



THEORETICAL ASPECTS OF INDUSTRIAL DEVELOPMENT BASED ON IMPORT SUBSTITUTE PRODUCTION

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ABSTRACT

This article analyzes the fight against poverty specifics, which is one of the biggest challenges facing humanity, and the priorities for poverty reduction in Uzbekistan, based on other countries experience.

Introduction

With the acquisition of state independence, the Republic of Uzbekistan has become an independent and equal participant in international economic relations. The rapid measures taken in our country to establish market relations have helped to expand the range of economic partners and partners of the republic. At the same time, the liberalization of foreign trade and the elimination of deficits in the national economy are important positive results achieved by our country in the field of foreign economic relations. However, due to the fact that the country's foreign economic activity is at an early stage of development, our country is actively involved in the international division of labor, but does not use the available natural and economic resources, economic potential that allows full use of labor resources. In implementing market reforms, Uzbekistan has faced economic

challenges inherent in the transition economy. Such problems include: excessive prolongation of the recession in the transition economy; deindustrialization of the economy; low level of competitiveness of national developers, etc. In addition to these problems, the steady and significant growth of import purchases, which has led to a deterioration in foreign trade conditions, remains particularly relevant in the economic sphere. According to the World Bank, the index of foreign trade conditions of the Republic of Uzbekistan in 2008-2018 ranged from 0.23 to 0.28 [2]. At present, the share of imports in industrial products is -37.0-40.0%. At the end of 2019, the foreign trade turnover of the Republic of Uzbekistan amounted to 42.2 billion soums. USD, which is 8.3 bln. USD more than in the same period of the last year. dollars (growth rate - 26.2%). The share of finished products with high added value in exports remains low. In particular,



in 2019, the main share of the country's exports will be products made of precious and semi-precious metals - 5.1 billion. USD (share in total exports 28.5%), services - 3.6 bln. USD (19.9%), energy carriers - 2.5 bln. USD (14.1%), textile products - 1.6 bln. USD (9.1%), food products - 1.5 bln. USD (8.5%), non-ferrous metals and their products - 951.3 mln. USD (5.3%), chemical products and products made from them - 876.9 mln. USD (4.9%), ferrous metals and articles thereof - 349.6 mln. dollars (2%).

One of the solutions to the problems mentioned above is to develop domestic production, which will help reduce imports. In this regard, the establishment of import-substituting industries in Uzbekistan and on this basis to ensure economic growth in the country is the basis of economic policy and promising development strategies implemented in our country.

PROBLEM STYDING LEVEL. Despite the urgency of the problem of organizing import-substituting production and, on this basis, ensuring economic growth in the national economy, this problem has not been studied in detail. Some aspects of ensuring economic growth in the country based on the organization of import-substituting industries and it is reflected in the scientific works of foreign scholars such as Prebish.J.M. Keynes, J. Ituell, R. In the scientific works of these economists, industrial policy based on the organization of import-substituting industries and, on this basis, the issues of ensuring economic growth in the national economy are considered in terms of the conditions of a market economy.

It should be noted that the economic reforms and processes taking place today in the republics of the former Soviet Union

are in many ways similar. Therefore, if we talk about the transition economy of the Russian Federation, import substitution issues stimulation of economic growth in L.I. Abalkin's works [5], S.D. Bodrunov conditions for the application of economic sanctions against the Russian Federation [6], A.P. Kireev Improving the country's foreign trade conditions [7], P. A. Kadochnikov on the economic situation in the country after 1998 [8], T. M. Isachenko EU Trade Policy [9], A.P. Terekhova competitiveness of industrial enterprises, N.A. Suchkova is the country's food sector, O.V. Starovoytova is viewed in terms of small open economy conditions [10]. While, K.A. Gulin, E.A. Mazilov, A.P. Ermolovs view import substitution as a means of enhancing the socio-economic development of the regions [11], alternatively V.K. Faltsman considers the organization of import-substituting production in the new geopolitical situation. While O.B. Berezinskaya and A.L. Vedev points out that Russian industry is dependent on imports in terms of production, E.V., Volkodavova in her research considers import substitution in terms of the country's integration into the system of world economic relations.

