

## MECHANISMS OF IMPORT SUBSTITUTION POLICY IN THE REGION

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### ABSTRACT

*At the current stage of economic reforms, great attention is paid to the socio-economic development of the regions, the elimination of unemployment in the regions through the construction of new production facilities, the expansion of production of import-substituting products. In this regard, this article analyzes the organization of import-substituting industries in the regions.*

**KEYWORDS:** *Gross Regional Product, Import And Export, Import Structure, Import Substitution, Domestic Production, Economic Development.*

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### INTRODUCTION

At the current stage of development of the world economy, the development of principles of economic policy and their consistent implementation, which will allow for the socially sustainable development of the regions, is becoming increasingly important. Therefore, the work of the President of the Republic of Uzbekistan Sh. Mirziyoyev states: "In order to develop the economy, it is necessary to develop a comprehensive and balanced socio-economic development of regions, districts and cities, effective and optimal use of their potential" (SH.M.Mirziyoyev, 2021). The most important factor in the development of the national economy and the welfare of the country's population is directly related to the socio-economic potential of the country's regions and their effective use. Indeed, it is logically ineffective to express an opinion on the development of the national economy and its competitiveness without achieving sustainable development indicators in the regions. Therefore, in the current period of development and against the background of deep reforms, a comprehensive analysis of the socio-economic development of the regions of the republic is becoming more important than ever in making

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important and rational economic decisions. In this regard, in order to introduce a single system for assessing the complex and balanced socio-economic development of the regions of the country, the efficiency of use of natural resources, economic and investment potential, as well as other comparative advantages of the regions, On May 1, in accordance with the Resolution No. PP-4702 "On the introduction of a rating system for socio-economic development of the regions" on the basis of statistical indicators and surveys, a rating system for socio-economic development of regions was introduced (Sh.M.Mirziyoev, 2020). This, in turn, serves as a practical solution to the problem of analyzing the indicators of socio-economic development of the regions of the republic. [8]

In this regard, it should be noted that to date, in-depth analysis of the current state of socio-economic development of the regions of the Republic of Uzbekistan, it is necessary to develop forward-looking targeted programs with a comprehensive assessment and comprehensive measures to address emerging problems. there was no single coordinated mechanism for level response. The rating system of socio-economic development of the regions is now used to make decisions on socio-economic spheres at the national level or in individual regions, to identify systemic problems in the regions, to assess the real economic potential of the regions, to analyze living standards and incomes. And this is a unique methodology for increasing the responsibility of the heads of local executive bodies on the basis of constant monitoring of their activities and an objective assessment of the effectiveness of their activities.

## **LITERATURE REVIEW:**

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 on the basis of the organization of import-substituting industries J.M. Keynes, J. Ituell, R. It is reflected in the scientific works of foreign scholars such as Prebish. 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.

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, R.R. Khasanov, Sh. G. Yuldashev, F.T. Egamberdiev (H.P. Abulkasimov, 2017), U.A. Madrahimov, G.N. Mahmudova (G. Mahmudova, 2019) and others can be cited in this area. [1-8]

However, an analysis of the studies shows that issues such as 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 METHODOLOGY**

Methods such as statistical analysis, generalization, grouping, classification, comparative analysis, and cross-comparison were used in the research process.

**Analysis and results.** Each region of our country is unique. The possibilities of districts within a province are also not the same. Therefore, the issues of economic development of the Republic of Karakalpakstan, the city of Tashkent and the regions are being discussed separately. The head of our state goes out to the regions, talks to the population and pays great attention to the relevance and practicality of the planned measures. It is criticized that the leaders of the center are satisfied with the general reports of the governors in decision-making, and from now on each issue of the region should be addressed at the district, village, mahalla, branch and enterprise level. It is necessary to start the development of programs in each village, to specify in which village to develop which direction, how much money should be allocated for this (Sh.M.Mirziyoyev, 2020). [8]

The strategic objectives of economic development of the regions are:

- Ensuring comprehensive and effective use of natural, mineral and raw materials, industrial, agricultural, tourism and labor potential of each region for rapid socio-economic development, raising living standards and incomes;
- Accelerated development of districts and cities by reducing the gap in the level of socio-economic development of the regions, primarily by increasing industrial and export potential by expanding the scale of modernization and diversification of the regional economy;
- Active development of small urban-type towns and settlements through the establishment of new industrial, production and service centers, attracting funds from large business associations, bank loans and private foreign investment;
- Expansion of the revenue base of local budgets through the reduction of subventional districts and cities, the rapid development of industry and services;
- Further development and modernization of production, engineering, communication and social infrastructure of the regions in order to create favorable conditions for the location of industrial and other production facilities, the development of private entrepreneurship and improving the living standards of the population.

