

THE STATE'S POLICY ON IMPORT SUBSTITUTION IN THE RUSSIAN FEDERATION: ISSUES AND PROSPECTS

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ABSTRACT

Remediating negative import dependency trends in alignment with the fulfillment of strategic priorities and objectives for the social-economic development of the Russian Federation requires fine-tuning and enhancing the theoretical-methodological tenets and substantiating the strategic priorities and tactical mechanisms and instruments underpinning the state's structural policy on import substitution with a view to fulfilling the nation's economic policy for the development and solidification of the competitive positions of domestic manufacturers.

The paper examines some of the essential characteristics of the process of import substitution, summarizes the theoretical foundations of the state's regulation of the process of import substitution, identifies the conceptual tenets of the underlying organizational-economic mechanism and provides a rationale for the strategic priorities for the state's policy on import substitution, and establishes specific areas for the implementation of structural changes and institutional reforms within the system of state regulation of import substitution.

The authors employ as their primary research method the expert evaluation method with a view to obtaining a coherent assessment of the effectiveness of the formation and implementation of the organizational-economic mechanism underlying the state's structural policy on import substitution. The experts engaged were evaluated via heuristic evaluation.

The study's results have led to the conclusion that the following objectives ought to be regarded as the key strategic priorities for the state's policy on import substitution: reducing the share of imports to a specific scientifically substantiated level and enhancing its structure, minimizing the extent of monopolization and cultivating competition in the internal market, developing a well-balanced system of chain stores, and pursuing boosts in the government procurement of domestic goods and services.

Keywords: Import substitution, expert evaluation method, state's structural policy on import substitution, instruments for regulating import substitution, import substituting products

INTRODUCTION

Import substitution is one of the forms of protectionism which is applied actively in the world economy as a transitive mechanism in the process of restructuring the national economy and developing new areas within national industry. Import substitution policy presupposes developing the economy during the initial stages mainly using its internal resources, followed by

a shift to an export-oriented model for development accompanied by getting into new sales markets. This approach to development is characteristic of countries which may experience, due to crisis phenomena in the economy, a lack of competitive production and a surplus of imported goods and services in the internal market. Despite the fact that the above issues are characteristic of Russia too, special relevance is being taken on by the study of the foundations of the development and implementation of strategies underlying import substitution policy and determination of the key elements in its present-day vision.

Foreign economic activity is one of the crucial factors for the sustainable development of the national economy of countries around the world. One of the forms of foreign economic activity is importation, i.e. the process of purchasing goods and non-goods produced in the territory of the foreign partner state for consumption or resale within the territorial borders of the importer state (Kulisher, 2002).

On the one hand, importing facilitates access to goods, services, and technology that are not produced in the domestic economy, but, on the other, it creates additional pressure on the internal market and national manufacturers. A sort of an answer to these threats is the state's policy on import substitution. In general, the term "import substitution" gained popularity in the 1950s and 1960s as a strategy for facilitating economic independence and development in developing countries (Avdokushin, 1999).

At this time, the science of economics has yet to arrive at a universally accepted interpretation of the term. Import substitution is an integrated concept that is viewed by scholars as a process, the state's policy and strategy for development, and a factor for changes in the goods market.

From the perspective of state policy or government strategy, scholar S.D. Bodrunov construes import substitution as a set of measures aimed at minimizing economic threats through facilitating the development of internal production, restricting imports, and stimulating the acquisition of domestic goods (Bodrunov, 2015).

From the standpoint of strategy for economic development and growth, O.S. Belokrylova views import substitution as a strategy for economic growth that presupposes the development of industry via import protectionism and tariff and non-tariff barriers (Belokrylova, 2014).

Scholar O.S. Andreev is of the opinion that, if one takes a process-based approach to defining import substitution, it may be viewed as the process of ramping up the internal production of competitive substitutes for imports through the implementation of the state's policy of structural shifts aligned with the needs of the national market and may help boost the export of high-value-added items and balance out the nation's trade balance (Andreev, 2011). According to V. Shumaev and D. Morkovkin, import substitution is the process of boosting the production and internal consumption of domestic goods through minimizing the consumption of imported goods (in physical terms) (Shumaev & Morkovkin, 2014).