Among the economists of our country are H.P.Abulkasimov, A.V.Vahabov, T.T.Juraev, A.A.Olmasov, A.V.Vahobov, S.V.Chepel [12], R.R.Khasanov, Sh. G. Yuldashev, F.T.Egamberdiev, U.A.Madrahimov, G.N. Maxmudova, R.A. Saytmu-ratov [13], M.A. Mamatov [14] and others can be cited in this area.

However, an analysis of the studies shows that issues such as the nature of import substitution, its classification characteristics, and incentive mechanisms in transition economies remain unresolved,



and many proposals to improve the country's economic development remain controversial. In addition, the conditions, priorities, and mechanisms for ensuring import-substituting economic growth have not been fully and thoroughly studied in the context of transition economies in general.

RESEARCH METHODS. The research process uses statistical and econometric analysis, generalization, grouping, classification, economic-mathematical modeling, comparative analysis and cross-comparison.

ANALYSIS AND RESULTS. The gradual development of economic theory as a science clearly demonstrates the development of economic views on the formation of national wealth through the development of domestic production. The reasons for the formation and increase of national wealth were originally reflected in the economic ideas of mercantilism. Proponents of mercantilism paid special attention to the issues of reducing imports and developing the production of local goods, which is especially evident in the work of late mercantilists. They support the positive balance of foreign trade turnover and recognize its negative impact on the development of the national economy. Indeed, in practice, the negative trade balance in the Republic of Uzbekistan, caused by the transformational crisis of production, had a negative impact on the socio-economic development of the country. Therefore, the issues of reducing imports and increasing domestic production in the Republic of Uzbekistan come to the fore. In other words, the country faces the task of restoring production before the reforms, then increasing them and reducing imports. The

development practice of the countries of the world community shows that in the context of import dependence, these problems can be solved by stimulating economic growth based on the organization of import-substituting industrial production. In this regard, we consider it necessary to consider the problems of import-substituting economic growth in the context of a transition economy in determining the main directions of import-substituting growth. Therefore, the analysis and assessment of these problems in the current economic situation plays an important role in determining the main directions and forms of economic growth based on the organization of import-substituting industrial production in the national economy.

Economic growth in all its forms of manifestation reflects the result of the activity of the national economy and means the resolution and reproduction at a new level of the basic economic contradiction between limited production resources and the infinite needs of society. Resolving this conflict can be done in two main ways: first, by increasing the production capacity of society, and second, by making effective use of existing production capacity and developing social needs. However, it should be noted that in the context of expanding production capacity, it is not possible to meet all social needs at each new stage of development. Figuratively speaking, social needs, although the production of products that meet these needs arises only after they are mastered by producers or suppliers of goods in that country, they are always primary in relation to the resources of production, for example, always in society.



there will be needs to be met through imports.

In the context of the transition period of economic development, problems related to the expansion of production capacity arise under the influence of many factors of endogenous and exogenous nature. This is especially true for the most vulnerable and underdeveloped countries in the post-Soviet space, including Uzbekistan.

According to official statistics, in the context of the Uzbek economy, the conflict between limited production resources and unlimited needs is resolved mainly through imports.

The steady growth of imports of goods and services has a significant impact on the

dynamics of macroeconomic indicators and, accordingly, the rate and quality of economic growth. The liberalization of foreign trade and the transformational crisis of production have led to a high dependence of the national economy on imports. There are cases of import of previously produced goods in the country. Local production is simply not active. Lack of consumer goods in the domestic market has led to rapid growth in imports. If at the beginning of the market reforms the growth of imports was an inevitable process, but with the gradual overcoming of the transformational crisis of production, this phenomenon began to take on a chronic landscape.

Table 1.