In today's conditions of development of the world economy, the development of policies and effective mechanisms for the development of the regions is becoming more important than ever. The ongoing global crisis and the instability of the financial system are forcing many countries in the world community to look for ways to cut costs. One of the solutions to this problem is to reduce the volume of imported products with products that are fully or partially produced domestically.

The focus of the country's economy on the export of resources and the lack of effective government programs to increase the level of economic development of individual regions have led to a number of imbalances in the economic development of the country's regions. Today, the number of enterprises producing high quality and competitive products in our country is still insufficient. At the same time, one of the ways to develop the regions and improve the quality of products produced by local enterprises is to develop an active import substitution mechanism. Active import substitution is a set of measures aimed at launching the production of high value-added industrial products in the Syrdarya region on the basis of creating competitive advantages in the organizational, economic and technical spheres of enterprise activity, which in turn allows more efficient use of available resources. The basis of the import substitution mechanism is the

development and implementation of a comprehensive targeted program aimed at reducing the use of imported raw materials and equipment in the production process or replacing imported products with similar domestic products in terms of quality, specifications and competitive prices. A targeted comprehensive program aimed at import substitution is considered to be able to take into account all economic, geographical and other features, as well as the limited resources of the region, as a flexible means of influence.

In order to analyze the conditions and ways of implementing the import substitution policy, we selected the Syrdarya region. Today, Syrdarya region is one of the most important economic regions of the country.

Syrdarya region is home to 2.5% of the population of Uzbekistan and its land area is about 1% of the country's territory. However, despite its small population and small size, this region, with its geographical location and a number of features, plays an important role in the country's economy. During 2017-2020, the gross regional product (GRP) of the region will increase by 8.4% to 12.9 trillion soums. The number of enterprises operating in the region increased by 37%, from 13.3 thousand in 2016 to 18.2 thousand in 2020. In the field of infrastructure development in 2016-2020, 741 km of water supply networks were laid. About 83,000 new jobs have been created in the Syrdarya region over the past five years. During this period, 1192 thousand square meters of housing were commissioned in the region, 5.4 thousand beds were built in preschool institutions, 10.2 thousand in schools and 1.4 thousand in hospitals. 737 projects have been formed in Syrdarya region for 2021. Their total value is 25.5 trillion soums, of which about \$ 900 million is foreign investment. The textile, construction materials, pharmaceutical and food industries have been identified as "drivers" in the formation of projects.

In order to determine the mechanism of implementation of import-substituting policy in the Syrdarya region, we consider two main theories on raising the level of regional economic development in the current context of economic development (Диденко Н. И., 2015). One is the export base theory and the other is the consumption theory. These two theories are traditionally considered as alternatives to each other.

The export base theory argues that the region should increase cash flows in terms of development and that exports are the main source of cash inflows (R.B, 1970). Export earnings should be used locally, creating new jobs in local service sectors. Workers in local service sectors must spend their growing incomes to create additional jobs within the region (A.W., 1992). Export base theory argues that the change in employment or income at the expense of exports is equal to the change in total employment and income in the region.

Proponents of this theory believe that this situation in practice explains the important economic relations between sectors, reflects the specialization of regions, shows the impact of changes in key sectors of the region's economy and allows to produce goods and services at low prices at the expense of scale. However, the export base is criticized in several ways, particularly through mono-causal theory. This theory argues that everything depends on exports, denying domestic growth factors such as the implementation of domestic economic activities as a source of growth, government development programs. It precludes improving productivity as a source of growth, confusing the differentiation of industries with the export base of domestic service industries, which in turn makes it difficult to implement import substitution policies and its key guidelines (Harris T.R., 2010). [6]

Consumer theory argues that a decrease in the outflow of cash flows in the monetary sector will lead to the economic development of the region, and that local service sectors will affect the region's economy in the same way as exports. Local investment leads to an increase in residents' expenses, an increase in the flow of citizens and tourists from other regions to the region, which in turn increases the revenue side of the local budget. It can reduce losses by establishing local production of goods and services in the region, otherwise the demand for these goods and services will be covered by imports, which in turn will lead to an outflow of cash flows. At the same time, it should be noted that the import substitution mechanism is not without its shortcomings. Since this idea was originally developed internationally, the policy of encouraging import-substituting industries included the introduction of tariffs and the establishment of increased exchange rates in order to give priority to one or another sector in the country. This view of artificial governance has drawn serious criticism from supporters who firmly believe in the functioning of the market mechanism. Also, import substitution does not ensure the full and efficient use of resources from the point of view of society, so it is difficult to achieve the effect of scale of production at the regional level. In addition, the use of import substitution policies in a number of sectors, including retail, health, and agriculture, has been shown to be appropriate.