From the viewpoint of the goods-based approach, I.D. Ivanov construes import substitution as reducing imports through the imposition of restrictions with a view to freeing up the internal market for domestically manufactured goods (Ivanov, 2012).

As some experts have justly pointed out, while there are similar objectives for import substitution (reducing the share of imported goods and services and boosting that of domestic ones in the internal market), researchers have suggested a variety of forms, ways, and means of achieving this (Polovinkin & Fomichev, 2014).

In order to get the right understanding of the multi-aspect nature of the present-day scholarly vision of the concept of import substitution, it may be worth exploring the historical

process of its making based on the way it unfolded in developing countries in the 2nd half of the 20th century (Table 1).

Table 1
PRESENT-DAY ASIAN AND LATIN AMERICAN MODELS FOR IMPORT SUBSTITUTION POLICY
(WAILERDSAK & SIENGTHAI, 2017; BRANDO, 2016)

Attributes	Asian model	Latin American model
Preconditions for implementing import substitution policy	postcolonial countries with low levels of industrial development levels, a poorly developed internal market, and a lack of internal sources of investment	postcolonial countries with low levels of industrial development levels, a poorly developed internal market, and a lack of internal sources of investment
Region's characteristics		
- cultural	a sense of respect for rules and laws, working for the common good	social stratification, most citizens lacking access to education
- political	technocratic governance	existence of a "political elite", high levels of corruption
- economic	upholding private property across all sectors of the economy	domination of the state sector
Process of implementing import substitution policy	utilizing the strategy of gradually admitting foreign competitors into the internal market; differentiating protectionist measures across sectors in combination with the active development of export operations; Western transnational corporations used cheap Asian labor but helped build the market and supplied capital and technology, which, eventually, helped ensure the growth of the national economy	introducing protectionist policy into the economy; selecting particular key import substitution sectors – the extractive industry and consumer goods manufacture; continuing to export industrial consumption products
Results of implementing import substitution policy	economic growth, shifting to export-based strategy for economic development	economic recession, most of the region's nations shifting in the 1980s to liberal economic policy and giving up focused industrial policy

The use of import substitution policy was, above all, due to quite a powerful motivation on the part of the governments to achieve relatively quick and tangible economic and political results. In the meantime, the implementation of import substitution policy demonstrated a substantial difference between the targets set initially and the actual results. Thus, Asian nations managed to propel themselves into the leading positions in the world economy by employing the strategy of gradually admitting foreign competitors into the internal market and differentiating protectionist measures across sectors in combination with the active development of export-based operations (Zhou, 2008).

In Latin American countries, poorly developed agriculture and stepped-up industrialization against the backdrop of an internal market limited in capacity and limited volumes of national capital led to the making of lowly effective uncompetitive production establishments and an imbalance and stagnation in the national economy. As a consequence,

most of these regions became a resource colony of the world's more economically developed countries (Sukharev & Strizhakova, 2014).

It is worth noting that both the successful and unsuccessful experience of implementing import substitution policy has played a significant role in the making of the present-day vision of the process. Today, the development and implementation of import substitution practices is based on the development of a state program and has clear-cut timeframes for implementation (Cherkesova, Kovaleva, & Lisitsina, 2016). Among the conceptual foundations of import substitution policy are the import substitution of demand, consumer goods, production resources, industrial-use products, and services. The key areas within the state's import substitution policy are organizational and economic measures for stimulating internal production and destimulating imports, measures presupposing the use of relevant administrative and economic methods and instruments (Slatvitskaya, Mironova, Zibrova, Romanova, & Ryabocon, 2016).

METHODS

Expert evaluation implies working with expert specialists and processing their opinions. It helps obtain a formalized description of complex problems resolving which cannot be possible through the use of statistical methods of research alone based on mathematical models. Experts are competent specialists fully conversant in the object of evaluation and capable of putting forward logical assertions on the object's properties in quantitative form. This can be specialists from adjacent areas, which may help obtain more comprehensive information on the object of study. The major purpose of conducting expert surveys is to obtain a coordinated evaluation from experts engaged that is closer to the truth than individual expert evaluations. The effectuation of an expert evaluation should result in making a well-considered, well-substantiated decision with a view to achieving the objectives set (Orlov, 2004).

