Import substitution in the global economy: historical experience and theoretical approaches

Irina G. Perelomova AuthorID: 406377

ORIGINAL ARTICLE

Candidate of Economic Sciences, Associate Professor
P.G. Demidov Yaroslavl State University, Yaroslavl, Russian Federation
E-mail: perelomovair@yandex.ru

Daniil V. Kornov

Student
P.G. Demidov Yaroslavl State University, Yaroslavl, Russian Federation
E-mail: danya_kornov@mail.ru

Abstract. The article examines import substitution in the global economy in terms of the historical experience of various countries and theoretical approaches to its implementation. The research analyses the historical stages of the formation of import substitution as an economic phenomenon. It considers the industrialisation of the 19th – early 20th centuries in developed countries and the policy of post-war reconstruction in Latin America and Asia. Indeed, the paper draws a special attention to comparing the Latin American model, focused on the domestic market, with the East Asian approach, combining protectionism with an export-oriented strategy. Moreover, the research examines the positive and negative aspects of import substitution policy in various countries, including the impact of government support, the transparency of the economy, and the technological development. The relevance of the topic is due to the increasing policy of sanctions pressure on Russia, causing the implementation of the effective import substitution measures, especially in high-tech industries. For instance, Russia's dependence on imports in 2022 in the manufacture of medicines reaches 45%, in the manufacture of textiles – 28%, and in heavy machinery – 65%. Therefore, it as a threat to national economic security. The purpose of this study is to examine the historical experience of the global economy, analyse the theoretical approaches to import substitution, and identify the most effective strategies for its implementation in modern Russia. Logically, we study the historical experience of the different countries to understand the prerequisites and consequences of import substitution policy, and the theoretical foundations of the concept to form a comprehensive understanding of the phenomenon. This paper dwells on the use of historical, comparative, and logical methods, and analyses the works of leading economists. Analysing various approaches to concept of import substitution, we conclude on the importance of a balanced approach. Those combines a multi-level economic strategy for the development of competitive national production with the ability to completely or partially replace imported goods and the structure of imports.

Keywords: import substitution; global economy; ISI strategy; import substitution policy; history of import substitution

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Introduction

The international trade at the current stage of global economic development provides countries with the opportunities to increase exports, but makes them dependent on imported goods.

In the current situation, ensuring and maintaining the competitiveness of domestic goods in relation to imported foreign counterparts is very important as providing the export potential and independence of the domestic market. Therefore, countries are increasingly paying attention to the development of the domestic production and changing the structure of imports.

However, the low level of industrial modernisation and the inability of domestic producers to meet domestic demand makes imported goods relevant for most countries due to the absence of necessary resources for the production of certain goods. At the same time, the country has to cover the foreign trade costs of import with foreign currency funds received from exports. In the countries with low export potential, dependence on imports of finished products in the long term can cause a decrease in demand for domestic products, and an increase in the country's external debt. Therefore, import substitution issue is of the particular importance.

The research uses the following general scientific research methods: historical and logical analysis and synthesis, modelling, comparison, graphical method. Additionally, the paper examines the literature on the history of import substitution and the implementation of various strategies of the economic development.

Main Part

In the modern conditions of the geo-economic and geopolitical development, the countries cannot be independent in terms of the necessary goods, services, and resources. The elimination of imports of the finished products for many unavailable items often results in the emergence of parallel import flows or raw materials and components imported into the country.

The policy of import substitution was provided by many countries of the world and in different periods of their development. Import substitution in the world economy has occurred over a long-term period. It makes possible to identify its certain stages.

The first stage is the experience of the developed countries during the industrialisation period of the 1850s and 1920s. For instance, The USA, escaping the colonial dependence on Great Britain, constantly used various customs restrictions on British goods to develop their own industry. In the second half of the 19th century, the German industry gradually displaced the goods of England and France from the domestic market, becoming more competitive on world markets [22]. Those time, almost all modern developed countries used tariff protection and subsidies to stimulate the development of their industries. The United States, Germany, and the United Kingdom used protection and subsidy measures most aggressively, despite their leading positions in global industrial potential, free market policies, and trade. Indeed, these countries formed the basis of the world import substitution policy [8]. France, the Netherlands, and Switzerland actively used import substitution in the early stages of industrialisation. The implementation of protectionist measures disagrees with the free competition, and caused the market stagnation. It was due to insufficient domestic manufacturers' motivation to produce the goods during a decrease in the competition. On the other hand, the decrease in the share of imported goods and their replacement with domestic analogues gave an impetus to the development of the national industries, making goods of their own production competitive both in price and quality.