These two theories are put forward as completely opposite to each other. Most economists and policymakers prefer the export-based theory of import substitution, although both theories have their own strengths and weaknesses. H.J. Bruton warns that the policy used in the import substitution strategy could lead to the closure of the country's economy for the rest of the world. Due to the high level of protection, internal and external price levels differ greatly from each other. Given the lack of competition with foreign goods, the government can intervene in these processes, but it is natural that such an approach would lead to the disruption of the country's economy, since any interference in the market mechanism will have serious consequences to one degree or another. According to the import substitution strategy, local industries can be protected by the state through certain subsidies. However, this type of subsidy can lead to a budget deficit by the government. X.J. According to Bruton, as a means of protection, tariffs are somewhat harmless to quotas.

Thus, countries will begin to trade openly, abandoning the practice of quotas. In addition, the level of tariffs should be reduced in order to create a favorable environment for open trade.

Russian expert O.S. Belokrylova emphasizes the need for institutional changes at the state level in the framework of radical reform of economic policy in the field of import substitution and suggests the creation of new institutions that will serve to implement an effective strategy of import substitution (D.B, 2021). At the current stage of development of the world economy, including in the context of deepening globalization processes, many countries around the world are facing problems with the displacement of products produced by domestic enterprises from domestic markets by similar imported goods. This situation will eventually force the state to fall victim to the situation, importing material and intellectual products from other countries. In addition to the state's dependence on certain countries to fill the market with the above-mentioned goods, the government will be deprived of the opportunity to make effective use of the existing potential, despite the fact that the country has the opportunity to produce similar imported products in terms of quality and characteristics. Also, the use of such opportunities would serve to create additional jobs, increase the overall level of welfare. As a solution to the problem of reducing the volume of imported products, we can cite a set of measures aimed at

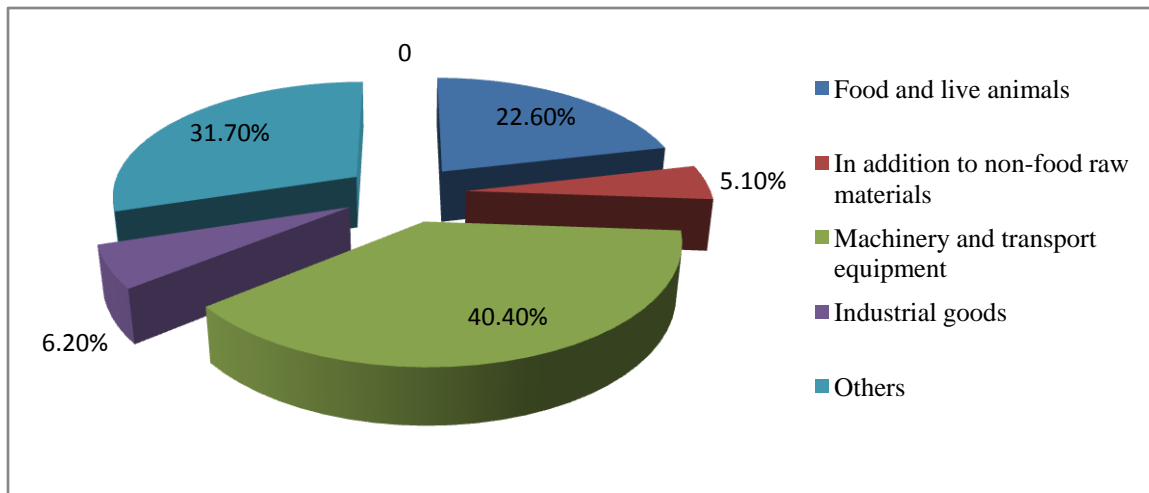


increasing import-substituting industries, called import-substituting policy. Representatives of the new Keynesian school were among the first to propose an import-substituting policy. In particular, X. Chenery and M. Bruno recognizes import substitution as one of the main directions of economic development of the country (B., 2021). Modern domestic and foreign economists have tried to theoretically substantiate the effectiveness of import substitution policies in practice. Russian researcher A. Kireev explained the nature and advantages of the import-substituting growth mechanism. As a follower of the new Keynesian school, DN Zeitsev proposes to consider the process of import substitution as one of the ways of economic development of the region (D.B.Eshpulatov, 2020). Another Russian economist, P.A. Kadochnikov analyzed the impact of macroeconomic processes on import substitution along with import substitution processes (D.B., 2020). [2-4]

Today, there are several definitions of the concept of "import substitution". Often when it comes to import substitution, "... by regulating the production of the same or similar goods in the country, it is understood to reduce or completely ban the import of certain goods". Another common definition of import substitution is "a reflection of the state's economic policy and economic strategy aimed at replacing imported manufactured goods in demand in the domestic market with domestic goods". In general, it is impossible to recognize the policy of import substitution in the modern economy as effective or ineffective, however, it is natural that the application of the strategy of import substitution in our country will have a positive effect. This measure will not only serve to increase the overall level of economic security and strengthen the country's commodity independence, but also create the basis for the economic development of the country's regions, based on the real situation. In this regard, the approach based on the specifics of the regions of our country is important. Thus, in the context of this study, we conclude that import substitution should be understood as a process of replacing goods produced outside the country with local goods that do not lag behind them in terms of quality and characteristics. There are several areas of practical application of import substitution strategies in the modern economy. Supporting weak or underdeveloped industries is the first option, which in turn will strengthen the position of underdeveloped industries in the domestic market, while underdeveloped industries will be firmly established in foreign markets. When we talk about the support of underdeveloped industries, we mean the application of protectionist policies by the state to further develop and increase the competitiveness of these industries. Encouraging developed industries will provide an opportunity to compete in foreign markets.