In developing a methodology for the expert evaluation of the organizational-economic mechanism of the state's structural policy on import substitution, it may be worth complying with the requirements provided below. The methodology should be expected to:

- provide credible results from expert surveys, which will depend only on experts' objective characteristics;
- ensure maximum survey repeatability, i.e. make sure that after another survey the results obtained will differ by a certain margin of error;
- ensure obtaining survey results in the shortest time possible without losing their credibility, while conforming with all relevant requirements;
- be economically substantiated, i.e. financially acceptable for surveys and little dependent on changes in the number of experts in the group and new stages in the survey;
- include both quantitative and qualitative expert evaluations, with quantitative ones expected to facilitate the mathematical analysis of the objects of study and make data processing easier (although not all properties of the object can be expressed in numerical form).

In order to have a successful examination and obtain scientifically substantiated results, it is worth arranging the stage-by-stage survey process the right way. A survey's key stages include:

- establishing the objectives for the examination, analyzing the object of study, and identifying its properties for quantitative values are to be provided;
- establishing the way to conduct expert evaluation and preparing survey questionnaires;
- establishing the number of experts in the group and its lineup;
- conducting the examination;

- gathering and processing the results of the examination;
- analyzing the survey data obtained.

Expert methods are divided into face-to-face and remote ones. The major strength of face-to-face surveys is that there is direct communication with the expert, which makes it possible to amass more information from him and formulate surveys based on previous responses. The method's weaknesses are its high cost and the possibility of some psychological discomfort arising during the interview. For these reasons, they most of the time employ the remote method, which involves the filling out of questionnaires. Questionnaires can be in print form (filling out a form and mailing it) or can be filled out digitally online (this enables the automated collection and processing of analytical data using computers). The major weaknesses of the remote method include the possibility of the expert getting the wrong understanding of what is in the survey and hence filling the questionnaire out wrong. This suggests the need to meticulously design the survey's questionnaire. Overall, remotely conducted mass surveys appear to be more economic and faster to carry out.

The accuracy and reliability of forecasts obtained through expert evaluation depends, above all, on the expert group's level of professionalism, volume of knowledge, and erudition.

This stage of the survey should involve establishing the sufficient number of experts and their qualitative characteristics. To determine the necessary number of experts, it is worth using the methodology proposed by V.N. Eitingon, M.A. Kravets, N.P. Pankratova, and V.V. Davnis (Eitingon, Kravets, Pankratova, & Davnis, 2004). A statistical approach is employed to calculate the number of participants in the survey group using the formula:

$$N = t^2 \alpha / \varepsilon_1$$

where $t\alpha$ is the indicator of credibility for the preset reliable confidence probability of the result obtained;

ε_1 is the maximum acceptable margin of error expressed as the share of the root-mean-square deviation (δ): $\varepsilon_1 = \varepsilon / \delta$ (ε - absolute error). With $\varepsilon_1 = 0.5$ at confidence probability $\alpha = 0.85$, you get the required number of experts – 7. To obtain evaluations that are more precise, a minimum of 10 specialists are normally engaged.

To ensure the effective resolution of the above issue, it may be worth determining at the next step the degree of expert competence. The way to structure the expert group is governed by the need to select experts who are specialized and qualified in such a way as to be able to conduct an accurate, quality evaluation of all component parts and all dimensions of the integral object of study.

The methodology for assessing expert competence employed in this work was based on heuristic evaluation methods predicated on the supposition that assertions on a particular expert put forward by those around and the expert himself are objective and are based on: a) self-evaluations (the expert assesses on his own his professional competence, i.e. the degree to which he is informed on the various aspects of the object of the examination (Wailerdsak & Siengthai, 2017; Brando, 2016); b) peer assessments (to minimize the degree of bias, the competence of each expert is evaluated based on the average assessment among those provided by the rest of the experts (at $N < 15$); c) assessments by the organizers of the examination (one provides in quantitative form a characterization of the degree to which the expert is interested in taking part in the examination and his degree of organization during the survey).