Therefore, in the period of the 1850s and 1920s, the ISI Strategy (Import Substitution Industrialization Strategy) import substitution model was implemented in developed countries. It was a strategy of industrialisation through import substitution, design and development of national goods. Its general meaning is as follows: greater industrialisation gives greater prosperity [12]. In the economic territory of the country, the volume of goods output, employment, well-being, and GDP per capita are increasing. In addition, an increase in market size stimulates the competition, and reduces the production costs and prices.

The ISI Strategy import substitution model is based on the development of the technological innovations and ensured the substitution of imported goods with national ones. It is provided by the economic barriers supported through tariff and non-tariff restrictions. Additionally, the state makes direct investments in the priority sectors of the national economy, and regulates imports through tariff restrictions (customs tariff, quotas, import licenses, etc.).

The beginning of the global stage of import substitution is usually associated with the post-war period of the 1950s. Many economies experienced structural and sectoral imbalances developed during the period of the economic militarisation. During the Second World War, production resources were distributed to military-industrial complexes. Therefore, there was a need to redistribute them into the production of consumer goods. At the same time, the cost of the consumer basket steadily increased worldwide. Moreover, the global economic recession provides an increase in the overall price level, resulting in higher prices for basic foodstuffs and raw materials. To overcome the recession, the industrial potential of the country should be increased [8]. Additionally, these factors have determined the spread of import substitution policies in developing countries.

The traditional idea of import substitution policy is often reduced to replacing all imported products with domestic ones. However, according to the first studies of import substitution policy by G. Myrdal and R.

Prebish, import substitution is a change in in the total volume of imports structure (in the 1950s, the consumer goods were transformed into capital-intensive ones) [24]; import substitution is not an export reduction. Provided sufficient exports grow, there will be no necessity to restrict imports, since import expenditure depends on foreign exchange earnings from exports [20].

The combination of changes in the structure of imports with industrial exports provides a relatively better results compared to other ways of implementing import substitution policy. It is confirmed by the experience of Latin American countries in the mid-1960s. The raw material specialisation of these countries and the peculiarities of the international division of labour ensured import substitution in the early 1930s. These processes were also facilitated by the protectionist policy widespread in the world. Furthermore, the numerous changes of power, social disruptions and revolutions characteristic of Latin America have also contributed to the reduction of the international economic relationships, demand, and the contraction of regional and national markets [23]. According to the economic literature, there were not opportunities for import substitution in the production. However, Latin American countries have achieved substantially lower results in the implementation of import substitution policies compared to the results they could have achieved with a rational policy combining import substitution with industrial exports [8].

Particularly in Brazil, increased imports of equipment and reduced domestic competition due to the absence of incentives in terms of foreign rivalry with foreign producers, resulted in an industry sustained by government subsidies, a total exclusion of the competition, and the barriers to entry into the domestic market by foreign competitors. According to a survey conducted by PWC, Brazilian entrepreneurs considered the reasons for their low competitiveness as follows: high taxes, low labour force, lack of technological equipment, high cost of raw materials. These was caused by the government's policy of intra-oriented import substitution [12].

In Latin America, import substitution policy focused on the most underdeveloped sectors of the oil refining, aviation, and telecommunication. The enterprises benefited from government support and access to investment, research and development. It helped them to attract foreign specialists, scientists, engineers, and managers. This policy was supposed to protect the domestic producers from the external threats and competition in the market, but there would not be a complete rejection of imports. High import tariffs contributed to the localisation of the production activities of the import companies [14].

The process of industrialisation started with the strict protectionist policies in major Latin American countries: Brazil, Mexico, Argentina, and Chile. This policy protected the developing national industry from the strong competition of foreign manufactured goods surpassed domestic products in quality and price. In the foreign economic policy of these countries, there was a state monopoly on trade. The additional difficulties for the transfer of national and foreign capital between the countries arose due to the non-convertibility of the national currency. Besides the sharp increase in the customs duties imposed as part of the protectionist policy, the subsidisation of the domestic industrial products to substitute for imported ones began. As a result, excessive production of these industries was often purchased at the expense of the state budget. Nevertheless, industrialisation was a symbol of modern progress and became a priority area of economic policy [23].