In order to select an industry in which the import substitution strategy can be applied, we must first consider the general structure of imports in the Syrdarya region (Figure 1). In 2020, the volume of imports will reach 464.2 mln. USD and 105.7% compared to the corresponding period of 2019.

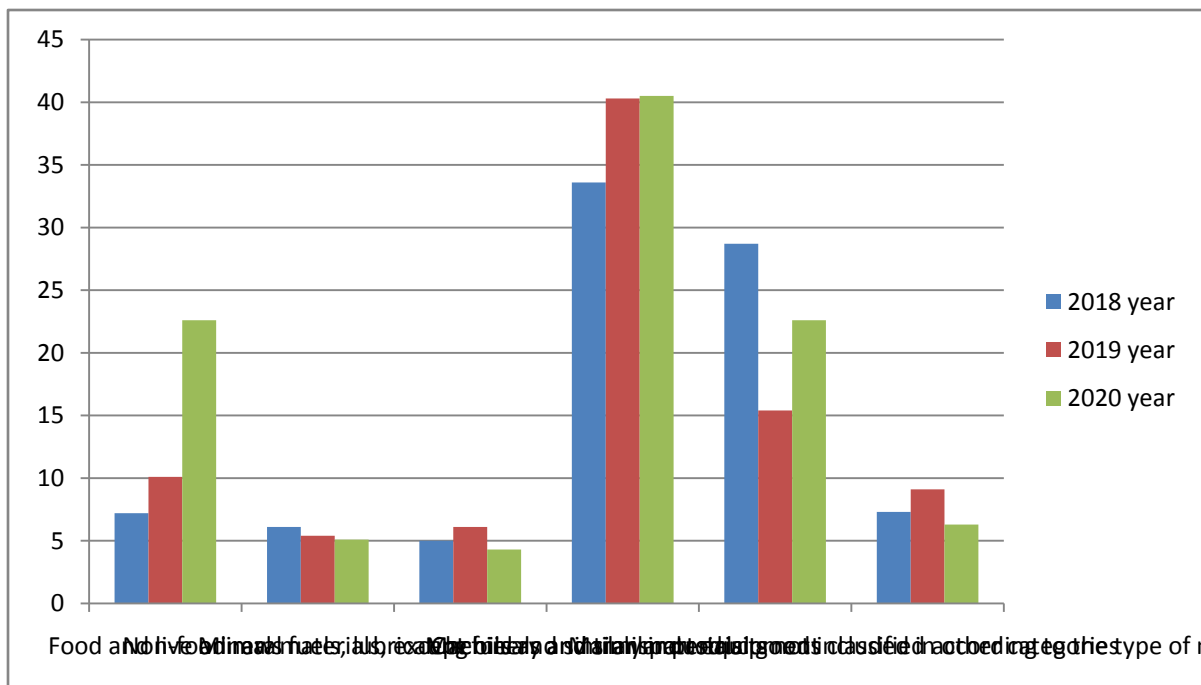
Source: Based on data from the Syrdarya Regional Statistics Department for 2020.



**Figure 1. Import structure of Syrdarya region in 2020 (in%).**

The largest share in the structure of imports was due to machinery and transport equipment (40.4%), food and live animals (22.6%) and chemical products and similar products not included in other categories (15.4%).

Analysis of the composition of imported goods and services in 2020 shows that compared to the corresponding period of 2018, the share of imports of machinery and transport equipment increased from 35.9% to 42.0%, non-food raw materials, excluding fuel from 6.1% to 5.1%, while the share of imports of industrial goods decreased from 7.2% to 6.2%. In order to deepen our analysis, we analyze the import structure of the Syrdarya region for 2018-2020 (Figure 2).



**Figure 2. The structure of the structure of imports of the Syrdarya region in 2018-2020, in%.**

Source: Based on data from the Syrdarya Regional Statistics Department for 2020.

As can be seen from the data in Figure 2, in recent years, it is machinery products that have been leading the structure of imports in the region. It should be noted that in recent years, the import of machinery in the region is growing every year. In particular, during the years under review, imports of machinery and equipment have continued to grow. This ratio indicates the need to implement a policy of import substitution in the region in the field of machinery, construction, processing of agricultural products. At the same time, it should be noted that today a number of projects are being implemented in the region within the localization project.

