

Journal of Internet Banking and Commerce

An open access Internet journal (http://www.icommercecentral.com)

Journal of Internet Banking and Commerce, Jan 2017, vol. 22, no. S7

Special Issue: Global Strategies in Banking and Finance
Edited By: Mihail N. Dudin

ROLE OF AGRICULTURAL IMPORT SUBSTITUTION POLICY IN ENSURING FOOD SAFETY OF THE COUNTRY

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Abstract

The article considers historical aspects of occurring the notion “import substitution” as well as positive and negative consequences of this policy impact on the national economy, as a whole. Besides, it analyzes the latest tendencies related to pursuing the

policy of import substitution in agriculture of the Russian Federation. Herewith, it considers the interrelation between pursuing the policy of import substitution in agriculture and food safety of regions. The authors consider the essence of the notion “regional food safety”, as well as risks and criteria related to ensuring food safety on the level of the region. When defining the basic goals of the import substitution policy to ensure food safety, the authors analyze the areas of improving the doctrine of food safety and other statutory documents used within the import substitution policy to ensure food safety of the country.

Keywords: **Import Substitution; Agro-Industrial Complex; Food Safety; Agriculture**

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INTRODUCTION

In terms of political and economic non-stability there is a critical issue related to pursuing efficient import substitution policy in the national economy of the Russian Federation for the purpose of providing economic safety of the country as a whole and its regions in particular. Over the recent 4 years serious steps have been made in this aspect. A new version of the State Program of Agriculture Development and Regulation of Markets of Agricultural Products, Raw Materials and Food for 2013-2020 (hereinafter related to as the State Program), Doctrine of Food Safety of the Russian Federation (approved by Order of the President of the Russian Federation No. 120 dated January 30, 2010), Strategy of the Development of Food and Processing Industry of the Russian Federation for the Period up to 2020 (approved by Order of the Government of the Russian Federation No. 559-p dated April 17, 2012), Concept of Stable Development of Rural Territories of the Russian Federation for the Period up to 2020 (approved by Order of the Government of the Russian Federation No. 2136-p dated November, 30, 2010), Concept of Stable Development of Rural Territories of the Russian Federation for the Period up to 2030 (approved by Order of the Government of the Russian Federation No. 151-p dated February, 2, 2015), as well as other federal and departmental target programs related to solving problems on developing the agro-industrial complex of the country and providing its food safety have been adopted [1,2].

METHODS

In spite of the fact that economic literature has got works on problems related to import substitution, theoretical and methodological and scientific and practical researches are mainly fragmentary. The passivity of national researchers in developing import substitution problems is explained by many reasons: possibility to overcome the deficit of national goods with the aid of import; stereotype of opinions, often unstipulated, about a higher quality of imported products; and smoothly running system of marketing of products and logistics related to receiving goods on the global market [3]. Along with this, the import domination is accompanied with numerous risks for the country, including the use of import dependence for political purposes by our Western partners

(for example, introduction of long-term sanctions). The world practice shows that this is import substitution that is an efficient tool to optimize import. For the first time researchers started developing the basic principles of import substitution strategy during the Great Depression (in the 1930s) when Latin American and other countries were looking for ways to withdraw from stagnation and obtain economic growth. Such policy was called “import substituting industrialization”. The Argentinean economist R. Prebisch (who published his theory in 1950), and the Sweden economist G. Murdal insisted on changing the structural policy within the national economy and became known as “structuralists” [4]. These researchers insisted on applying the policy of protectionism in relation to own heavy industry and national economy, as well as on protecting promising areas and universal state regulation. According to structuralists, the protection of national industry is urgent for developing countries, and the industry must become more stable and mature under the state protection [5,6]. Herewith, it is assumed to use both monetary and fiscal methods of state regulation within the protecting policy [7]. According to this theory, the essence of the import substitution policy is as follows: the state acquires control over the key enterprises of the production and processing industry, and then provides these enterprises with various privileges for the purpose of producing goods locally and being analogous to the imported ones. Thanks to the state support, such enterprises get the price advantage to the imported goods and start pushing them out. As a result, the gross domestic product grows, and investments in research and technical progress and tempos of the national policy growth increase.