The overall decline in GDP compared to 1989

The overall decline in GDP compared to 1989	Decline in GDP during the crisis (%)	The peak of the crisis (year)
Country		
Poland	17.8	1991
Czech Republic	13.1	1992
Slovakia	24.9	1993
Hungary	19.1	1993
Romania	25.0	1992
Bulgaria	33,4	1997
In the Baltic countries	44,8	1994
Estonia	33.6	1994
Latvia	49.0	1995
Lithuania	43.9	1994
CIS countries	46.1	1998
Russia	39.8	1998
Belarus	36.6	1995
Ukraine	54.0	1999
Moldova	61.7	1999
Armenia	50.1	1993
Azerbaijan	63.0	1995
Georgia	76.0	1994
Kazakhstan	39.2	1995
Kyrgyzstan	46.9	1995



Tajikistan	64,2	1996
Turkmenistan	35,8	1997
Uzbekistan	19.5	1995

Source: E.V. Krasnikova Economy in Transition: Study Guide-M.: Omega-L, 2005, p. 89.

The transformation decline lasted from 1991 to 1996 and left its deep mark on the development of domestic production. Despite the fact that the volume of gross domestic product in 2002-2003 reached its 1991 level, the indicators of GDP per capita and production of consumer goods remain low. The annual growth of gross domestic product is mainly due to the services sector, especially trade and brokerage services. Although in terms of GDP dynamics we can say that we have overcome the transformational crisis, it is still too early to talk about overcoming the stagnation in the manufacturing sector.

From the very beginning of the reforms, the main priority in industrial policy is to improve the quality of institutional reforms and open the way for entrepreneurship, modernization and diversification of industrial production, support of real sector enterprises, implementation of program measures for industrial development in the medium and long term. We can see that the depth of transformational decline in the Republic of Uzbekistan is slightly lower than in the countries in transition (Table 1).

In the first years of its independence, Uzbekistan, unlike many other countries in the Commonwealth of Independent States, has chosen a specific path of transition to a market economy and has consistently pursued it to prevent a sharp decline in production and living standards and excessive domestic and foreign debt. In 1991-1995, the decline in GDP in

Uzbekistan was the lowest among the CIS countries - 18.8%. However, this figure was 53% in Russia, 52% in Ukraine, 54.6% in Belarus and 75.4% in Kazakhstan.

During the transition period, along with addressing the problems of macroeconomic stability, institutional and restructuring, along with the task of meeting the decline in production, some work has been done to reform and develop industry in Uzbekistan. The modernization of national industry has been carried out step by step under the active role of the state, using various tools and regulatory mechanisms.

Problems and threats of financial and economic crises, growing competition and the need to ensure the technological security of the country are the most important goals for the industry of Uzbekistan is sustainable, dynamic and balanced development, deepening structural changes aimed at diversifying key sectors and increasing export potential, increasing the efficiency and competitiveness of industries, complexes and enterprises on the basis of their renewal.

It is known from economic theory that the main cause of economic crises is the imbalance between aggregate demand and aggregate supply. In the Republic of Uzbekistan, the imbalance between aggregate demand and aggregate supply was due to the sharp decline in supply at the time of growing demand. Therefore, the economic crisis that has affected all countries with economies in transition, including Uzbekistan, has been described as a crisis of lack of production. Although



the crisis of underproduction is different from the crisis of overproduction, they have some common features. In both crises, the indicators of socio-economic development are deteriorating: bankruptcy of enterprises, rising unemployment, rising interest rates on loans, high inflation, stagnation of production, deterioration of the national economy and so on. The main difference of the production crisis is the unusual nature of its manifestation. In the administrative-command system of management, the state completely monopolized production activities, there was a lack of means of production for industries producing consumer goods. The division of labor was organized on the principles of inter-republican industrial relations. As a result of the political independence of the republics of the former USSR, the industrial ties between the various enterprises formed during the years of the union were simply destroyed. Previously operating enterprises were forced to cease operations in most cases, demonstrating their incompetence in market conditions. The privatization of manufacturing enterprises had a negative impact on this process. As in the entire post-Soviet space, the process of privatization of industrial enterprises in Uzbekistan was carried out in uncivilized forms. As a result of the cessation of production activities of privatized enterprises by new owners who do not have sufficient experience of operating in market conditions and tools for analyzing enterprises using market instruments, various outlets and small shops for the production of some goods do not correspond to the profile of privatized enterprises. As a result of such an approach to the real sector of the national economy,

industrial production has experienced a crisis and the structure of the national economy has been deformed. As a result, there has been an increase in cyclical unemployment and an increase in the number of labor migrants seeking work in other countries (especially the Russian Federation and Kazakhstan) as social tensions escalate. After gaining independence, as a result of the lack of attention to the real sector of the economy, trade, intermediation and banking began to develop in the country. In addition to the above, due to the stagnation observed in agriculture, the crisis caused by insufficient production became more complicated. The slowdown in growth rates and, in many cases, the decline in consumer goods production from the very beginning of market reforms have led to an increase in imports of similar goods.