The implementation of the Program of localization of production of finished products, components and materials has also had an impact on achieving high growth rates of industrial production in the region. Products worth 276.4 billion soums were produced under 45 projects included in the program. Products produced under the localization program were exported in the amount of 3,437.1 thousand US dollars. As part of the localization program, 566 new jobs were created in 2020, the number of newly created jobs increased by 67.0% compared to the same period last year (Table 1).

**TABLE 1. THE MAIN INDICATORS OF THE PROGRAM OF LOCALIZATION OF PRODUCTION OF FINISHED PRODUCTS, COMPONENTS AND MATERIALS IN THE SYRDARYA REGION**

Indicators	2019 y	2020 y
Number of projects, in units	7	45
Number of enterprises, in units	6	21
Production capacity, mln. sum	258,8	276,5
Volume of exported localized products, thousand USD	2 922,3	3 437,1
New jobs created, in unity	339	566

Source: Based on data from the Syrdarya Regional Statistics Department for 2020.

In order to provide detailed information on import consumption in the Syrdarya region, we recommend the creation of an import consumption model for five types of products:

1. Building materials;
2. Food products;
3. Machines;
4. Equipment;
5. Vehicles.

In this case, we will try to create a model that reflects the dependence of the volume of imported products on the region's GRP, the share of industrial production in GRP, trade balance, the volume of manufactured products, as well as the growth of total prices for production and products. It is proposed to create this model on the basis of the autoregression model of distributed time intervals. This choice is explained by the need to take into account the impact of



the value of current and previous indicators used in the modeling of import consumption in the Syrdarya region.

At the initial stage, it is required to justify the selection of variables. The following were selected as endogenous variables for modeling:

- The volume of imported building materials for the first equation;
- Volume of imported food products for the second equation;
- The volume of imported machines for the third equation;
- Volume of imported equipment for the fourth equation;
- The volume of imported vehicles for the fifth equation.

The choice of interrelated indicators depends on the direction of reforms carried out by the government of our country in the field of diversification and modernization of industry and the economy in general.

**TABLE 2. ENDOGENOUS AND EXOGENOUS VARIABLES**

Endogenous factors	Exogenous factors							
$Y_t^1$	$Y_{t-1}^1$	$X_{t-i}^1$	$X_{t-i}^2$	$X_{t-i}^1$	$X_{t-i}^3$	$X_{t-i}^8$	$X_{t-i}^{13}$	$X_{t-i}^{18}$
$Y_t^2$	$Y_{t-1}^2$	$X_t^1$	$X_{t-i}^2$	$X_{t-i}^1$	$X_{t-i}^4$	$X_{t-i}^9$	$X_{t-i}^{14}$	$X_{t-i}^{19}$
$Y_t^3$	$Y_{t-1}^3$	$X_t^1$	$X_{t-i}^2$	$X_{t-i}^1$	$X_{t-i}^5$	$X_{t-i}^{10}$	$X_{t-i}^{15}$	$X_{t-i}^{20}$
$Y_t^4$	$Y_{t-1}^4$	$X_{t-i}^1$	$X_{t-i}^2$	$X_{t-i}^1$	$X_{t-i}^6$	$X_{t-i}^{11}$	$X_{t-i}^{16}$	$X_{t-i}^{21}$
$Y_t^5$	$Y_{t-1}^5$	$X_{t-i}^1$	$X_{t-i}^2$	$X_{t-i}^1$	$X_{t-i}^7$	$X_{t-i}^{12}$	$X_{t-i}^{17}$	$X_{t-i}^{22}$

When conducting research, we take into account that the volume of imported products is affected by such indicators as gross regional product, the share of products in gross regional product, the balance of trade balance of the region, producer price index, industrial production index. In this case, all the endogenous and exogenous variables on which the system of equations is generated represent the regional import consumption model as a whole (Table 2).

Endogenous factors used in creating the model of import consumption of Syrdarya region:

$Y_t^1$  - volume of construction materials imported in t per year;

$Y_t^2$  - volume of imported food products in t;

$Y_t^3$  - The volume of imported machines in t;

$Y_t^4$  - volume of imported equipment in t;

$Y_t^5$  - volume of imported vehicles in t.