Simultaneously with import substitution policy, the reduction in imports of finished goods was unable to have the same speed as the reduction in exports. Indeed, the formation of a national industry required the import of machines, equipment, and other production resources were not produced domestically. This discrepancy has contributed to an increase in external debt in some Latin American countries. Furthermore, the development of the national industry was constrained by a number of factors: extremely weak production infrastructure, technology, underdeveloped banking system, shortage of qualified specialists, deficit of practical experience and knowledge in manufacturing, and low level of training.

However, there is no definite opinion on the issue of the crisis in import substitution in Latin America in the 1980s was the consequence of ineffective government policy. On the one hand, this kind of economic policy was necessary and successful for the branches of national production. However, some industries and enterprises have managed to use its advantages to increase their international competitiveness. Moreover, the investments in import substitution in the 1950s and 1970s made possible the rapid development of the private sector in the 1990s in Latin American countries. On the other hand, government protectionism for selected industries and enterprises supported inefficient companies and the production of uncompetitive products for a long time [14].

The Latin American import substitution policy is traditionally opposed by the experience of the developed Asian countries. In the 1950s, Japan, South Korea, Taiwan, Singapore, and Hong Kong established the modern industry and provided the growth of the national economy. The government resources are allocated to the development of certain sectors of the economy and the agro-industrial complex. The state is developing the sectoral programs for the development of industries; domestic goods are aimed at export and receive tax breaks; other goods are subjected to various control measures. The industry is being modernised to reduce dependence on the imported investment goods, machinery, and parts [12]. Therefore, the same but less radical mechanisms of direct and indirect government regulation are used. Import substitution policy has been applied by the most developing countries. However, in Latin American countries its long-term implementation has led to a decrease in the competitiveness of the national economy.

In the countries of East and South-East Asia, the quality of primary and secondary education was steadily improving. It resulted in the transition to a knowledge-based economy, and the system of technical and vocational training, including higher education. The government spending on research and development increased, driven by the export revenues. In addition, the key success factor was the effective use of the "windows of opportunity" in the global market – periods of the favourable foreign economic conditions and the technological transformations [14].

However, the differences in import substitution policies between East Asian and Latin American countries did not emerge simultaneously. They became the result of a gradual evolution of approaches to the implementation of the strategy. The most East Asian countries (except Hong Kong and Singapore) have used protectionist measures (tariff and non-tariff restrictions on imports). Meanwhile, a parallel policy was pursued to stimulate exports, including through the application of a favourable exchange rate and the provision of various incentives. The transition to an export-oriented model in a number of countries in the region occurred quite early: Taiwan and China began liberalising trade as early as 1958, introducing import duty exemption mechanisms and establishing export-processing zones to attract foreign direct investment (FDI) oriented towards foreign markets. The Republic of Korea began this process in the mid-1960s, although it maintained a more restrained policy towards foreign investment. At the same time, Hong Kong and Singapore initially had relatively liberal trade policies due to their position in international trade. Indonesia, Thailand, and Malaysia only began stimulating exports and encouraging foreign investment in the 1980s. Subsequently, Taiwan, China, and Korea significantly liberalised their foreign economic policies, including reducing tariffs and developing a favourable investment climate. The result of these transformations was a sharp increase in the share of East Asian countries in world trade: from 9% in the period 1980-1985 to 18% by the end of the 1990s [8].

However, there have also been some failures of import substitution policies of South and Southeast Asian countries. For instance, in Pakistan the absence of competition due to import restrictions resulted in an inefficiency of national industries. Moreover, encouraging of import substitution in consumer sectors has attracted investment in many unprofitable industries with low competition rate. The overall negative effect was reflected in a decrease in the added value of Pakistan industries. In the Philippines, the protection of the domestic producers resulted in the incorrect allocation of resources in favour of less important industries and large consumers of foreign currency, with a negative impact on the savings rate [8]. The other countries experienced the negative effects of import substitution policies are Malaysia, Turkey, and Sub-Saharan Africa.

Therefore, the East Asian model is substantially export-oriented while protecting local industries, unlike the rigid import substitution strategies in Latin American countries. Those were domestically oriented with high tariff and quantitative barriers to trade and barriers to the foreign investments.

The elements of both import substitution strategies combine the strategy of mixed import substitution in various proportions. The priority directions for the subsequent development of the foreign markets are determined depending on the available resources of the economy. At the same time, less resource-intensive industries are being developed for import substitution in the domestic market. The countries, implementing this strategy, combine the internal and external directions with division into different commodity groups or qualitative characteristics of goods in one commodity group [21].