Implementing an import substitution strategy in the face of underdeveloped national economies will address a number of socio-economic challenges, including reducing unemployment, underutilization of production capacity, rational use of natural and economic resources, improving trade conditions and increasing the competitiveness of domestic producers.

All this suggests that in the context of lack of production capacity, high unemployment and strong dependence on imports, the consistent implementation of economic growth incentives based on the organization of import-substituting industries is a necessary and effective way to solve socio-economic problems.

Restoring production at the pre-crisis level, stimulating import-substituting growth, is able to ensure the efficient operation of the entire economic system.



It should be noted that while in the early 1990s imports served to meet aggregate demand in excess of aggregate supply, later imports largely served to determine the quality of economic recovery in the country. While such an event could serve the purpose of modernizing domestic production using imported raw materials, materials and production equipment and technologies, such a positive impact did not occur due to the stagnation in the production of many consumer goods. On the contrary, imported goods began to dominate the consumer basket of the population. It is gratifying that in recent years there has been a revival in the production of some consumer goods in the country.

In particular, today there are more than 70,000 industrial enterprises in the country, including mining and quarrying - 3.1%, processing industry - 94.4%, electricity, gas, steam and air conditioning - 0, 7% in water supply, sewerage, waste collection and disposal - 1.8% enterprises.

At the same time, as of January-December 2019, the structure of industrial production has a different picture, ie the share of mining and quarrying in total industrial production - 13.0%, the share of processing industry - 79.9, the share of electricity, gas, steam and air conditioning - 6.4%, and the share of water supply, sewerage, waste collection and disposal - 0.7%.

Uzbekistan's industry has a complex diversified and multidisciplinary structure, which reflects the changes in the development of productive forces, the development of regional collective labor in accordance with scientific and technological progress.

As a result of diversification and technological renewal of production in the industrial sector and the widespread introduction of innovative ideas and technologies, high and medium-tech industries such as electrical equipment, computers, electronic and optical products, vehicles, chemicals, machinery and equipment, pharmaceuticals and drugs the formation and development of industries was ensured, and their share in the total industrial production structure was 19.1%. However, the work shows that the country's economy is becoming more dependent on imports due to the low competitiveness of domestic producers and the lack of production of a number of goods. The above considerations indicate that the characterization of Uzbekistan's dependence on imports is growing under the influence of the negative consequences of the protracted transformation crisis. The situation in the country's economy and domestic markets largely depends on the import of consumer goods.

The situation with the declining trend of the national currency, which should give domestic producers an advantage in price competition with imports, complicates the socio-economic situation in the country due to rising prices. This phenomenon can be explained by the lack of domestic similar goods to replace imported goods or the low level of competitiveness of domestic goods. At the same time, the large advantage of demand over the existing domestic supply, the competitive advantage in price over imported goods, serves as an additional incentive to launch the production of similar imported goods. In the context of insufficient production capacity associated with the transition period, the only and most appropriate way



to address socio-economic problems is to implement an import-substituting and localization-based industrial policy. There is no need to delay the implementation of this policy, on the contrary, the state is required to further accelerate this process by improving all components of economic policy. It should be noted that, by its very nature, an industrial policy based on import-substituting production relies on the full use of integrated production potential, gradually leading to an improvement in product quality through technical and technological re-equipment of production.

Based on what has been said about the causes of the transformational crisis of production and its consequences, we believe that the only right direction to implement state economic policy and increase its impact on the country's economic life is a system of measures to encourage import-substituting production-based industrial policy.