However, when pursuing such policy, there are negative consequences. Thus, actually the internal market becomes closed for the rest of the world, and consequently, the lack of the competition with the world producers affects the qualitative characteristics of goods. The national industry is protected from foreign producers by quotas and customs duties, and does not undergo the impact of new technologies, production tendencies, and there is no need to take into account the latest innovations in this area [8,9]. Considerable difficulties are created for foreign companies when functioning on the market. It causes a necessity for them to establish the production on the territory of this country (because no quotes are established for import of repair parts, components and key parts). Actually the national economy obtains foreign investments. However, their role for the economy must not be overestimated [10].

RESULTS

Political ideas of the import substitution are to a great degree dictated by interests related to providing economic safety as a component of the national safety system, because the state cannot guarantee it without reliable protection of vitally important interests of the population and stable provision of the economy with goods and services. The need of the country and its regions in pursuing the import substitution policy objectively occurs when the growing volume of import starts threatening the economic safety of the territory.

Regions started actively fulfilling this task. Sectoral plans of measures on contributing to import substitution in the agro-industrial complex have been approved. Thus, for example, measures of the plan of the Jewish Autonomous Region aim at enhancing control in state purchasing and providing small and medium-sized entrepreneurship with access to purchasing goods and services to meet state and municipal needs. Besides, the plan provides the promotion of goods produced on the territory of the Jewish Autonomous Region by participating in exhibition and fair events.

As a whole in the area of agro-industrial complex of regions they take measures aiming at increasing the level of providing the population of the region with domestic products and decreasing the need of processing enterprises in import raw materials.

For example, according to the results of 2014 the level of meeting the need of the population in basic agricultural products in the Sverdlovsk Region was 47% - milk, 61% - cattle and poultry meat, 124% - eggs, 195% - potatoes, and 32% - vegetables. Thus, the Sverdlovsk region has insufficient production in meat and dairy cattle breeding. In order to stimulate the production of milk and meat by implementing new innovational technologies and objects of cattle breeding, agricultural producers are compensated a part of expenses for construction and re-construction of objects of dairy cattle production from the regional budget, and in 2014 – for the construction and re-construction of cattle breeding objects form the regional budget [11].

Thus, provision of the regional food safety includes two basic components:

- Development of regional agro-industrial complexes
- Development of external trading relations

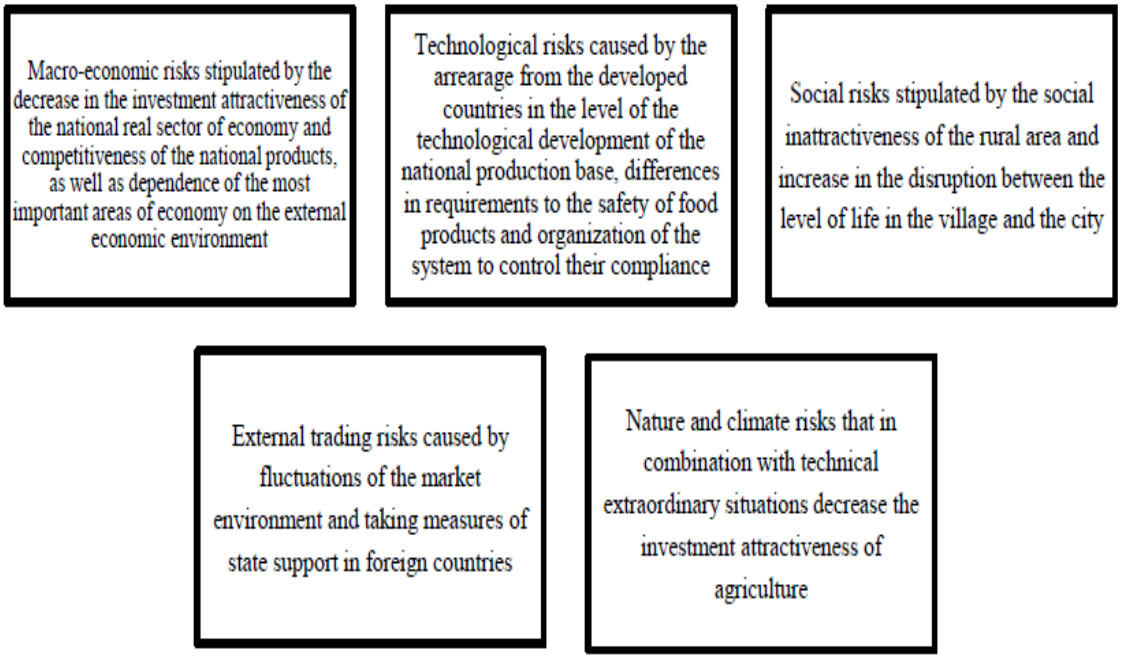
Consequently, the area of ensuring food safety is beyond the agro industrial complex. To the degree it provides the population with food, the agro-industrial complex is one of the guarantees of the social and economic stability of the society. However, the system of selling food (including the imported one) also plays an important role. Figure 1 shows the risks that form the threats of the Russian food safety.