The next step should involve creating assessment questionnaires and the actual conduct of the survey of experts. The survey's questionnaire is a document or an electronic form that contains questions prepared upfront. Often, they add to questionnaires special explanatory letters

that describe the purpose of the study, the survey's methodology, the scale of possible quantitative or qualitative assessments, and the way to fill out the questionnaire. To make it easier to process the survey results, it makes sense to use quantitative assessments out of multiple variants.

In formulating questionnaire queries, to identify the issues in the operation of the organizational-economic mechanism underlying the state's structural policy on import substitution in the Russian Federation, it may be worth keeping to a generally accepted terminology and avoiding conceptual ambiguity. The proper number of questions must ensure the quick execution of the survey – especially, when experts are taking part in the survey without any financial motivation. To determine whether or not the questionnaire has been prepared correctly, it may be worth conducting a couple of trial surveys to identify any errors or inaccuracies and minimize the possibility of the survey being understood wrong. Utilizing the electronic method when conducting a survey not only simplifies the actual procedure and reduces financial expenditure but also predetermines the use of the characteristics of the process of interaction between the expert and the information system for determining the degree of correctness of the way questions are put and the quality of the way the questionnaire is put together. For instance, when it takes an expert more time to answer a question than is required to respond to a reference master question, it may be worth altering the way the question is formulated or adding a piece of explanatory text to it.

RESULTS

Based on the results of the expert analysis, an assessment was made of the effectiveness of the making and implementation of the organizational-economic mechanism underpinning the state's structural policy for import substitution.

The experts established that the fact that there are certain problems with the process of import substitution in the Russian Federation is largely due to insufficient and imperfect government regulation in the area – more specifically, in terms of the making and implementation of the organizational-economic mechanism underpinning the state's structural policy on import substitution. Here it is also about imperfect regulatory-and-legal and regulatory-and-programming support, a lack of relevant institutions, imperfections in organizing the system of government regulation of and integrated influence on the containment of import dependency, developing domestic production, and bolstering the positions of goods and services produced in the territory of Russia in the internal market, and weak economic incentives for the real sector, the system of entrepreneurship, and the population in terms of support for the domestic manufacturer. For instance, the authorities are insufficiently heedful of the factors which directly or indirectly facilitate the development of the processes of saturating the internal market with imported products and services (Cherkesova, Dovlatyan, Morozova, & Abgaryan, 2015).

The expert analysis led to several inferences. Firstly, the issue of import dependency is mostly characteristic of the industry of the nation's industrially developed regions where the volumes of industrial production and foreign economic activity are greater, the population acquires more of non-food and investment products, and the retail trade network has higher development levels, as well as there are more drugstores. Secondly, regions with a higher Gross Regional Product, bigger volumes of investment, increased population expenditure, and a higher employment rate are exhibiting high levels of activity in terms of the supply and sale of domestically produced goods, which are driving imports out (Cherkesova, Belikova, Popova, Sukhova, & Demidova, 2015). To this end, these regions have been actively developing the retail

trade network and increasing retail space. Thirdly, overstocking the warehouses and the insufficiently effective marketing activity of manufacturers and distributors of domestic goods are leading to declines in their sale and, accordingly, to increases in sales volumes for imported products.

The above factors ought to be taken into consideration in planning and implementing the organizational-economic mechanism underlying the state's structural policy on regulating import substitution processes in Russia.

It is clear that implementing the organizational-economic mechanism underlying the state's structural policy on import substitution requires relevant institutional support, which forms the basis of state regulation. Unfortunately, at this time there is a lack of domestic legislation covering import substitution, while existing legislation has yet to match in efficiency the practices pursued by other nations. In fact, the Russian Federation has yet to adopt legislation on government regulation of import substitution or, at least, a series of regulatory-and-legal acts on regulating structural or institutional changes.

The issue of the need to develop import substitution by cultivating domestic production has been addressed in quite an integrated manner via a variety of government programs, the most significant of which is the state program 'The Development of Industry and Improvement of Its Competitiveness', enacted by Resolution No. 328 of April 15, 2014 (Resolution of the Government of the Russian Federation No. 328, 2014). This program document, however, does not view import substitution as the primary goal and expected result of implementing a set of measures but is just mentioned among other objectives.

