

The Strategy of Import Substitution Products by Agricultural Enterprises in the Republic of Tatarstan

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Abstract: The relevance of the research due to the fact that at the moment in the current economic situation when the EU and USA imposed sanctions against the Russian Federation and in response had imposed a food embargo on these countries. The purpose of this study was to identify problems in the import substitution of agricultural products in the Republic of Tatarstan and explore the effectiveness of measures to address them. Using the methods of statistical surveys, structuring and systematization, qualitative and quantitative analysis of the state policy of import and the production studied the financial policy of the Republic of Tatarstan. The researcher obtained the following results. Identified the problems of import substitution of agricultural products in the Republic of Tatarstan. Analyzed the effectiveness of the measures applied for the development of import substitution of agricultural products RT.

Key words: Agriculture, import substitution, Tatarstan's agricultural industry, external trade, economy of Tatarstan, analyzed the effectiveness

INTRODUCTION

Import substitution program implemented on the entire territory of Russia, successfully introduced in Tatarstan but if in some sectors it is being implemented relatively smoothly, the other facing serious problems (Khasanova and Fazullina, 2015).

Import substitution is a type of economic strategy and industrial policy of the state and businesses aimed at protecting domestic producers by means of substitution of imported industrial goods and technology products of national production has the goal of improving the competitiveness of domestic products by stimulating modernization of production, increase its efficiency and development of new types of products with relatively high added value. It is necessary not only to provide themselves with this type of product but also to export to other regions where the products are not produced (Rubtzov *et al.*, 2015a, b).

As can be seen from Table 1 in the Republic of Tatarstan from 2011-2015 there is a positive trade balance. A positive trade balance shows that exports in the Republic of Tatarstan exceed imports it means that Republic sells more than it buys on the Foreign market. However, if in 2011 export share in external turnover amounted about 86% while in 2015 this indication is already about 80%. In our view, this is alarming because if this trend will not change, this can lead to a negative trade balance that will negatively affect to the Republic's economy as the negative balance is a bad trend, since, excessive import contributes to flood the market with

Table 1: Foreign trade of the Republic of Tatarstan (in actually current prices; millions of US dollars)

Indicators	2011	2012	2013	2014	2015
External turnover in total	19563.4	25291.9	25864.6	27609.4	22704.8
Including					
Export	16986.0	21896.0	22015.2	22356.3	18296.6
Import	2577.4	3395.9	3849.4	5253.1	4408.2
Trade balance	14408.6	18500.1	18165.8	17103.2	13888.4
From total amount					
External turnover with Foreign countries in total	16745.0	21857.9	22015.2	22356.3	18296.6
Including					
Export	14596.3	19197.6	18899.8	20188.1	16596.0
Import	2148.7	2660.3	2979.9	4231.9	3601.5
Trade balance	12447.6	16537.3	15919.9	15956.2	12994.5
External turnover with CIS countries in total	2818.4	3434.0	3984.9	3189.4	2507.3
Including					
Export	2389.7	2698.4	3115.4	2168.2	1700.6
Import	428.7	735.6	869.5	1021.2	806.7
Trade balance	1961.0	1962.8	2245.9	1147.0	893.9

imported goods, infringement of domestic producers interests. Therefore, in our opinion we must strive to increase exports and competent to carry out the policy of import substitution in the Republic of Tatarstan (Rubtzov *et al.*, 2015).

MATERIALS AND METHODS

The main import share in 2012-2014 in the Republic of Tatarstan is a section of "Machinery, equipment, appliances and vehicles and their parts" on average about 75% of the total imports as a significant share of the

category of “Products of chemical and petrochemical complex” about 11%. In our opinion when drawing up programmes of import substitution in the Republic of Tatarstan special attention should be paid to these two sections of the import. Although, it is understood that import substitution in these areas is very capital intensive and may require a lot of research. Therefore, the process of import substitution products in these areas will require large investments and will take a long time. Currently, Tatarstan is self-sufficient in all basic foodstuffs while 20% of products are exported to other regions of Russia. The shortage is felt only in vegetables and fruits. The main problem of import substitution in the republic is the absence of processing industries and the lack of funding the construction of new processing plants. In particular Tatarstan could sell many kinds of products from rye, wheat, peas, barley, buckwheat. These crops are grown in environmentally friendly conditions and could find a buyer on world markets but the problem is that there is no business that would be involved in their processing. For this reason, the republic currently may not establish a system of export (Kashbrasiev and Stepin, 2016) (Table 2).

RESULTS AND DISCUSSION

Also, after the introduction of special economic measures for the economic security of the Russian Federation in the form of a ban on the import of agricultural products, raw materials and food, country of origin is USA, EU, Canada, Australia and the Kingdom of Norway, special attention should be given to import substitution of these goods. Though the share of this section in the RT is about 1%, import substitution in this area is very attractive for the republic. Import substitution of agricultural products, raw materials and food, not only will have a positive impact on the economy but also will improve the food security of Russia as a whole as imports of these goods in Russia in General at the moment is around 27% (Tretyak *et al.*, 2017).

In connection with the decree of the RF Government of October 2, 2014 No. 1948 “On approval of the action plan to promote import substitution in agriculture” Ministry of Agriculture and Food of RT are a number of activities to implement the program of import substitution in agriculture. With the assistance of the Ministry of Industry and Trade of RT Service Engineering and Technical Support, the ministry, at the request of the suppliers of machinery and equipment for agriculture, placing orders for manufacture of parts and assemblies imported agricultural machinery and equipment in machine-building enterprises of the republic. The price of parts is much lower than the imported, the quality meets the applicable standards.