Regional food safety depends on a number of factors (differences in the purchasing power of the population, natural and climate conditions, development of the infrastructure, expenses for storing and transportation, density of population, traditions, formation of the federal and regional reserve funds of food, shadow processes of credit and financial relations, material and technical provision, and markets of food and raw materials).

In the Russian Federation there are regions where agriculture is traditionally weakly developed (regions of Siberia, Far East, North and North-Western regions of the European part of the country). Food is brought to these regions from another regions and countries. As a rule, the balance of food of these regions is characterized by unequal consumption of food during a year, by its big losses and expenses for storage

and transportation, and insufficiency of many products. The deficit of food in a number of such regions of Russia is related to high expenses for import of food from other regions, as well as insufficient development of the infrastructure of the automobile and air transportation and relevant ways of its transporting [11].

Figure 1: Risks Forming Threats of Food Safety of Russia and Separate Regions.



The following four characteristics serve as the most general criteria of ensuring food safety on the level of the region.

1. Possibility to meet physical needs of the person at the expense of the available food in accordance with the sensible nutrition. This criterion characterizes economic and physical availability of food for the population of the region.
2. Availability of the production potential of the agro-industrial complex on the territory of the region. This complex produces food products in the volume required by the region. This criterion shows that for the stable reproduction in the agro-industrial complex, it is necessary to have natural resources for agriculture, as well as an ability of the agro-industrial complex of the region to guarantee the protection from external threats and maintain the required level of the food safety.
3. Territorial availability of products measured by comparing the level of retail prices for the same products in various levels of the country.
4. Compliance of the volumes and structure of the export-import of food with the level that is safe for this region and defined by opportunities of economically feasible production of basic (vital) food products in the region. This criterion

directly determines safe correlation of the internal regional production and inter-regional trading.

5. Compliance of the quality and safety of food with the requirements of the sanitary and hygienic, ecological, and epidemiologic standards of healthy nutrition. This criterion characterizes the requirement to comply with the food quality to ensure food safety.

Increase in the food safety of the country as a whole and its regions in particular requires to implement measures of the state regulation to overcome the following negative phenomena: decrease in the real demand for food products, insufficiently high level of the investment and innovational activity in the area of food production, price disproportions on the market of agricultural products as compared to the production of material and technical resources, lack of a wide diversification of import supplies of food. Due to this, the food safety of Russia considerably depends on few countries (especially it is related to fruits purchases).

Of course, the share of own production is important for consumption. However, this is a relative and far from the only criteria of the food independence of region. No region can similarly efficiently produce all food products. The efficient organization of labor allocation requires, for example, in more Northern regions with a low yield not to perform agricultural activity, or to develop only separate areas of agricultural business (for example, cattle breeding but not crop farming). The food safety of the region will not suffer at all if within the all-Russian allocation of labor one region obtains a considerable share of food from other regions of the country by supplying industrial products in return. At the same time such system of turnover requires stability of goods flows (in particular, a well-developed transportation infrastructure).

At the present time the volumes of production in crop farming and cattle breeding are extended due to the development of top priority sub-sectors. The increase in the production in crop farming, including glass-raising as well as gardening and winegrowing within the import substitution, contributes to meeting needs of the population at the expense of agricultural products and domestic production. Dairy cattle's breeding remains one of the most important ones in the cattle breeding. It is related to renewal of the dairy livestock number.

The development of import substituting areas of processing, including meat, dairy, sugar and fish areas, as well as the implementation of deep processing of raw materials, extending the range of products, and decreasing their losses during storage and transportation are also promising areas in the agro-industrial complex.

In the course of saturation of the market, there is an opportunity to increase the volume of export of agricultural products, raw materials and food. As the top priority areas of production develop, the importance of logistic and commodity distribution infrastructure of the agro-industrial complex increases. The further development of melioration within the "Development of Agricultural Lands Melioration of Russia for 2014-2020" federal

target program contributes to the increase in the stability of agriculture to negative impact of weather conditions, involvement of unused lands in the turnover.