On the one hand, it is, indeed, true that the development of domestic production and changes in the positions of entities involved in it may drive out a considerable portion of imported goods and services. But the development of internal production is just a particular dimension of the state's structural policy on import substitution, which is an important dimension, but not the only one.

Therefore, the above program document and others (Resolution of the Government of the Russian Federation No. 1044, 2014) are unable to encompass a sufficient array of activities on import substitution. This, accordingly, may cast doubt on the systemicity of the Program's tenets and, consequently, put a question mark over the possibility of attainment of expected results. Although, in general, it is worth admitting that this approach to planning state policy is quite favorable in terms of furthering the development of internal production. For the areas covered by the Program's plan of activities encompass institutional and structural transformations in the area of science and technology, innovation, the structural and technical rearming of the real sector of the national economy, implementing a resource-saving and energy-efficient model for development, boosting the nation's export potential and developing its human potential, and preventing unfair competition on the part of imported goods, i.e. they are structurally and functionally balanced out, and, in the authors' view, it may also be worth taking these areas of focus into consideration in developing and implementing regulatory-legal acts on regulating import substitution in the Russian Federation (Vodenko, Cherkesova, Shvachkina, Fateeva, & Erosheva, 2016).

Experts, in turn, are of the opinion that import substitution is a complex and integrated issue resolving which requires taking strategic approaches and employing at times entirely different tools and means depending on the market situation at a particular stage of structural changes, institutional reforms, and domestic/imported goods sales ratios. It is this that is providing a rationale for enacting the Federal Law of the Russian Federation 'On State

Regulation of Import Substitution', the actual implementation of which and concretization of state policy measures may require developing a state, a regional, and a local program for import substitution.

This would help establish, in a clear-cut and correct fashion, relevant terms and concepts, objectives and targets for the state's policy and determine a set of relevant principles, subjects, and objects of regulation. Currently, the already existing Federal Law 'On Industrial Policy in the Russian Federation (Federal Law No. 488-FZ on Industrial Policy, 2014) mentions import substitution just once, as a component of one of the objectives for industrial policy.

The following instruments for regulating import substitution were selected by experts as uniform for all:

- simplifying permit procedures for domestic manufacturers;
- providing businesses with tax breaks and relevant concessions when there are government contracts or particular contracts proposed by some of the experts;
- adopting international standards of quality, safety management, and environmental management at domestic enterprises, which should facilitate boosts in the quality, safety, and competitiveness of domestic products;
- developing activity on cultivating domestic production of manufacturing products equivalent to foreign ones via drawing upon the experience of and attracting investment from foreign partners;
- providing business entities engaged in implementing import substitution projects with financial-lending support.

It is worth noting that the Russian Federation does not yet have a solid institutional foundation for state regulation of import substitution not just at the central level of governance but across the power vertical too. To one extent or another, most of the regions across the state have acknowledged the need to effectuate activities aimed at bolstering the positions of local manufacturers in and driving imported goods of subpar quality out of the internal market. But there is a lack of relevant practices of developing and implementing state regional programs and projects oriented specifically toward import substitution, with some RF constituents having yet to come up with some form of a plan on furthering import substitution.

The evidence from practice suggests that import substitution policy, supplemented with measures aimed at enhancing the development of the internal consumer market and the sphere of goods circulation, may ensure a tangible synergetic effect in the form of economic and social gains by helping fill the state budget and develop social infrastructure. Note that domestic realities often create indirect obstacles to the effective management of regional import substitution policy, meaning that at the meso-level local manufacturers get to compete with not just imported products but also with goods supplied from other regions of the country.

In this regard, there arise a number of issues in the way of coordinating goods supply within the framework of interregional, interindustrial, and intersectoral partnership, while there is also a methodological gap regarding the definition of inner-state imports, as currently there is no detailed statistics on goods brought into Russian regions from other regions across the country. This, likewise, appears to be a major shortcoming of the organizational-economic mechanism underlying the state's structural policy on regulating import substitution, remediating which requires enhancing the mechanism's institutional-methodological dimension. The authors are convinced that it is worth developing and distributing among regional and local bodies of authority a set of methodological recommendations on planning regional and local import substitution policies, their information basis being statistical monitoring and systematization of information across groups of goods, with foreign and interregional imports divided, as well as groups of goods divided across the sectors of industry, agriculture, housing and utility infrastructure, and the consumer goods industry.