For instance, with intense competition from British goods, India implemented a number of measures to develop import-substituting industries in the heavy industry sector. It mobilised the resources for the development of key heavy industries, improved economic infrastructure, and consequently established an environment for strengthening private enterprise. In consumer goods, the share of imports by the mid-60s. in the twentieth century did not exceed 4%; for intermediate-demand goods – 8%; for machine-technical products – 21%. According to the Reserve Bank of India, the economy was protected from foreign competition in both production and trade [15]. The result of a targeted policy to expand the base of the national industry in India was the achievement of significant results in the development of the pharmaceutical industry [26].

The main result of India's industrial policy of the 1950s and 1960s was the establishment of large pharmaceutical enterprises with government investments. Moreover, a course was taken to encourage the export of these products. Despite the improvement of some indicators (a doubling in value of pharmaceutical exports in 1968-1971), there was an issue of dependence on imported medicines. Indian pharmaceutical companies could not compete with foreign TNCs in terms of large-scale R&D and advertisement.

The adoption of the Patent Law in 1970 changed the situation. According to the law, the object of patenting could only be the manufacturing process itself, not the product or substance. By statistics, it fundamentally changed the pharmaceutical market in India. Both large and small pharmaceutical companies have begun to produce generic analogues.

Additionally, to changes in patents legislation, there were measures concerning market access for foreign drug manufacturers (1979). All medicines were divided into four groups (according to the degree of vital necessity). Foreign companies were allowed to distribute medicines of the third and fourth groups, i.e. less important for the population.

At the same time, the government continued to increase the scientific potential of the pharmaceutical industry. There were established several educational institutions and government laboratories conducting research and development of new drugs [4].

The combination of restrictive (licensing; specifying groups of drugs to be supplied only by Indian manufacturers; high import duties) and stimulating measures (government investment in R&D, support for pharmaceutical exports) resulted in impressive results. An analysis of the structure of domestic drug sales shows that during the mid-1980s, the dependence on imports was eliminated and Indian pharmaceutical manufacturers were already dominating the domestic market.

The policy of import substitution has a long and diverse history, showing the various stages of economic development of the countries (Fig. 1). The evolution of import substitution policy from rigid protectionism to export-oriented strategies demonstrates the urgency of adapting economic policy to the changing conditions of the global economy.

Based on the historical analysis of import substitution policy in the different world countries, it is possible to form strategic guidelines and draw conclusions for the development and adaptation of appropriate policies in modern Russia. Historically, a successful import substitution policy does not include a complete rejection of imports. On the contrary, according to R. Prebish and G. Myrdal, it concerns with changing the structure of import itself. Russia, like many countries of the world, cannot produce all necessary goods independently. Therefore, it is important to focus on replacing important goods, primarily high-tech ones, while developing exports and integrating Russian manufacturers into global production chains.

The development of import substitution strategy and the selection of measures to realise the strategic goals are actually reduced to the determination of the key indicators (Fig. 2)

The examples of Latin America (Brazil, Argentina, Chile) have shown recently that long protectionist policies without access to foreign markets result in the stagnation, increased costs, and lower quality. In the conditions of the modern Russian economy, it is advisable to limit imports in strategic areas, but maintain competition and export orientation of the business. It is also confirmed by the experience of South Korea, Taiwan, and China. These countries developed the competitive sectors through investment in R&D, education, export stimulation, combining import substitution with export expansion. The systemic investments in human capital and scientific research were also implemented in East Asia. The example of India shows there is potential for changes in patent policy, state support for R&D and restriction of foreign companies' access to key segments to provide a significant impetus to the industry. A similar approach can be applied in Russia. In a number of industries (i.e., mechanical engineering, microelectronics, chemistry, pharmaceuticals), direct government investments, subsidies, and tax incentives are needed to both stimulate innovation and support applied science.

Figure 1. The history of import substitution development

Source: Authors

Each strategy has its advantages and disadvantages in terms of the specifics of each import substitution model. Indeed, the application of individual support measures and the specifics of industrialisation of each branch of the national economy contribute to the integrated development of the country's economy and maximise the effect of the activities of its individual subjects, providing the most appropriate approach for Russia. The experience of various countries demonstrates the importance of import substitution as a strategy, requiring a certain flexibility in the choice of instruments, a combination of protectionism and liberalism in international trade, reliance on science, education, and export activity Russia has all the necessary resources to successfully implement a balanced, adaptive, and innovative import substitution model. Those will ensure the technological sovereignty and sustainable economic development in terms of external economic challenges and uncertainty.