Work on the import substitution program opens to companies, engaged in manufacture of parts for imported agricultural machinery, new opportunities. Tempting prospects open and in front of small private producers of spare parts. Some businesses in the past several years actively working on the development of domestic analogs of spare parts for imported agricultural machines. So, for example, LLC “Spetstekhnika-Almetyevsk” has mastered the production of a-778, “Finagrotreyd” (Naberezhnye Chelny) more than 200 types of parts (Altukhov *et al.*, 2015).

However, at the moment, RT is a number of problems without which efficient import substitution in the field of agricultural products impossible. One of the most important problems in the field of agricultural products in Tajikistan is the lack of available and cheap funding. For example, at the moment, farmers can count on preferential loans with an interest rate of 7% per annum compared with 1-2% in Europe is quite high value. To ensure that the program of import substitution has indeed borne fruit, you need to invest a fabulous sum which the state does not therefore, many economic analysts believe that to implement it fully would be impossible (Eidelman *et al.*, 2016).

In agriculture in addition to financial there are other difficulties. For example, is still not solved with a simple question: why in the shops of Tatarstan on the shelves is imported fruits and vegetables but it is completely ignored

Table 2: Commodity structure of import in RT (in current prices)

Variables	2013		2014		2015	
	Million dollars USA	In Total (%)	Million dollars USA	In Total (%)	Million dollars USA	In Total (%)
Import in total	3849.4	100	5253.1	100	4408.2	100
Including						
Food products and agricultural raw materials	71.0	1.8	48.5	0.9	46.6	1.1
Mineral products	135.2	3.5	70.0	1.3	91.3	2.1
Products chemical and petrochemical production	471.3	12.2	557.7	10.6	513.4	11.6
Rawstock, furs and articles thereof	12.0	0.3	5.6	0.1	8.6	0.2
Wood pulp and paper products	22.6	0.6	22.2	0.4	23.5	0.5
Textile	50.4	1.3	44.0	0.9	61.2	1.4
Precious stones	0.0	-	0.1	0.0	0.1	0.0
Ferrous and non-ferrous metals	180.1	4.8	243.8	4.7	260.1	5.9
Machinery and equipment	2849.4	74.0	4140.1	78.8	3302.7	74.9
Other goods	57.4	1.5	121.1	2.3	100.7	2.3

Table 3: Main indicators of agricultural enterprises of the Republic of Tatarstan for 2008-2014

Indicators	Years						
	2008	2009	2010	2011	2012	2013	2014
The volume of goods produced by agricultural enterprises of Tatarstan (mln. rub.)	117340	119100	104153	150440.8	150105.9	160157.0	185974.2
The share of agriculture in gross regional product (%)	12.7	13.5	10.4	11.5	10.4	10.4	11.1
The number of employed in agriculture of RT thousand people	158.83	170.80	184.60	182.20	178.62	176.11	172.70
The average productivity of labour employed in agriculture thousand rubles/person	738.77	697.31	524.21	825.69	840.36	909.41	1076.86

by the local manufacturers? This issue has already been discussed more than once but has not yet been resolved. Farmers are able to sell their goods only in the markets and large retailers for them are still closed (Kaldiyarov *et al.*, 2016).

The owners of large enterprises are concerned as being the funding of projects connected with import substitution. They argue that the leadership of the country ensures the financing of enterprises in fact, the industrialists money is sorely lacking.

To ensure that the program of import substitution has indeed borne fruit, you need to invest a fabulous sum which the state does not therefore, many economic analysts believe that to implement it fully would be impossible (Misakov *et al.*, 2016).

Many agricultural enterprises are directly dependent on imported components. This is especially true of the chemical industry that is imported from abroad, equipment, technology and more. To provide these enterprises domestic components, to build factories and for the construction of no money.

As can be seen from Table 3, agriculture in the Republic of Tatarstan plays an important role in the economy of the region, the average share of GRP in agriculture is around 11% for comparison in Russia in general the figure is <5%.

The analysis of Table 3 showed that in RT there is a tendency for the development of agriculture, the volume of production during the period grew by 58% and the productivity of workers employed in agriculture increased by 46%. That is based on these numbers we can conclude that RT has the potential and opportunities for growth and development of agriculture which in turn should contribute to import substitution of agricultural products in Tatarstan (Nardin *et al.*, 2016).

Now many enterprises submit their applications for funding but only 20% of them actually receive it. In particular, this year, these applications were 550 only from industrial companies and 464 were rejected (Dovbiy *et al.*, 2017).

The Republic of Tatarstan is currently, one of the most economically developed and fastest growing regions of Russia. In the new economic conditions in the

country as a result of the devaluation of the ruble and the introduction of food sanctions against some countries, especially, acutely the question of import substitution, the country has quite successfully is in the process of import substitution. The government of the Republic has made great efforts for the development of import substitution in agriculture, created the state program on import substitution in agriculture. But there are still a number of problems without which the implementation of an effective import substitution is impossible (Sedova *et al.*, 2017).

CONCLUSION

It is concluded that in general the measures introduced in the Republic of Tatarstan for support of rural enterprises have a positive effect and contribute to the development of import substitution in RT.

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