The lack of credible and complete information also impedes the conduct of research into the market and demand for regional industrial and other products and the development and implementation of large-scale marketing programs aimed at support for local goods. Furthermore, regional and local authorities are not conducting a sufficient amount of activity in the way of organizing and expanding joint work among entities operating within the real sector of the economy, investment companies, and innovative firms aimed at setting up regional investment and development centers with a view to cultivating the investment-innovation potential of import substitution policy.

Also, it would not be very wise to ignore state support for the making and development of institutional infrastructure for popularizing locally produced products and actively carrying out activities oriented toward import substitution.

There are also imperfections with the organizational component of the state's structural policy on import substitution. This, in the authors' view, is substantiated by the fact that Russia has yet to set up a central body of executive authority concerned with regulating import substitution. Consequently, the nation has yet to put in place a vertical-horizontal organizational establishment capable of managing in a systemic manner structural changes in the spatial aspect. The chief problem is that an object of regulation like import substitution is at the confluence of issues related to internal production (industrial development and development of the agro-industrial complex), the interests of other ministries in charge of the various types of economic activity within the real sector of the economy, commerce, and foreign economic relations. This defocuses the attention of officials from various ministries and agencies. This mostly concerns the nation's Ministry of Industry and Trade and Ministry of Economic Development.

The authors, therefore, are convinced that time has come to set up an interdepartmental establishment with the status of a federal agency concerned with regulating issues related to import substitution. This instrumentality will be subordinate to the Ministry of Economic Development and will be composed of officials from the following ministries: the Ministry of Industry and Trade, the Ministry of Agriculture, the Ministry of Finance, the Ministry of Energy, and the Ministry of Natural Resources and Environmental Protection. This approach would help enhance considerably the organization of activity aimed at the efficient implementation of the state's policy on import substitution and ensure its proper coordination across adjacent, subordinate, and superior ministries and agencies.

Among other areas that need work are the regional and subregional components of the organizational dimension of the mechanism underlying the state's structural policy on import substitution. It is apparent that the duty of regulating the development of the internal market and local production and commerce rests on regional ministries and departments concerned with economic development, commerce, and industry. These establishments are in charge of implementing in regions the state's policy for economic and social development, pricing, industrial, regional policy, and the state's policy in the area of commerce, services, and foreign economic activity. Thus, these structural units of regional government administrations have the leverage and tools necessary to properly regulate issues related to import substitution and ensure the structurally well-balanced development of the internal market. Among the criteria for the efficiency of their performance, of major importance should be their activity aimed at driving out goods not manufactured domestically and increasing the volumes of local and domestic products sold.

Figure 2 displays a set of summarized findings of the expert analysis of the efficiency of the organizational-legal mechanism underlying the state's structural policy on import substitution.

Table 2
RESULTS OF THE ANALYSIS OF THE EFFICIENCY OF THE ORGANIZATIONAL-ECONOMIC MECHANISM UNDERLYING THE STATE'S STRUCTURAL POLICY ON IMPORT SUBSTITUTION