Exogenous factors:

$Y_{t-1}^1$  - volume of imported construction materials in t-1;

$Y_{t-1}^2$  - volume of imported food products in t-1;

- $Y_{t-1}^3$  - Volume of imported machines in t-1 (groups № 26 and № 27 according to SITC);  
 $Y_{t-1}^4$  - Volume of imported equipment in t-1 (№ 28 groups according to SITC);  
 $Y_{t-1}^5$  - Volume of imported vehicles in t-1 year (groups № 29 and № 30 according to SITC);  
 $X_{t-1}^1$  - GVA volume in t-1;  
 $X_{t-1}^2$  - trade balance in t-1;  
 $X_{t-1}^3$  - t-1 price index of building materials manufacturers;  
 $X_{t-1}^4$  - t-1 price index of food producers;  
 $X_{t-1}^5$  - t-1 year car manufacturers price index;  
 $X_{t-1}^6$  - t-1 year price index of equipment manufacturers;  
 $X_{t-1}^7$  - t-1 price index of vehicle manufacturers;  
 $X_{t-1}^8$  - volume of construction materials produced in t-1 year;  
 $X_{t-1}^9$  - volume of food produced in t-1;  
 $X_{t-1}^{10}$  - the volume of machines produced in t-1;  
 $X_{t-1}^{11}$  - the volume of equipment produced in t-1;  
 $X_{t-1}^{12}$  - volume of vehicles produced in t-1;  
 $X_{t-1}^{13}$  - industrial production index of building materials produced in t-1;  
 $X_{t-1}^{14}$  - industrial production index of food products in t-1;  
 $X_{t-1}^{15}$  - industrial index of machine production in t-1;  
 $X_{t-1}^{16}$  - industrial production index of equipment in t-1;  
 $X_{t-1}^{17}$  - industrial production index of vehicles in t-1;  
 $X_{t-1}^{18}$  - The share of construction materials produced in the gross regional product in t-1;  
 $X_{t-1}^{19}$  - The share of food products in the gross regional product in t-1;  
 $X_{t-1}^{20}$  - Percentage of the volume of machines produced in the gross regional product in t-1;  
 $X_{t-1}^{21}$  - Percentage of equipment produced in the region's GDP in t-1;  
 $X_{t-1}^{22}$  - The share of vehicles produced in the region's GDP in t-1.

Thus, the system of equations of the import consumption model will have the following form (1):

$$\begin{cases} Y_t^1 = a_1 Y_{t-1}^1 + a_2 X_{t-1}^1 + a_3 X_{t-1}^2 + a_4 X_{t-1}^3 + a_5 X_{t-1}^8 + a_6 X_{t-1}^{13} + a_7 X_{t-1}^{18} + a_0 \\ Y_t^2 = b_1 Y_{t-1}^2 + b_2 X_{t-1}^1 + b_3 X_{t-1}^2 + b_4 X_{t-1}^4 + b_5 X_{t-1}^9 + b_6 X_{t-1}^{14} + b_7 X_{t-1}^{19} + b_0 \\ Y_t^3 = c_1 Y_{t-1}^3 + c_2 X_{t-1}^1 + c_3 X_{t-1}^2 + c_4 X_{t-1}^5 + c_5 X_{t-1}^{10} + c_6 X_{t-1}^{15} + c_7 X_{t-1}^{20} + c_0 \\ Y_t^4 = d_1 Y_{t-1}^4 + d_2 X_{t-1}^1 + d_3 X_{t-1}^2 + d_4 X_{t-1}^6 + d_5 X_{t-1}^{11} + d_6 X_{t-1}^{16} + d_7 X_{t-1}^{21} + d_0 \\ Y_t^5 = e_1 Y_{t-1}^5 + e_2 X_{t-1}^1 + e_3 X_{t-1}^2 + e_4 X_{t-1}^7 + e_5 X_{t-1}^{12} + e_6 X_{t-1}^{17} + e_7 X_{t-1}^{22} + e_0 \end{cases}$$

In the process of regression analysis, the coefficients of exogenous variables of the tag system were determined, and at the same time the import consumption of Syrdarya region was created (2). This model shows the import consumption structure of the region as well as the influence of production factors on the import of this or that product.

$$Y_t^1 = 1 * Y_{t-1}^1 + (1,564E-7) * X_{t-1}^1 - (4,176E-6) * X_{t-1}^2 + 0 * X_{t-1}^3 - (1,880E-6) * X_{t-1}^8 - 0,002 * X_{t-1}^{13} - 0,003 * X_{t-1}^{18} + 0,294$$

$$Y_t^2 = 0,933 * Y_{t-1}^2 + 0 * X_{t-1}^1 + 0 * X_{t-1}^2 - 0,069 * X_{t-1}^4 + 0 * X_{t-1}^9 - 0,047 * X_{t-1}^{14} - 1,3 * X_{t-1}^{19} + 16,659$$

$$Y_t^3 = 0,818 * Y_{t-1}^3 + 0 * X_{t-1}^1 - 0,001 * X_{t-1}^2 + 0,156 * X_{t-1}^5 - 0,041 * X_{t-1}^{10} + 0,002 * X_{t-1}^{15} + 0,782 * X_{t-1}^{20} + 35,646$$

$$Y_t^4 = 2,997 * Y_{t-1}^4 + 0 * X_{t-1}^1 - 0,009 * X_{t-1}^2 - 0,077 * X_{t-1}^6 - 0,091 * X_{t-1}^{11} - 0,262 * X_{t-1}^{16} + 11,754 * X_{t-1}^{21} - 0,009$$

$$Y_t^5 = 1,016 * Y_{t-1}^5 + 0 * X_{t-1}^1 + 0,003 * X_{t-1}^2 - 0,723 * X_{t-1}^7 - 0,010 * X_{t-1}^{12} + 0,018 * X_{t-1}^{17} + 0,714 * X_{t-1}^{22} + 91,680$$