Uzbekistan has ample opportunities to implement the import substitution strategy, and through its implementation we can achieve great results in ensuring effective socio-economic development. In this regard, in our opinion, the importance of import-substituting production policy in overcoming the consequences of the transformational crisis in the context of the Republic of Uzbekistan is reflected in the following:

- the organization of import-substituting industries will reduce dependence on imports, and at the same time create the basis for a multiplier increase in the costs of all macroeconomic agents, ie GDP growth;
- such a strategy will help improve the country's foreign trade conditions;

- It will help reduce the dependence of the Uzbek economy on labor migration, as the expansion of domestic production requires additional labor;
- production of similar imported goods will gradually increase their competitiveness in the domestic market;
- protects the country's economy from the effects of external factors and fluctuations and at the same time strengthens the country's economic security.

Determining the use of the strategy of organizing import-substituting industrial production in its place does not clearly show how much the country will benefit from the organization of import-substituting industries. By defining the role of import substitution strategy in the country's economy, we can draw the following important conclusion, according to which at the current stage of socio-economic development of the country there is no other effective way to solve socio-economic problems on a national scale. Many countries of the world community have used this or that form of development strategy based on import substitution in their centuries-old path of progressive development. The experience of these countries shows that the effectiveness of import substitution depends primarily on the economic policy pursued, the existing economic structures and the goals of socio-economic development. Therefore, the strategy of organizing import-substituting production plays an important role in overcoming the consequences of the transformational crisis, which has caused many problems of national economic importance. It is important to take into account foreign experience in the implementation of import-substituting economic growth



stimulus mechanisms, not to repeat their mistakes and to take into account their positive aspects. Apart from the economic system of the world economy, no country in the world has yet been able to create a healthy economy on its own. The country's participation in the international division of labor provides a number of advantages and benefits to the country's producers in terms of stimulating economic growth. The country's integration into the world economy allows it to specialize in several important sectors of the economy, as these relations simply do not allow the country to start production or import products that require higher costs than other producers and produce products compared to other producers. and products with good conditions for export. There are various models for the integration of the national economy into the structured system of world economic relations. The main descriptions of such models are given in Table 2 below.

Based on the basic rules of these models, we can conclude the following:

- There is a tendency in the countries of the world to export goods produced using the factors of surplus production and, conversely, to import goods that require relatively rare factors for production;
- Under certain conditions, there is a process of equalization of "factor prices" in the international division of labor (factor price means the fee received by the owner of the factor for its use: for labor - wages; for capital - interest rates; for land use - rent).

The considered basic models of inclusion of the national economy in the system of international division of labor allow us to draw the following conclusions about the role and importance of this process in the

economic development of the country. First, the successful development of the national economy requires the active integration of the country's economic complex into the system of world economic relations.

Second, active integration into the world economic system is an important condition for the gradual realization of national priorities in the specialization of the country's economic complex in certain sectors and industries and the development of trade and economic relations with other countries.

Third, operating in a highly competitive environment in foreign markets allows us to identify the most efficient sectors and sectors of the national economy that can serve as a "foundation" for the structural reconstruction of the national economy.

Fourth, the use of the country's comparative advantages and production potential and their effective use is one of the main conditions for ensuring the sustainable development of the national economy.

By its very nature, the international division of labor is recognized as an important stage in the development of the social division of labor between individual states, based on the economically viable specialization of production. Such specialization leads to the interchangeability of production results between countries in certain quantitative and qualitative ratios. In this regard, the textbook "World economy and international economic relations", edited by Doctor of economics, professor A.V.Vahobov, states: –The essence of the international division of labor is reflected in the interaction of the production process, specialization and cooperation of



forms of labor activity. The division of labor emerges not only as a process of separation, but also as a way of uniting labor globally ... it is based on the specialization of individual countries in the production of goods and services. ||

International specialization allows national economies to achieve levels of consumption that are much higher than their production capacity.

The peculiarity of the current stage of development of the international division of labor is reflected in the creation and improvement of the world system of international commodity relations. This process helps to ensure that the goals and objectives of the overall system take precedence over individual national goals and interests. The development of the world economic system provides for the development and improvement of systemic mechanisms of self-organization of national economies.