Dimensions of the organizational-economic mechanism	Positive aspects of implementing the mechanism	Imperfections of the mechanism	
		In terms of the state's structural policy	In terms of regulating import substitution
Institutional-legal	The state being engaged in putting together relevant programs for the development of the internal market, the real sector of the economy, particular types of economic activity; having in place legislation on regulating the internal market and protecting consumers	There being no regulatory-legal acts on regulating structural and institutional changes; a lack of incentives for creating infrastructure entities; a lack of orientation toward necessary structural changes within the sectors of production and consumption	There being no law on state regulation of issues related to import substitution; not having in place a fully formed systemic aggregate of activities aimed at an integrated effect in terms of enhancing domestic production, driving out imports, and substituting domestic goods for them
Institutional-organizational, infrastructural	The nation's legislation providing for the creation of a specialized fund for funding import substitution; the authorities having, at all levels, structural units to which they could delegate powers as to the implementation of import substitution policy	The regulatory-legal framework not being aimed at stimulating structural relations within the system of the government, social, and entrepreneurial environment for regulating import substitution	The nation's legislation not covering a roster of infrastructure entities needed for the implementation of the state's import substitution policy and not identifying clearly specific government instrumentalities responsible for import substitution at all levels
Institutional-methodological	Implementing particular practices of regulating import substitution at the regional and subregional levels	Imperfect systems of statistical monitoring of the structural characteristics of the production and sale of goods at the local, regional, and interregional levels	A lack of methodological recommendations on planning regional and local import substitution policy
Organizational	Having in place structural units concerned with the planning of and control over the implementation of import substitution policy at the regional and local levels	Objectives on the implementation of the state's structural policy among various ministries and agencies being fuzzy; state policy not being aimed at the development of the internal market, expanding its capacity, and reducing monopolization levels	There being no government body concerned with regulating import substitution at the central level of governance; objectives for import substitution at the regional and subregional levels being fuzzy and low-priority

DISCUSSION OF RESULTS

The authors are of the opinion that the complexity of the issue of the import dependency of the domestic economy, on the one hand, gives one every reason to speak of the need to implement administrative measures for import substitution policy, while, on the other hand, the world's experience is convincing one of the high efficiency of economic measures specifically. This being the case, the authors suggest taking a mixed approach to state regulation of import substitution at the initial stages at least, meaning that it may be worth restricting the importation of certain goods and commodity groups, as well as actively stimulating the making, cultivating, and bolstering of the competitiveness of local domestic production.

The authors find it worth determining a sequence for implementation of the state's import substitution policy. In following this sequence, the primary focus will be on bolstering the competitiveness of domestic production, while particular protectionist measures will be used mainly for the purposes of supporting and promptly achieving the reform objectives. The authors' proposed conceptual sequence for implementing the state's import substitution policy consists of three major states.

Firstly, it is conducting an analysis to identify the potential of import substitution. This may involve identifying first specific goods and commodity groups on which the import dependency of the domestic economy is high and which have sufficient potential to be import substituted (import substituted products). It may be worth excluding groups of goods and specific goods classified as justified imports, i.e. products that are hard to produce domestically due to lack of the potential and resources necessary to do so, including technology without which the internal consumer market and national economy will not be able to function properly (particular types of raw materials, cutting-edge technology, agricultural and other products that cannot be grown or are distinguished by low rates of return domestically). Regarding other goods, it may be worth conducting a detailed historical analysis of typical volumes and trends characterizing the production and sale of specific products, as well as coordinating the nation's missed opportunities with its current resource potential and its current access to the latest technology, and the prospects for importing it. The findings of an analysis of this kind will help identify specific production operations manufacturing products with high import substitution potential.

In accordance with the identified prospects for the specialization of import substituting production across goods it may be worth diagnosing at this stage in the implementation of state policy the potential and resource capacity with respect to increasing productive capacities, and doing so not piecemeal but in an integrated manner across the types of economic activity and sectors of the economy, within clusters and other local integrated production-industrial systems, and the small, medium, and large business sectors. The outcome of this stage in the analysis is having substantiated a set of inferences regarding specific promising areas on which to develop domestic production, which will show which specific production sectors need to be developed and help put together registries of investment projects across the types of activity and business entities. Such projects ought to be part of targeted state and regional import substitution programs. To implement these, it would be worth coming up with sources of resource support and funding, conducting fair and transparent competitions and determining their winners, based on which those projects will be implemented.

The second major stage in the implementation of the state's policy on import substitution deals with restoring the positions and improving the competitiveness of domestic production. Above all, it is necessary to ensure integrated and systemic support for the local goods producer

– especially, those entities that are capable of implementing investment projects and programs as part of targeted import substitution programs. This is about not just financial-investment, but also organizational (support in formalizing various rights and conducting activity, organizing the processes of production and sale of goods (provision of services), economic (creating an economic-legal environment that is favorable for production and sales activity), institutional (enhancing infrastructure and legislation regulating and stimulating production as an area to invest private capital in – in particular, based on high levels of quality and meeting major international and European standards), resource (furthering the development of a system of supply and local production of raw materials, industrial materials, and parts and components, and training a quality workforce), scientific-research (the development of partnership between enterprises operating within the real sector and educational, scientific-research institutions, and venture-capital and innovative firms) support, and other types of support.

