

Import Substitution as One of the Factors of Economic Security of Industrial Enterprises in the Sphere of Railway Transport in Conditions of WTO

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Abstract: The article provides analysis of current stage of development of railway transport enterprises. Products structure of import in dynamics is presented, key problems of import substitution and key factors of import substitution strategy which will provide competitiveness of products in conditions of WTO are considered. The issues of investments into development of national machine-manufacturing, including railway transport industrial enterprises are investigated.

Key words: Import substitution • WTO • Industrial enterprises • Railway transport • Competitiveness

INTRODUCTION

Import substitution is understood as a type of economic strategy and industrial policy of the state which is oriented to protection of internal production by means of substitution of imported industrial products for the goods produced by national companies. Such strategy must bring an increase in competitiveness of national products due to stimulation of technological modernization of production, increase in its efficiency and launching into production of new competitive kinds of products with relatively high added value. But this is an ideal picture. In practice everything is not so simple. Since import substitution strategy suggests transition from production of simple goods to high-tech and knowledge-based products through increase in the level of development of production and technologies this strategy must be based on development of the production as a whole, improvement of technologies used at the enterprises and innovations. And this is especially up-to-date for the country whose level of industries is inferior to the states with which it interacts. This is especially important in conditions of WTO [1].

In terms of economic cycles import substitution is a catching-up strategy which must result not just in formation of certain producing operations but formation of such operations on a higher than competitors' level. The main task is development of national technologies. M. Porter argues that competitiveness of industries is

based on various competitive advantages which can be restricted to 2 main types: resource and technological. The theory of competitive advantages characterizes availability of resources for production as one of the key factors of national advantage which determines its place and role in world trade [2]. Competitive advantage of the highest rank are patented technology, differentiation on the base of unique products and services and high professionalism of personnel [3].

The role of investments in creation of competitive advantage is not always the same and depends, first of all, on the stage which has been achieved by the country in development of national competitiveness. Therefore stability of competitiveness is often viewed as the change of 3 consecutive stages: factorial, investment and innovative advantages. Here at the stage of innovations the main emphasis is made on high-tech segments of national economies when the key target is not improvement of separate factorial conditions but improvement and renewal of technology. The research performed by World Bank showed that economy of modern Russia is much less diversified then economy of the USSR [4]. Economic growth which was observed in Russian Federation after 2000 was based on natural resources, first of all, on oil and gas and this trend, in specialists' opinion, will remain unchanged in the nearest future. During the last decade annual increment in export of the products of oil and gas sector is continually increasing and in 2010 its share in total export volume was

Table 1: Product structure of import, %

Products	1995	2000	2005	2008	2010	2012
Food products and agricultural raw materials	28,1	21,8	17,7	13,2	18,0	16,0
Mineral products	6,4	6,3	3,1	3,1	2,4	2,3
Chemical products	10,9	18,0	16,5	13,2	16,7	16,3
Machinery, equipment and vehicles	33,6	31,4	44,0	52,7	43,4	44,8
Wood and paper/cellulose goods	2,4	3,8	3,3	2,4	3,0	2,6
Textile, shoes	5,7	5,9	3,7	4,4	5,7	6,2

almost 69%. But if we consider export in the context of all Russian economy we must wary that in spite of economic growth this growth will be restricted to just several industries. And main problem of import substitution is not in creation of new companies but in their low stability in conditions of Russian economy, let alone world economy. In these conditions import will push out the products of national producers from the market, many of them will be obliged to shut down their producing operations. Table 1 gives product structure of import showing distinct negative dynamics:

The table demonstrates that many sectors and internal consumers' market continue to be dependable on import, especially in the part of machinery and technical equipment. Russia' rank in production of high-tech products and services is not high (0,3 and less than 1% accordingly). For example, in 2010 the country was only on 80th place from 160 countries in regard to supplies of innovative products and technologies.

In accordance with Russian Statistics Agency the most part of Russian export in January-September of 2013 to the non-CIS countries consisted of fuel and energy products, proportion of which in export structure to these countries was 74,8% (in January-September of 2012 - 73,2%).

In regard to export of machinery and equipment in J-S of 2003 was 3,3% (in January-September of 2012- 3,4%) - it is very low value. Share of machinery and equipment from the non-CIS countries in import structure was 50,7% (in January-September of 2012 - 52,0%) [5]. Sales volume of imported machine-manufacturing products in comparison with January-September of 2012 remained on the same level. Sales volume of electric equipment increased for 4,1%, railway transport - 2 times. In accordance with data of the Ministry of Industry and Trade regional non-oil and gas sector is developing very unevenly. In 44 constituent entities of Russia industrial production growth exceeded average indicator of the country. 20 regions grew for 1 to 3% for the year. It means

the 3/4 of Russian constituent entities showed positive dynamics in industry, decrease was shown by 15 regions.

It is disappointing that World Bank has revised its forecast for economic growth rate of Russia for 2013 from 1,8 to 1,3% [6]. The reason for that was as follows: growth of internal demand was less than expected and return of investments volumes to their original amount is delayed in parallel with simultaneous slowing down of consumption growth. The key reason which influenced the revision by World Bank of the forecast for economic growth for 2014 - from 3,1% to 2,2% - was more slow than it was expected returning of investments volumes to their previous state. The Bank expects that during 2014 investment activity of private sector will be gradually renewed, but the rate of this renewal will be a bit lower than it was expected. The World Bank forecast of export volumes for 2014 has remained unchanged [7]. This position was indirectly confirmed by the Ministry of economic development of Russian Federation: they revised the forecast for GDP growth for 2014 from 3% to 2,5%.