Like any system, the international division of labor is characterized by both positive and negative aspects. Such negative aspects of the international trade system are primarily the result of conflicts of national economic interests and international national specializations, as well as different levels of economic development of countries participating in the international division of labor. It should be noted that international trade, in which developed countries have more advantages and benefits than developing countries and countries with economies in transition, today represents a more pyramidal system rather than a balanced and fair one. The disadvantages of international specialization were highlighted in the opportunities for international

stratification and redistribution of resources and added value.

International trade contributes to the growth of demand for the factors of production that are used most rapidly in the production of exported goods and, accordingly, reduces the demand for the factors used in the creation of goods that compete with similar imported goods. While there is no doubt that international trade is beneficial for any country, it may not in some cases be beneficial to owners of factors of production who specialize in the production of goods that compete with imports.

It follows that unregulated foreign trade relations can hinder the structural changes taking place in the economies of developing and transition economies, leading them to specialize in raw materials and finished products. As a result, capital and labor flows to developed countries. Countries at the top of the hierarchical pyramid of the international division of labor will have a great opportunity to earn additional income at the expense of their positive position in the redistribution of international value added.

As a self-developing system, international trade, based on the principles of international specialization, has been able to create a unique mechanism for overcoming these contradictions in the process of its gradual development and improvement of international relations. The strategy, which is based on the organization of import-substituting industries, serves as such a mechanism in the global trading system. In this regard, it is worth mentioning the opinion of E.V. Volkodavova that "import substitution is a model of economic growth of the country



in terms of joining the system of world economic relations."

There is still no consensus in the modern economic literature on the differentiation and definition of the economic categories and processes of import substitution and protectionism. This is despite the fact that the concept of protectionism in the system of international economic relations appeared long before the category of import substitution. It should be noted that these categories have a number of common features and differences that give rise to various contradictions. This situation shows that their nature has not been sufficiently studied.

Sometimes, the concept of import reduction is used interchangeably in explaining the substantive nature of import substitution. In particular, The "Great encyclopedic dictionary of economics" edited by V.G. Gavrilenko, P.G. Nikitenko and N.I. Yadevich does not mention the category of "import substitution", rather, the concept of –import substitution|| is defined as –a strategy aimed at reducing the amount of imported products in order to stimulate the production of domestic substitutes||. A similar approach can be seen in the work of E.F. Baranov, who states that "import substitution is the process of reducing or stopping the import of certain goods and replacing them with similar domestic goods in the domestic market."

In our view, this definition confuses state protectionist measures with import substitution processes, which are widely used to implement this strategy, but are a subjective form of the international division of labor.

Suchkova N.A. in her research, argues that –the main feature of import substitution is

the industrialization of the economy by restricting and excluding these imports||. In her opinion, the choice of the concept of import substitution implies the creation of certain incentives for the development of certain sectors of local industry and agriculture in order to increase their competitiveness in the domestic market.

In this definition, increasing the competitiveness of domestic producers is a key factor as a prerequisite for the implementation of an import substitution program.

Unlike N.A. Suchkova, O.V. Starovoytova is viewed import substitution in terms of import protectionism. A distinctive feature of such an interpretation is that O.V. Starovoytova recognizes import substitution as part of a protectionist policy, arguing that import substitution is aimed at stimulating national production and producers rather than restricting and excluding imports. In our opinion, O.V. Starovoytova's view is somewhat controversial. First, the practice of import substitution cannot be carried out without import restrictive measures. Second, incentives for domestic producers cannot directly demonstrate the effectiveness of import substitution. Therefore, we believe that the implementation of the import substitution strategy can be done only on the condition of the application of measures to directly limit and reduce the volume of imports.

A number of other authors, such as N.V. Morozova, I.A. Vasileva, A.I. Gorbunova, consider import substitution from the perspective of public policy. According to them, –import substitution is a state policy aimed at protecting domestic producers by replacing imported products with local ones. The import substitution strategy



envisages improvement of product quality, production of new types of products, modernization of the whole production, ie development of equipment and technologies, introduction of innovations and increase of their efficiency. At the same time, the import substitution strategy represents a gradual transition from the production of these simple goods to high value-added science-capacity products. ||

In her research, A.G. Badalova tried to explain import substitution in more detail, arguing that –import substitution is the replacement of imports with domestically produced goods. It distinguishes three types of import substitution:

- Substitution of imports of technological equipment for the subsequent establishment of domestic production of goods and services;
- Substitution of imports of raw materials, semi-finished products and components for the production of goods and services;
- Substitution of imports of finished products, the production of which is not competitive in the domestic market.