In the authors' view, the third stage ought to deal with consolidating, and then growing, the positions of domestically produced goods in the internal market – but doing so now via a proper system of goods distribution and institutional trade infrastructure. What is more, it is the distribution sphere that is behind most of the causes of today's worsening of the import dependency crisis. It, therefore, makes sense for activities carried out as part of the third major stage in the implementation of import substitution policy to deal with the development of a wholesale-retail network of entities within the internal market in the way of popularizing and promoting domestic goods. It is worth stimulating and backing chain stores specializing exclusively in the sale of goods produced by local manufacturers or manufactured in the territory of Russia, as well as creating relevant facilities for preparing, processing, warehousing, storing, and selling those domestically produced goods which are difficult to distribute in the market or a system for distributing which has yet to be put in place once and for all.

It is also worth backing this organizational aspect of ensuring wider opportunities for the sale of domestic goods across the trade network with marketing-psychological factors – possibly, through the formation of a marketing-information field for goods manufactured in the territory of the Russian Federation. The authorities ought to, especially at the local level, popularize and ensure financial-resource support for TV programs in mass media about locally produced goods, advertising activities, and marketing research. Certain nations direct to these purposes a portion of tax proceeds from the advertising of imported goods and services, a practice worth adopting domestically as well. It is important that marketing instruments are aimed at support for specifically those goods whose import substituting potential is expected to be bolstered by state policy. To this end, as well as for the purposes of putting in place methodological support for promoting domestic goods into the market, the government may need to develop and implement a set of national standards on the formation of regional brands.

The authors are of the opinion that, if implemented in that particular order, the aforementioned set of activities may help achieve significant gains in terms of boosting the competitive positions of domestically produced goods and drive non-critical imported products out of the sphere of goods circulation.

There is another aspect to consider. It would be worth putting in place a system of continual monitoring and using its results to keep track of changes in trends in the internal consumer market with respect to the issue of import dependency, as well as of payoff from activities carried out by the government and other subjects of import substitution policy and resources utilized and the degree of efficiency of the nation's policy for the development of domestic production of import substituting products. Inferences drawn based on the monitoring

procedure are needed for making decisions regarding the adjustment of future fundamental approaches and specific activities implemented as part of them.

CONCLUSION

The findings of the authors' theoretical analysis have revealed that attempts to employ import substitution practices were made by many nations across Asia and Latin America in the 2nd half of the 20th century. Success in this area depends largely on a country's national characteristics. The lack of a uniform result from implementing the import substitution procedure has necessitated the search for a theoretical rationale for the process, which has found reflection in the emergence of an entire array of economic concepts on and approaches to establishing relevant levels and forms of and areas, instruments, and methods for effectuating import substitution.

It is for this reason that the subsequent area for investigating the issue was substantiating the development and implementation of strategic and tactical import substitution activities with a view to adapting them to the needs and capabilities of the domestic economy.

That being said, the authors are convinced that the objectives for the state's regulation of import substitution should not be limited to just attaining boosts in the sale and consumption of domestic goods (services) and driving out imports. It ought to be more global and associated with the irreversible processes of rational structural changes in the internal consumer market, followed by a shift to giving up on import substitution in favor of stronger competitive positions and greater export potential. This is why the primary objective for the state's policy on import substitution ought to be ensuring relevant structural shifts in the ratios between domestic and imported products consumed through bolstering the competitiveness of domestic goods (services), enhancing the qualitative characteristics of the operation and development of the internal market, and shifting to the implementation of the policy of export-oriented production.

In alignment with said objective, the authors see the following as the key strategic priorities for the state's policy on import substitution: reducing the share of imports to a specific scientifically substantiated level and enhancing its structure, minimizing the extent of monopolization and cultivating competition in the internal market, developing a well-balanced system of chain stores, and pursuing boosts in the government procurement of domestic goods and services.

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