Historical retrospective of the development of import substitution in the countries and the analysis of the economists' works highlighted the main approaches to the concept of import substitution definition. The works of many domestic economists, various classifications of the concept of import substitution are considered. However, there are similarities in many theoretical approaches; differences occur according to the purposes of the papers; minor differences in sources depend on the interpretation of the definition itself.

Firstly, in the economic literature, import substitution is considered as a regulated, positive, and time-limited process for the country, resulted in the reduction or gradual replacement of imported products with domestic analogues [1]. At the same time, the share of national production, consumption of domestic goods, and its exports increases due to higher competitiveness of domestic production [5]. Indeed, a definition has more concise formulations. For instance, import substitution is the termination of importation of a specific commodity into a country due to the organisation of its production domestically.

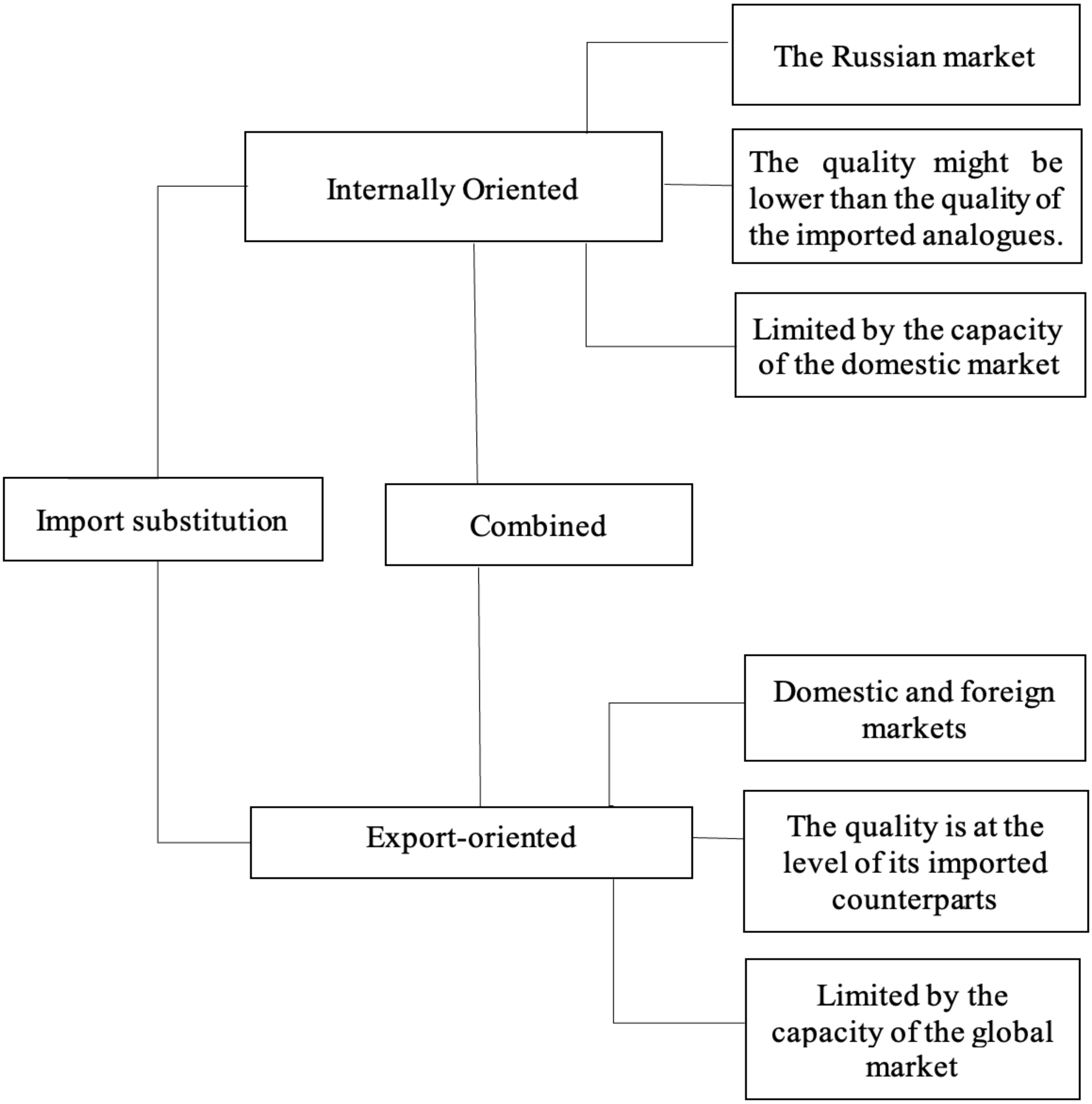

Figure 2. Key parameters of import substitution strategies

Source: Authors

Secondly, import substitution is most often understood as the policy of replacing imported goods with domestic products supported by quotas and tariffs to ensure economic independence, develop own production, and achieve economic benefits [1]. This approach has been widely used in the implementation of import substitution policies in Latin American countries – the ISI strategy. In a broader interpretation, import substitution as an economic strategy is a set of tools for the implementation of trade and economic policy of the state [5].

Thirdly, import substitution can also be interpreted a specific type of economic strategy and government policy aimed at replacing imports of goods in demand on the domestic market with goods of national production. In this case, high import duties are combined with tax benefits for local producers. According to this approach, program for the development of the necessary production infrastructure is being developed and implemented.

Fourthly, import substitution is interpreted as a way for the country's economy to integrate into the system of world economic relations. This theoretical framework for the development of international trade, based on the idea of industrial import substitution, focuses on the growth of the domestic market, goods, and services. This model of import substitution is mainly developed by the Western economics, associating it with the pressure of domestic demand [1].

Fifth, import substitution is an important factor in the economic development of the regions. In this case, import substitution is a system of measures ensuring the achievement of the regional goals in terms of the volume and structure of domestic production while reducing the consumption of imported goods [19].

Economists representing the sixth scientific approach consider the organisation of the production of import-substituting products in terms of the development of industrial enterprises [5] (Table 1).