The development of rural territories within the “Stable Development of Rural territories for 2014-2017 and for the Period up to 2020” federal target program, increase in the level and quality of rural population, employment in the village, and development of non-agricultural types of activity contribute to the most rational use of labor resources.

At the present time the decrease in the dependence of the agro-industrial complex on the import of technologies, machines, equipment, seeds, pedigree materials, etc., and further development of the national pedigree base and elite seeding acquire a special meaning.

In order to strengthen own national safety within the national economy, it is necessary to timely solve the following basic tasks: to define possible threats of food safety when preparing the strategy of the social and economic development for the long-term period; to minimize their negative consequences by developing the relevant strategy for the medium-term period; to provide successive state support of national agricultural producers, achievement and maintenance of physical and economic accessibility of every citizen of the country to safe food products in the volume and range that comply with the determined rational norms of consuming food products required for active and healthy life style; to provide safety of food products; to stimulate the growth of producing basic types of agricultural products and food; to modernize material and technical and technological base of selection and seed industry; to provide anti-epizootic measures in relation to communicable diseases of animals; to support the development of the infrastructure of the agro-food market; to increase the level of profitability in agriculture in order to ensure its stable development; to maintain financial stability of the agro-industrial complex; to increase the level of life of rural population; to support small forms of economic activity; to stimulate the innovational activity and innovational development of the agro-industrial complex; to develop melioration of agricultural lands; to ecologically regulate the use of land, water and other renewable natural resources in agricultural production; and to increase soils fertility.

CONCLUSION

Upon 6 years since the implementation of the current Doctrine, new tasks and problems have occurred. They require its specific improvement and supplementation. This issue has already been discussed during 2015-2016 by bodies of the legislative and executive power, as well as public organizations. To our mind, it is reasonable to specify the following points:

- To clarify the essence and content of such notions as “food safety” and “food independence” taking into account that food safety is a more complex notion that includes food independence and provision of physical and economic availability of food. To our mind, food independence is self-provision of the country with

basic agricultural and food products taking into account actual consumption, i.e. this is the relation of the production on the country territory to its aggregate internal consumption for all purposes

- To extend the list of products that must define the thresholds, particularly vegetables and gourds, fruits and berries must be added, as well the level of these thresholds for a number of products must be clarified, and even increased, meaning sugar and oil whose production has been considerably increased over the recent years
- To add criteria to estimate the economic and physical availability of food, increase the list of indicators related to comprehensive estimating the state of the food safety that characterize the state of areas related to its provision, namely:
- In the area of consumption and income of the population
- In the area of production, competitiveness and market of agricultural products and food
- In the area of infrastructure of the agro-industrial market
- In the area of state material reserves and supplies of agricultural, fish products, raw materials, and food
- To clarify the content of chapters related to the external economic policy in the area of ensuring food safety taking into account Russia entering the WTO, and the beginning of functioning of the Eurasian Economic Union, and
- To specify provisions related to the development of producing material and technical resources required to implement the Doctrine

Besides, to our mind, when implementing the Doctrine, it is reasonable to pay special attention to a number of persistent problems. The unreasonably high differentiation of population according to the level of consuming the basic types of food products remains one of the most important ones. Of course, it is related to considerable differences of the population according to the level of the income they have. In 2015 the difference of groups of population according to the level of income was 15.5 times (in 2014 - 16 times), for the first half of this year it was about 14 times. It causes the impossibility for a considerable part of the population to provide sufficient and adequate nutrition.

In spite of the fact that the food safety means physical and economic availability of food products for every citizen of the country in the volumes that are not less than rational standards of consumption, at the same time according to the Rosstat data, a considerable part of the population consumed the volume of products that is lower than the standards of the regional nutrition: about 30% for meat and meat products, above 80% for milk and dairy products, eggs, fruits and honey, and 70% for vegetables and gourds. Measures to eliminate such situation can be related both to the total increase in the citizens' revenues and due to special programs for the population with their low level.

It is necessary to take into account that the issues related to food safety of Russia and import substitution must be considered taking into account the development of the integration within the Eurasian Economic Union and CIS. Thus, it is reasonable to take

into account possible stable supplies, especially of early products, vegetables and fruits from EEU and CIS countries, and cattle breeding products mainly from Byelorussia.
It is necessary to reflect solving problems related to import substitution and ensuring food safety of the country in the strategy in the Strategy of Stable Development of Agriculture that must be developed within implementing Federal Law “On Strategic Planning in the Russian Federation”.

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