Considering import substitution in terms of its types is currently a very comprehensive process. Therefore, in our opinion, there is no need to consider the import substitution feature depending on its types.

In their research, O.B. Brezinskaya and A.L. Vedas view import substitution as –the process of substituting imported raw materials and purchased products for the lowest level of production through gradual squeezing||. This definition focuses on the substitution of imports of investment goods in the context of the industry's dependence on imports of raw materials.

E.N. Nazarchuk describes import substitution as "increasing the production of domestic goods while reducing the

consumption of imported goods, which is economically feasible to replace imported goods with domestic goods." At the same time, in his opinion, "import-substituting products are products of domestic producers that have the ability to squeeze similar imported products out of the market due to their more attractive consumer properties." E.N. Nazarchuk proposes to classify import substitution by the following characteristics: by level of implementation (macro, meso and micro level); on strategies (domestic market-oriented, foreign-market-oriented and mixed); on the basis of import-substituting production (on the basis of existing production or newly established production); objects of import substitution (products, services, equipment, technologies, raw materials, components); in the direction of implementation (focused on investment demand and consumer demand); by models (based on the own resources and technologies of local economic entities, on the basis of joint ventures and on the basis of imported resources and technologies). In this case, in our opinion, the concept of import substitution and its classification have been very successfully formulated by the author. In addition, in the classification of import substitution according to the strategy of E.N. Nazarchuk, special attention is paid to its orientation to domestic and foreign markets, and assumes their compatibility. In our view, such an explanation of import substitution covers some aspects of export-oriented domestic production. Therefore, the addition of foreign market orientation to this classification goes beyond the scope of import substitution. In our opinion, it is expedient to replace imports, first of all, by squeezing them out of the domestic market



in exchange for imported goods with local similar goods, and only after achieving these goals, to focus on foreign sales markets. In other words, with the successful implementation of import substitution, it is possible to gradually move to a type of export-oriented development.

In his works, V.K. Faltsman discusses the issue of import substitution in the new geopolitical situation. According to him, import substitution is "a natural process of increasing the competitiveness of domestic products, overcoming the backwardness of scientific and technological development, modernization, economic growth and development." The process of economic growth is an important aspect of this interpretation. In other words, we are talking about the impact of import substitution on economic growth.

The –Grand economic dictionary|| under the edition of A.N. Azriliyan distinguishes between the concepts of "import substitution" and "import substitution." According to the dictionary, "import substitution - the cessation of imports of these products into the country in connection with the organization of on-site production of this product"; "Import substitution is a policy of the country to reduce import and foreign exchange costs by stimulating the development of domestic production."

The peculiarity of such a distinction is that while the definition of the category of import oppression is based on the objective, legitimate nature of this economic category, it is pointed out that import substitution is related to the protectionist policy of the state.

In order to better understand and differentiate import substitution and

protectionist policies of the state, in our opinion, it is necessary to distinguish the main economic features of import substitution. These characteristics include the competitiveness and cost-effectiveness of import substitution.

The above-mentioned signs allow us to identify two important differences between import substitution and protectionist policies. First, if protectionist measures are taken by the state primarily in the interests of the state, then import substitution is based on the state's support for the establishment of domestic production of similar goods and the gradual reduction of imports, improving the entire system of international relations. also has an objective-conditional structural character that is practiced as an independent process.

Second, the implementation of gradual import substitution will help optimize the international division of labor, and excessive protectionist measures could lead to the country's economic isolation. Therefore, in the implementation of import substitution strategies, it is necessary to combine the country's participation in the international division of labor with protectionist measures.

Third, after the displacement of imported products from domestic markets, domestic import-substituting industries can demonstrate their sufficient level of competitiveness and economic efficiency, which in turn leads to an increase in exports due to the high consumer characteristics and attractiveness of manufactured products. Consequently, the implementation of these measures will serve to improve and strengthen the position of national producers in international trade. Therefore, the idea that



import substitution contradicts the strategy of an export-oriented economy was untrue. On the contrary, import substitution involves a gradual transition to export-oriented production. At this point, if we focus on protectionism, it will have a short-term character, as it is done to protect the domestic market from external competition in terms of political and national interests.