Table 1 – The approaches to the definition of import substitution

The authors	The approaches	Characteristic
A.N. Matantsev, E.E. Rumyantseva, V.A. Semykin	import substitution as a process	The termination of importation of a specific commodity into a country due to the organisation of its production domestically.
A.A. Matyukhin, I.T. Rustamova, B.S. Zhamankulova	import substitution as a policy	The policy of ensuring economic independence, developing own production, and achieving benefits.
A. Lewis, G. Myrdar, R. Prebish, V.A. Petukhov, O.V. Starovoitova	import substitution as an economic strategy	The government's strategy is to replace imported goods with domestic ones, combining the import duties and tax incentives for local producers.
H. Channery, N. Kander, S. Linder, P.H. Linder, P.A. Kadochnikov	import substitution as a tool for the country's economy to integrate into the system of global economic relations	Industrial import substitution and the growth of the domestic market.
A.N. Makarov, D.N. Zaitsev, R.R. Ismailova	import substitution as an important factor in the economic development of the regions	The measures ensuring the achievement of the regional goals in terms of the volume and structure of domestic production.
E.V. Volkodavova, E.N. Nazarchuk	the production of import-substituting products in terms of the development of industrial enterprises	Ensuring the objectives of the enterprise in terms of volume and structure of import substitution to ensure operational efficiency.

Source: Authors

However, the classifications of import substitution approaches have a number of similar features. For instance, the economic literature considers import substitution as a functional perspective, including "import substitution as an economic strategy" and "import substitution as a policy". Indeed, "import substitution as a process" focuses on stimulating exports by increasing the competitiveness of domestic production. It corresponds to the approach considering import substitution as a way of integration into the global economy. Similarly, "import substitution as a category of economic relations" focuses on the replacement of imported products with domestic analogues. It shows the essence of import substitution as a regulated, positive, and time-limited process resulted in a reduction or phased replacement of imported products with domestic analogues.

However, not all the approaches in these classifications for import substitution can be easily compared or expressed through each other, as the concept of import substitution is being shrinking. For instance, "import substitution as a tool" aimed at realising sustainable development is a niche category focusing on the application of specific mechanisms to achieve long-term goals; the microeconomic approach focuses on the organisation of import substitution production from the perspective of industrial enterprise development. These approaches have different analytical focus, complicating their direct correlation. Similarly, import substitution as a factor of regional economic development, emphasising the importance of sectoral and regional development and is not expressible through another classification.

