



EXPORT-ORIENTED LOCALIZATION AS A KEY FACTOR IN IMPORT SUBSTITUTION

Sobitova Rano Solijonovna

Termez State University

Article history:**Received:** October 6th 2021**Accepted:** November 8st 2021**Published:** December 7th 2021**Abstract:**

The article discusses the content and essence of import substitution, which is one of the important directions of industrial policy in the country, "import substitution policy" - aimed at stimulating the domestic production and their competitiveness, increasing domestic demand and reducing import demand.

Keywords: Export, import, import substitution, localization, domestic market, foreign market.**INTRODUCTION.**

Import substitution is an important type of industrial policy aimed at replacing the import of industrial goods with domestically produced goods. Import substitution can be studied as an economic concept and incorporate a system of economic relations aimed at substituting imported goods as an economic process. At the same time, in the context of a simultaneous decline in consumption of national goods and services, there will be an increase in their production, consumption and exports as a state economic policy to rationalize and optimize imports of goods and services by encouraging domestic producers.

In recent years, the concept of "import substitution" has received a lot of attention in the country, both by the government and scientists. The production of goods similar to those imported into the country and the reduction or elimination of their imports is a new approach to import substitution. At the same time, these goods should have a higher price, higher consumer properties and value than imported goods [5].

A key factor in the success of the implementation of import substitution policy is not only import substitution, but also often export-oriented localization. Import substitution should be a tool of economic policy, the result of which is not to support the development of domestic market-oriented enterprises, but to further increase the export potential of producers in order to capture the world market [2]. It should be noted that the mechanisms for implementing import substitution are not fully developed. In part, this can be explained by the strong influence of the concept of "free market" on world economics. According to him, in the conditions of high independence of economic entities, great economic efficiency is achieved, and any restrictions, including in foreign trade, are a negative phenomenon. On the contrary, the policy of import substitution aimed at stimulating the production of national products and squeezing imported products out of the domestic

market will not only provide for such restrictions, but will also be aimed at active support of national enterprises by the state.

LITERATURE REVIEW.

The approach in terms of the study of import substitution as an economic concept and the integration of a system of economic relations aimed at substituting imported goods as an economic process B.S.Jamankulov, D.N.Zaytsev, V.V. Developed in the works of Zaryankin, PA Kadochnikov, JM Medetbekova, EN Nazarchuk, NE Svireyko, NA Suchkova, AP Terekhov.

In-depth scientific analysis of problems in improving the organizational and economic mechanism of formation and development of the regional industrial system, assessment of the state of its innovative development, acceleration of innovation processes Abdullaev R.V. and N.Sh. Botirova [1]. Their research analyzes the process of industrialization in the Republic of Uzbekistan and the issues of creation and development of export-oriented industries from import-substituting policy on the basis of industrialization, its stages. The main factors of industrial development in past periods are considered. The possibility of using the benefits of foreign economic relations in the implementation of the industrialization process of the country is highlighted.

The concept of "advanced import substitution policy" was proposed by the Russian scientist AN Zinnatullina. He studies this concept as "an incentive for the country's domestic production, whose current consumption does not reach an economically justified level" [3]. It should be noted that such an approach to import substitution has its own practical application.

A key factor in the success of the implementation of import substitution policy is not only import substitution, but also often export-oriented localization. Import substitution should be such a tool of economic policy, Gulin K.A. As a result, the focus is not on supporting the development of domestic market-oriented enterprises, but on further increasing



the export potential of producers in order to capture the world market [3].

Within the framework of the unbalanced growth model developed by the American researcher A. Hirschman, import substitution is studied as one of the key elements of development of countries belonging to the periphery of the capitalist world [6].

RESEARCH METHODOLOGY.