Thus, the import consumption model of Syrdarya region has the above appearance. The analysis of the import structure and the factors influencing it is one of the key parts of the import substitution mechanism. At the initial stage of creating an import substitution mechanism, it is necessary to select the sector in which the import substitution policy will be implemented. Our analysis shows that it is expedient to implement an import substitution policy in the field of machinery and construction materials in the region.

In the second stage, as part of the implementation of an active import substitution mechanism in the region, targeted programs will be developed, implemented, monitored and amended, the relationship between all components (blocks) of the import substitution mechanism will be carefully studied (Figure 3).

Based on the purpose set out below, we will focus in detail on each component of the import substitution mechanism.

**1-Block. Goal setting:** This block specifies the goals to be achieved during the implementation of the target complex program and the import substitution mechanism. The purpose of the import substitution mechanism is to reduce the volume of imported goods in domestic markets and replace them with

### Figure 3. Interaction of active import substitution mechanism blocks.

Source: author's development.

Products of local producers, while establishing the production of domestic goods that do not lag behind imported goods in terms of quality and price.

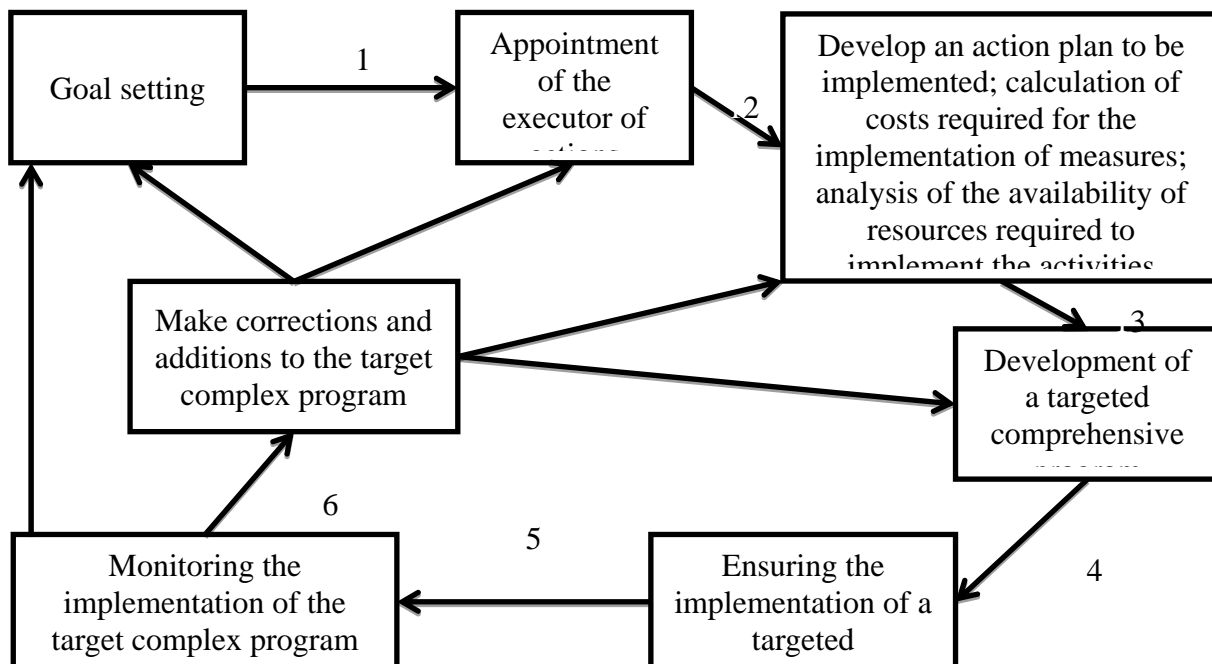
### 2-Block. selection of the executor of the prescribed measures.

At this stage, an analysis of the executors who may be involved in achieving the goal is made. Among the executors we will be able to include local governments, agencies and organizations that are part of the economic complex, as well as business representatives.