If we analyze the situation which has formed in industrial sector of national economy we should pay our attention to the following threats: obsolete technologies and equipment and that most part of production costs of industrial products is formed by import.

One of the variants of the import-substitution policy in modern Russia is organization of assembly operations but this can not be considered as efficient in terms of strengthening of the role of national producer. For example, foreign investors do not hurry to invest the amount of money which was agreed; from 200 Russian companies the status of sub-contractors is assigned only to 42; no one plant has reached the capacity of 300 000 cars a year; from all Russian subcontractors which can supply plastic only one is included into technological chain, most part of profit is still goes to foreign partner.

Availability of imported components is obligatory condition for efficient export to the markets of non-CIS countries because the enterprises while choosing subcontractor orientate to the complex of objective technical and economic parameters of purchased goods. But requirements to the quality of products are increasing with time and it makes their production costs higher. Such situation can result either in further increase in prices for products which contain imported components or shutting down of production of these products, or complete technological (economic) dependency in long term.

The most attractive spheres for foreign investors are the most profitable industries where investments can be quickly returned back - fuel and energy complex, trade, real estate and services - more than 50% of total sum, only 35% are investments into processing industry, 1/3 of which goes into metallurgy.

Russian investors, if we analyze regional investment projects, also are not going to diversify distribution of investments into industries. In generalized form the structure of capital investments up to 2020 will look like this: 34% - into increase of capacities to produce oil and gas; 13% - into metallurgy; about 14% - into electric energy industry; more 20% into infrastructure. This leads to additional disproportions in the structure of Russian economy and threatens economic security of the country [8].

Therefore the main idea is not only reduction or increase in volumes of imported goods, but taking into consideration the specific character of product and geographic structure of import to form blocks of specific regulation measures depending on purpose and significance of imported goods and proportion of national production in products' structure.

In accordance with WTO the measures intended for restriction of import can be classified in the following way: quantitative restrictions; customs restrictions, administrative import formalities; standards and requirements connected with health care, industry and the safety rules; restrictions set by the mechanism of payments regulation.

Experience of developed countries shows that management of transport machine-manufacturing industry to a great extent is determined by state policy which, first of all, must be aimed for creation of favorable conditions for attraction of investments, protection of internal market, creation of preconditions for promotion of products in external sales markets. And as a rule, state support of national railway machine-manufacturing must be not temporal but constant because of strategic significance of this industry. As it was mentioned above in conditions of global international integration only big companies producing wide range of transport vehicles can compete with leaders of world transport machine-manufacturing. At present moment 7 biggest companies produce more than 80% of products in the industry - and this is in spite of the fact that the number of enterprises of transport machine-manufacturing is constantly growing due to new operations to produce vehicles, components for them and the enterprises for service and repair of railway vehicles.

Utilization of production capacities of Russian enterprises which produce locomotives in 2013 was 54,2%, cargo carriages - 46,0%; passengers carriages - 28%, subway carriages - 58,4%, electric train carriages - 34,7%.

After Russia's accession to WTO the problem of competitiveness of national products in internal market of Russia against foreign analogues must be solved as soon as possible.

One of the characteristic features of national transport machine-manufacturing is high depreciation of key fixed production assets. Investment opportunities of the industry at present moment are restricted to low level of profitability of products which is 4,4% at average in the industry. For example, in 2008, the volume of investments into R&D in transport machine-manufacturing amounted to 2,5% of all investments into fixed assets; in 2013 - only 1,5%.

The share of transport machine-manufacturing in the structure of GDP in Russian economy is only 0,22%. Since 2006 the intensive increase in import of main products of transport machine-manufacturing has been observed: locomotives and carriages. For example, in 2011 the volume of imported carriages was 43 400 or 217% to the level of 2006. The same situation is with locomotives: in 2011 we imported 227 locomotives, in comparison with 2006 - 115, growth of import for this period is 197% [9].

At present time Russian producers of transport machine-manufacturing can export their products to the markets where Russian equipment was exported before and new developing markets in Asia and Africa. The supplies of machinery and equipment can be done both for organization of railway transportation in the framework of the whole country and for the needs of separate enterprises.

In experts' opinion, system problem of transport machine-manufacturing of Russia is absence of long-term paid demand for modern home-made railway and city track vehicles, in medium term - inability to compete against foreign producers in part of economic conditions for purchasing of the products of transport machine-manufacturing and absence of national production of high-quality components. Absence of developed market of components for railway vehicles is serious obstacle for development of the industry. Purchased materials and items stand, at average, for 70% of the production costs of locomotive engines. More than 85% of failures occur due to low quality of components.

Today Russia does not produce the whole range of components, without which it is impossible to produce machinery corresponding to the world level [10].

The sphere of production of components directly depends on the industries adjacent to transport machine-manufacturing. These adjacent industries do not only influence transport machine-manufacturing but depend on it as well. In particular, the volumes of shipped goods in the railway network since 2013 demonstrate that the most dependable on railway transport industries are as follows:

- Fuel-energy (46,6% of total transported cargo)
- Construction (16,7%);
- Iron-and-steel industry (14,8%);
- Forest and wood-processing industries, pulp-and-paper industry (3,0%);
- Chemical (2,2%);
- Others (16,7%).

In order to satisfy growing needs of Russian economy and population with railway transport 800 locomotives, 60 000 cargo carriages, 1 100 passenger carriages and a big quantity of new parts for old vehicles which are still in use must be purchased every year. These are minimal forecast figures of import substitution.

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