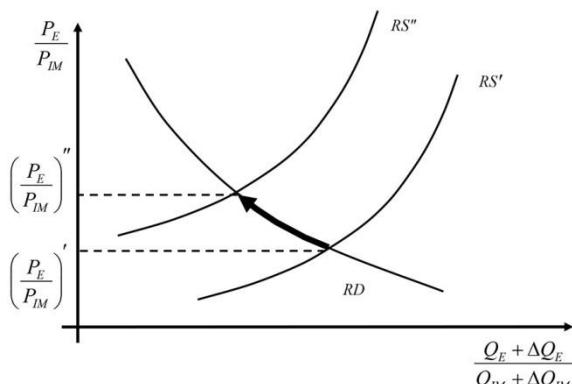
Despite the numerous publications of national and foreign scholars on the policy of import substitution, the problems of its implementation in the world experience, they cover only specific aspects of this problem. No tools have been developed to substantiate the policy of selective export-oriented import substitution and to measure the level of localization and to monitor the implementation of import substitution. The directions of localization of industrial production and increase its efficiency in the context of economic liberalization, improvement of the organizational and methodological mechanism of import substitution policy have not been studied in detail.

Given the importance of the task of stimulating demand for import-substituting products, we consider it appropriate to define it as follows: "import substitution policy" - aimed at stimulating the production of national goods and its competitiveness, increasing domestic demand and reducing import demand. , is a set of measures taken by the state.

Import substitution can be studied as an economic concept and incorporate a system of economic relations aimed at substituting imported goods as an economic process. At the same time, in the context of a simultaneous decline in consumption of national goods and services, there will be an increase in their production, consumption and export as a state economic policy to rationalize and optimize imports of goods and services by encouraging domestic producers.

It is accepted to separate the two phases or phases of import substitution. The first phase is characterized by the rapid expansion of production volumes of more labor-intensive import-substituting products, the displacement of imported products from the domestic market, employment growth, and a high level of protectionism against national producers and national market segments. In the second phase, there will be an expansion of production of high-readiness products of more capital-intensive industries, an increase in exports of products developed under the import substitution policy, a slowdown in industrial growth, a slight decline in employment and an increase in imports.

Import-biased growth is an increase in the production of goods previously imported into the country. If this growth can have a major impact on the volume of world supply, then an increase in import substitution will lead to an improvement in the country's foreign trade conditions. This rule can be illustrated by the example of two brands, where QE and QIM - production capacity is more exported and more imported



1.1.1- picture. Impact of import-substituting growth for an open economy [4]

goods, PE and PIM - their prices, respectively, RS and RD - demand and supply curves for these goods (Figure 1).

As the production of QIM goods exported by more countries increases, the volume of supply increases. This causes its price to drop. Thus, the relative price of the exported commodity - PE / PIM - rises, which causes the PIM export commodity relative supply curve to shift to the left from RS to RS ''.

In terms of improving the country's foreign trade conditions, growth that replaces domestic imports and growth that expands exports to the rest of the world, which encourages lower prices for imported goods, will be beneficial.

Import substitution by sales level is categorized into the following levels:

- at the micro level - the organization of production of import-substituting products at the level of a separate enterprise or import substitution of a particular product;
- at the meso level - import substitution within the industry;
- At the macro level - import substitution is manifested as a state policy that affects the economy of the whole country.

The main conditions for the application of import substitution policy are:

- low demand for domestic products by foreign markets due to insufficient competition;



- Technological inefficiency of the national economy or its individual sectors;
- stable high level of imports over exports and insufficient foreign exchange reserves to cover the negative foreign trade balance.

The means of pursuing this economic policy will have their own characteristics, depending on the level of its implementation. The following are the mechanisms of import substitution policy:

- customs and tariff regulation (introduction of import duties, complication of the procedure for customs clearance of imported goods);
- notarial regulation (quantitative restrictions on imports, state monopoly on imports of certain goods, tightening of requirements and standards for imported goods);
- tax regulation (granting tax benefits to enterprises that have developed the production of import-substituting products);
- financial incentives, including government subsidies and soft loans;
- public procurement system aimed at supporting national industries;
- currency regulation (there may be an increase in the national exchange rate in order to increase the profitability of domestic production on the domestic market, as well as a reduction to limit the demand for imports);
- Encouraging the creation of conditions for attracting investment, including foreign direct investment;
- others, including administrative regulation, development of sales systems, marketing, advertising campaigns, training.

At the present stage, the works of Western scholars on import substitution focus on the possibility of adapting it to solve problems in mixed sectors of the economy.