The variety of approaches to import substitution in the scientific literature shows the complexity and versatility of the phenomenon. Different approaches focus on different aspects of import substitution concept. Some economists emphasise the temporary nature of import substitution as a measure to stimulate production. The others associate it with the sustainable regional and sectoral development, or consider exports as an integral part of a successful import substitution policy. These differentiations derive from different objectives and the interpretative range in terms of the economic sustainability and independence. Moreover, the traditional idea of import substitution policy is often reduced to replacing all imported products with domestic ones. However, the ideologists of import substitution policy noted the following: (1) import substitution is a way of changing the composition of imports (from consumer goods to capital-intensive goods in the 1950s) rather than reducing the total volume of imports; (2) import substitution does not mean a reduction in exports, on the contrary, if exports grow sufficiently, there will be no need to limit imports, since import expenditures depend on foreign exchange earnings from exports [8].

Therefore, it is possible to present a classification of import substitution according to two main criteria: the level of application of import substitution and the nature of its impact on the economic phenomena. It systematises various approaches to understanding and implementing import substitution policy in the economy (Fig. 3).

Import substitution can be implemented at different levels of the economic system. At the macrolevel, import substitution is a government policy aimed at ensuring economic security and reducing the dependence of the national economy on external imports through tariff and non-tariff regulatory measures, and support for national producers. The mesolevel is interpreted as the implementation of import substitution programs at the regional and industry levels, emphasising the specifics of value chain formation and efficient use of the resources. The microlevel implies the activities of enterprises and corporations to produce previously imported goods to increase their own competitiveness and sustainability.

Depending on the nature of the impact on economic processes and phenomena, import substitution can be interpreted as a policy, strategy, process, or tool for implementing the functions of economic entities. The policy provides the institutional conditions and incentives for the development of domestic production. The strategy is a long-term set of measures, including the development of priority areas of development, resource planning, and targets for import substitution. The process shows the dynamics of domestic production of goods and the gradual displacement of imports, including technological and production changes. It implies the availability to achieve the industrial development, investment promotion, employment growth, and integration into the global economy (Fig.3).

Considering the analysis, import substitution can be defined as a multi-level economic strategy aimed at the establishment and development of competitive national production capable of completely or partially replacing imported goods, accompanied by a change in the commodity structure of imports. This approach concerns with the implementation of import substitution at the macro-, meso-, and micro- levels. It corresponds to the modern public administration practices, regional and sectoral development, and enterprise activities. At the same time, the qualitative side of import substitution is essential one. Therefore, it requires the development of the national products, which are able to compete both in the domestic and foreign markets. However, the realism and variability of import substitution policy should be taken into account. The key consequence of import substitution for most countries is the redistribution of imports towards more complex or specific goods and reduction of dependence on critically important import goods.