Conclusions and recommendations.

Thus, it should be noted that protectionism is limited to protecting national producers (factor owners) from external competition if the main purpose of import substitution is to produce efficient and competitive products with a view to further export. In other words, protectionism allows for additional income in excess of the current alternative value of the resources used. Although the total cost of implementing protectionist policies in practice is higher than the benefits received, they are usually borne by ordinary consumers. If the production of a commodity is not open to foreign producers, it will, of course, inevitably become uncompetitive (this contradicts the basic features of import substitution). In other words, if import substitution implies support for local producers of import-substituting products as the first step in the development of export-oriented production, then for holdp state protectionism such a policy is limited to reducing imports by various tariff and non-tariff methods .

Based on the above, it can be concluded that import-substituting economic growth is due to the competitive advantages of domestic production due to the modernization of national economies and the reduction of strong dependence on imports of investment goods.

Thus, summarizing the review of the methodological basis of economic growth based on the organization of import-substituting industries, we can note the following:

First, a review of the methodological content of import substitution and, on this basis, the definition of its forms will allow to determine its optimal directions for the country at the current stage of economic reforms. In practice, it is too early to talk about secondary import substitution in the context of the long-lasting transformational crisis of production and the country's high dependence on imports. Although Uzbekistan has huge reserves of production resources and reserves, their use is still at an early stage. Therefore, the use of foreign production factors (which is especially evident in the attraction of foreign production equipment and technologies) in the use of import substitution strategies cannot be ruled out. Moreover, without protectionist measures, it is not possible to carry out the initial stages of the application of import substitution. In addition, we believe that economic growth based on the organization of import-substituting industries under the influence of economic law, which represents the transition from quantitative growth to qualitative indicators, will then have an intensive characterization.

Second, at the current stage of economic development of the Republic of Uzbekistan, in terms of the level of import coverage, partial import substitution is acceptable, and in terms of the use of production resources - primary import substitution. This is explained by the stagnation and economic obsolescence of production



techniques, which were observed at the beginning of economic reforms. In such circumstances, it would not be logical to talk about secondary import substitution. In the context of the Republic of Uzbekistan, it is desirable to stimulate import-substituting economic growth through intensive development of agriculture and industry. Therefore, when using the import substitution strategy for the development of sectors of the national economy, it is necessary to take into account the widespread use of the latest production equipment and technologies that meet international standards and serve to ensure the competitiveness of domestic goods. The Address of the President of the Republic of Uzbekistan Sh.M.Mirziyoev to the Oliy Majlis of the Republic of Uzbekistan states: —... it is necessary to actively attract foreign investment, advanced modern technologies and scientific achievements for the modernization and development of industry and infrastructure of our country ... The main goal of Uzbekistan's industrial development is not only to increase growth in this sector of the economy, but also to develop priority sectors and production through the use of rich natural resources, to form its modern structure, to increase the competitiveness and efficiency of the country's industry in foreign and domestic markets. formation of a set of measures. The strategic direction is to create an export-oriented structure of industry and increase the share of deeply processed

products in exports relative to raw materials "[1].

The main goals in the implementation of the import substitution program in the Republic of Uzbekistan are to ensure a positive trade balance, strengthen the economic security of the country, stimulate the development of local producers, reduce dependence on imports.

Third, a comprehensive approach to import substitution allows for the stimulation of the reproduction function, which determines the volume and proportions of expanded reproduction. At the same time, appropriate conditions will be created to increase production, encouraging the satisfaction of the growing needs of the population through import substitution. It should be noted that a comprehensive approach to import substitution will ensure the transformation of natural and other resources into material goods consumed by society through the introduction of reproduction processes.

Fourth, the practical use of socially complex import substitution means raising the living standards and improving the material well-being of all segments of the population. In general, the complexity of import substitution is usually characterized by its social orientation, which provides for a new quality of economic growth, which in turn requires that economic growth is inextricably linked to the welfare of the population and the coordination of these two processes.

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