The work of scientists from the CIS and the Republic of Uzbekistan in this area is primarily related to the study of the role of import substitution in the functioning of transit economies.

It can be concluded that the scientifically based necessity of industrialization and the pursuit of development of the "peripheral" countries of the world economy is a condition for the formation of import substitution as an economic strategy. Currently, import substitution is more active in countries with transit economies, and is accompanied by the restructuring of economic systems and ensuring the balance of foreign trade.

We believe that import substitution should be studied not only as a reduction in product imports in relation to the growth of domestic production, but also as a

further development of domestic production rather than a change in import volumes. This approach is consistent with modern economic theories of the participation of countries in the international division of labor and aims to increase the efficiency of its use in the national economy, rather than reducing imports.

CONCLUSIONS AND SUGGESTIONS

Noting the importance of the work being done in the country on import substitution, in order to develop it, it is necessary to pay attention to the following:

1) Import substitution is a time-consuming process that takes at least a decade. Within the framework of import substitution programs, it is planned to launch the production of own goods in the industry in record periods (2 years), which should replace foreign goods. However, during this time, it has been able to set up production in certain sectors of the economy that have only appropriate losses and do not require large-scale capital investments or the use of new technologies.

2) In order to develop their own production, it is now necessary to make large investments, the main source of financing of which is the own funds of enterprises. Given the sufficiently high base rate of the central bank, it is difficult to implement large investment projects in industry (launch of new production facilities, modernization of industry, serious experimental and design work, etc.).

3) The development of small business and private entrepreneurship for the purpose of import substitution can not be achieved without obtaining "long" loans. All this is a major obstacle to giving full power to import substitution policies.

4) Import substitution does not mean complete abandonment of imports of products, technologies, services, and import substitution cannot be considered as a goal in itself. Therefore, import substitution should be studied as an effective means of optimizing the structure of the economy of the country and the region as a whole through the creation of additional industries and sectors that can replace imports and reduce external risks, make the economy independent of foreign economic relations, monopolies and foreign agreements. .

5) Implementation of the import substitution strategy requires the development of new approaches to regional industrial policy. An import-substituting cluster policy could be one of its forms, helping to increase the sustainability of regional development, including economic, social, financial and environmental sustainability, amid geopolitical uncertainty.



REFERENCES:

1. Abdullaev R.V., Botirova N.Sh. The process of industrialization in the Republic of Uzbekistan and its prospects. // Journal of Economics and Finance, Issue 9, 2016. - B.26-36
2. Gulin K.A. Importozameshchenie kak instrument aktivizatsii sotsialno-ekonomicheskogo razvitiya territorii / K.A. Gulin, E.A. Mazilov, A.P. Ermolov // Problems of development territory. - 2015. -№ 3 (77). - S. 19
3. Zinnatullina A. N. Sovershenstvovanie sposoba finansirovaniya promishlennyx innovatsiy neftegazoximicheskogo predpriyatiya v ramkakh politiki importozameshcheniya: avtoref. dis. kand. ekon. nauk: 08.00.05 / A. N. Zinnatullina; KGTU. - Kazan, 2006. - S.10
4. Kireev A. P. Mejdunarodnaya ekonomika: ucheb. posobie dlya vuzov: v 2 ch. / A. P. Kireev. - M. : Mejdunar. otnosheniya, 1997. - Ch. 1: International microeconomics: movement of goods and factors of production. - S.141
5. Lavrikova, Yu.G. Innovatsionnoe razvitiye stroitelnogo kompleksa regiona na osnove klasternogo podkhoda / Yu.G. Lavrikova, S.N. Kotlyarova // Ekonomicheskie i sotsialnye peremeny: fakty, tendentsii, prognoz. - 2014. - № 3 (33). - S. 169-181
6. Hirschman, A. O. The Strategy of Economic Development / A. O. Hirschman. – New Haven : Yale Univ. Press, 1958. – 217 p.; Hirschman, A. O. The political economy of import substitution industrialization in Latin America / A. O. Hirschman // Quarterly J. of Economics. – 1968. – Vol. 82, No. 1. – P. 1–32.