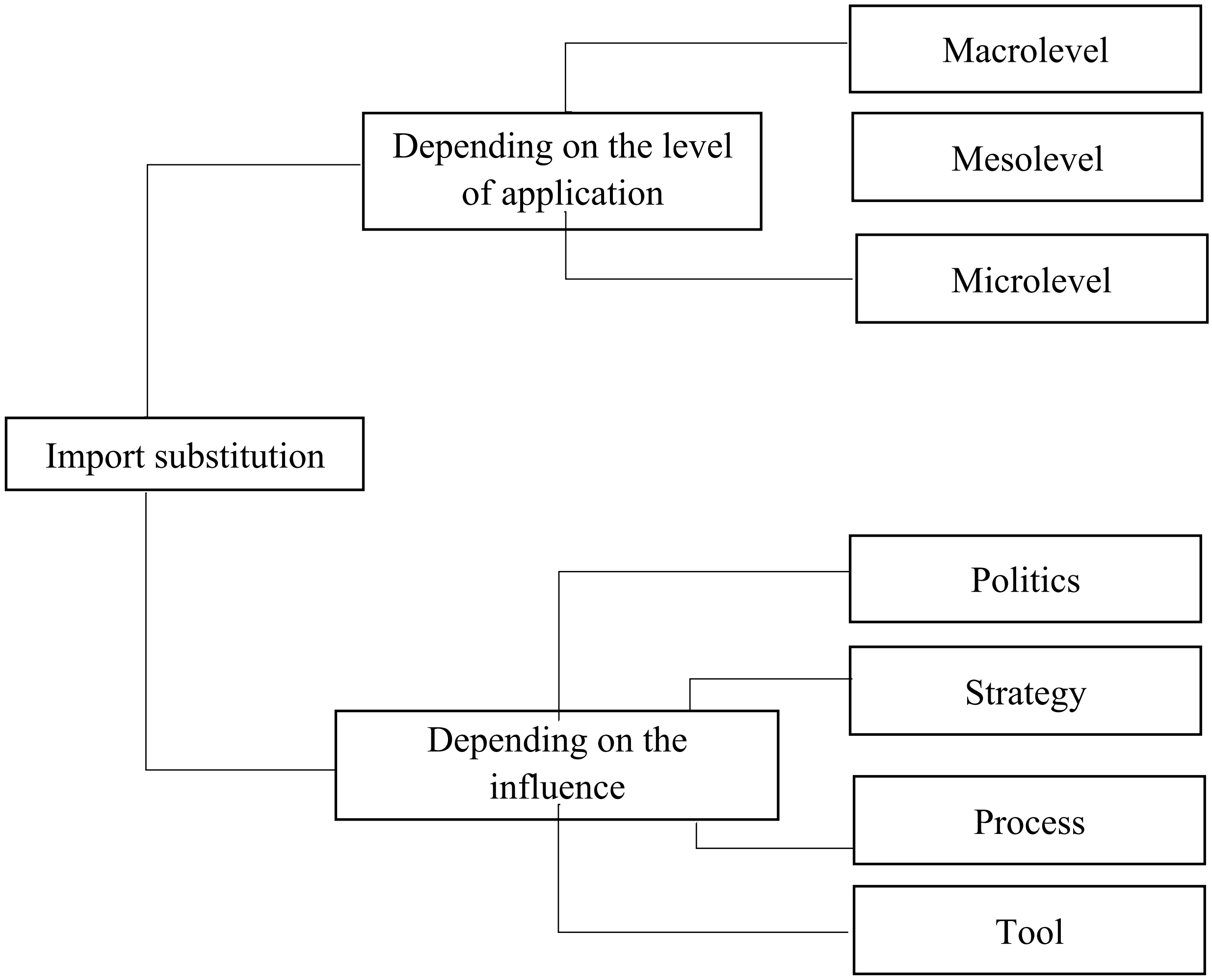

Figure 3. Classifications of the concept of import substitution

Source: Authors

Conclusions

Therefore, import substitution is a complex and multifaceted phenomenon plays a key role in the strategic development of the national economies to reduce their dependence on imports and develop national production. The analysis of the background and theoretical framework has shown an increase in global trade, accompanied by intensified international competition and import dependence, especially in countries with low export potential. It encourages public and private institutions to develop measures to stimulate domestic production. Based on the research results, we can draw comprehensive conclusions covering both historical, theoretical, and methodological aspects of import substitution policy.

The analysis of historical experience in implementing import substitution policy shows the most effective models combined elements of protectionism and export-oriented strategy. An important example is the experience of East Asia, in particular South Korea and China, where the initial protection of the domestic market was organically combined with active government support for exports and technological innovations. Meanwhile, the excessive protectionism characterising many Latin American countries in the twentieth century often had negative consequences, such as reduced competitiveness, technological backwardness, and the accumulation of external debt.

The number of approaches to the concept of "import substitution" emphasises the diversity of the interpretations of the phenomenon. In particular, import substitution can be interpreted as an economic strategy, policy, tool, process, or category of economic relations. These aspects concern with a wide range of its applications, from stimulating national production to changing the structure of international economic relations. Moreover, the concept of import substitution has undergone significant changes since its appearance in economic theory. The modern understanding should focus on reducing import volumes, changing its composition, and the development of the export potential.

This research allows ones to systematise the historical experience and theoretical approaches for a deeper understanding of the conditions and factors determining the effectiveness of import substitution policy. Additionally, it draws conclusions and recommendations for modern Russia.

However, our research has a number of limitations. One of them is insufficient attention to microeconomic aspects of import substitution policy implementation. Nevertheless, the effectiveness of import substitution largely depends on the individual characteristics of industries and enterprises. Therefore, the general recommendations can be adapted to the specific conditions of the industry and production. In addition, import substitution policy should be implemented in accordance with changing economic and geopolitical conditions. It requires continuous monitoring and adjustment of government support measures.

Indeed, further scientific research on import substitution should be focused on an in-depth empirical analysis of the effectiveness of various measures in certain sectors of the Russian economy. Hence, the development of new or detailed additions to existing sectoral strategies, based on the specifics of the market conditions and import substitution potential in each specific area, becomes extremely important. In our opinion, future scientific research should also pay attention to issues of technology transfer and human capital development, since successful import substitution directly depends on the level of qualifications and the ability to innovate.

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CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

AUTHOR'S CONTRIBUTIONS

Irina G. Perelomova – conceptualization; supervision.
Daniil V. Kornov – writing – original draft.

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