### 3-Block. setting measures.

At this stage, a list of activities to be carried out, as well as deadlines for their implementation and the required costs will be determined. Among the measures to be taken to achieve this goal are:

Encourage the activities of scientific organizations and institutions aimed at creating new technologies, efficient use of labor resources and production of competitive products;



- Improving the content and quality of vocational education in accordance with the needs of innovative development of the regional economy;
- Improving the level of technical development of enterprises in the engineering and construction industries;
- Broader involvement of the local population in production processes;
- Creating appropriate conditions for the effective operation of enterprises in the engineering and construction industries;
- Creation of clusters, which include enterprises engaged in a single completed production cycle, as well as companies engaged in product sales;
- Wide promotion of industrial products produced in the region, both in the country and abroad.

Block 3 also provides an account of the costs of the planned activities and an analysis of the state of the region with the necessary resources.

#### 4-Block. development of a targeted comprehensive program.

At this stage, the set of measures that must be taken to implement the import substitution mechanism, the available executors and resources, and the import substitution programs are detailed, depending on the purpose. The development of targeted comprehensive programs is an important step in the development of a mechanism to intensify import substitution processes in

the regions, including the Syrdarya region. When targeted target programs are clearly structured and the sequence of actions to be implemented is structured, it is easier to achieve the set goals.

**5-Block. Implementation of a targeted comprehensive program.**

At this stage, in accordance with the planned measures, the direct implementation of the target complex program will be carried out. At this stage, the changes taking place in the country and the world economy should not be ignored. Implementers of the program are directly responsible for its implementation, and its implementation is monitored by local authorities.

**6-Block. Monitoring the implementation of the target complex program.**

This stage is important in finding an answer to the question of how well the targeted comprehensive program corresponds to the real economic reality. The control process is carried out from the start of the mechanism, the control process pays special attention to the implementation period of the target program, efficient use of resources, compliance of planned indicators with current indicators.

**7-Block. Make corrections and additions to the target program during the execution (feedback).**

Like the control block, the coordination block is valid until the completion of the target complex program. The task of the coordination block is to make adjustments to the deadlines for the implementation of the target complex program, to compare the planned expenditures for the implementation of the planned measures with the current indicators. In general, a targeted complex program is an interdependence of activities and activities of different characteristics, aimed at achieving the set goal.

Once the goals of the target complex program have been identified, decomposition should be performed on it.

**In the first stage**, it is necessary to identify industries that have a high share of products in the structure of imported goods in the region. As mentioned above, the largest share in the import of machinery, equipment and products of the construction industry in the Syrdarya region.

**In the second stage**, the industrial sectors in which import substitution programs are to be applied should be divided into sub-sectors and groups. Once we have divided the networks into subgroups, we will be able to create narrowly targeted subprograms within a targeted complex program. In this case, in our opinion, the following:

- Expansion of production of medical devices and medicines;
- Increase the production of wall and roofing materials, glass, glassware, plumbing, tiles, including paints and varnishes;
- Development of production of electrical goods;
- Expansion of import substitution activities in subgroups, such as expanding the production of machinery and equipment and creating a cluster system in this regard, will have a great effect.

**In the third stage**, the existing factors of production (labor, land, capital) in the region, especially in the Syrdarya region, should be analyzed. At the same time, it should not be

overlooked that today the human factor, the integration of education, science and industry, digitalization, etc. are becoming increasingly important.

The fourth stage of the development of the target complex program will explore the construction of new production facilities, opportunities for improvement and modification of obsolete productions, technologies used in production and their ability to meet today's requirements.

**The fifth stage** requires the effective use of existing factors of production, the definition of forms of creation of new factors. In this regard, we can highlight three areas that are effective:

Further expansion of cooperation between enterprises located in the region and other regions of the country;

Creation of additional production factors and capacities based on support of initiatives of enterprises and business representatives located in the region;

To have the lack of production factors with wide involvement of private and foreign investors.

In this case, the question of which method to use and in what order will directly depend on the views of consumers.

**In The Sixth Stage:** The forms of investment in factors of production are identified. Foreign and domestic investments play a key role in this. Within the framework of the program, the executors of the program are directly involved in attracting investments. It is their actions in this regard that in many ways determine the prospects for future development of the region's economy.

## CONCLUSIONS AND RECOMMENDATIONS

The advantage of this proposed structure of the target complex program and the mechanism of activation of import substitution processes is that we can make adjustments to it and add new elements depending on the situation. After the stage of assessing the economic condition of the regions, there is an opportunity to add new subgroups to the model.

It should be noted that this model will not be able to provide the planned effect if the planned plans, deadlines and stages of implementation of measures are not fully implemented. At each stage, we need to pay special attention to the objectives of the mechanism, the proper use of allocated funds and the timely implementation of planned activities.

In conclusion, the proposed import substitution mechanism, which is based on a comprehensive program, serves as a tool to regulate the regional economy, a positive impetus to its economic development, as well as to support local production in other regions of the country and we think that it can be used in supporting them.

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