**УДК 339.56.055 (476)**

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**IMPORT SUBSTITUTION AS A FACTOR OF REDUCING THE NEGATIVE SALDO OF FOREIGN TRADE IN GOODS OF THE REPUBLIC OF BELARUS**

**ИМПОРТОЗАМЕЩЕНИЕ КАК ФАКТОР Сокращения отрицательного САЛЬДО ОБОРОТА ВНЕШНЕЙ ТОРГОВЛИ ТОВАРАМИ РЕСПУБЛИКИ БЕЛАРУСЬ**

**Annotation:** the article studies the dynamics of foreign trade in goods of the Republic of Belarus, reveals a tendency to maintain a negative balance due to the excess of imports in comparison with exports. The main commodity items in the structure of imports, which form a negative balance of foreign trade in goods, have been determined. The expediency of import substitution for those groups of goods in the production of which Belarus has a comparative advantage has been established, which will ensure a reduction in imports of goods and, as a consequence, a reduction in the negative balance of foreign trade in goods.

**Аннотация:** в статье исследована динамика оборота внешней торговли товарами Республики Беларусь, выявлена тенденция сохранения отрицательного значения сальдо за счет превышения объемов импорта в сравнении с экспортом. Определены основные товарные позиции в структуре импорта, формирующие отрицательное значение сальдо внешней торговли товарами. Установлена целесообразность импортозамещения по тем группам товаров, в производстве которых Беларусь обладает сравнительным преимуществом, что обеспечит сокращение импорта товаров и, как следствие, сокращение отрицательного сальдо внешней торговли товарами.

**Key words:** foreign trade turnover, foreign trade balance, export, commodity structure of imports, import substitution, reduction of the negative balance.

**Ключевые слова:** оборот внешней торговли, сальдо внешней торговли, экспорт, товарная структура импорта, импортозамещение, сокращение отрицательного сальдо.

Foreign trade is traditionally one of the main factors of sustainable economic growth and development of the national economy of each state. The country's foreign trade is characterized by a number of indicators, the main of which, in addition to the volume of exports and imports, are the turnover and foreign trade balance. The foreign trade turnover, which is the sum of exports and imports, is calculated, as a rule, in monetary units, since it includes heterogeneous goods that are not comparable in physical terms. The foreign trade balance is calculated as the difference between exports and imports, expressed in the value of a particular country. This indicator, as a rule, has either a positive or negative value. At the same time, the main goal of any state is the positive value of the foreign trade balance.

The Republic of Belarus implements a multi-vector foreign economic policy and actively participates in international integration processes [1].

The basis of foreign trade of the Republic of Belarus is trade in goods. Dynamics of the main indicators of foreign trade in goods of the Republic of Belarus for 2015 - 2018 are presented in table 1.

**Table 1 - Dynamics of the main indicators of foreign trade in goods of the Republic of Belarus**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Period | Million US dollars | | | | *As a percentage of the previous year* | | |
| foreign trade turnover | export | import | balance | foreign trade turnover | export | import |
| 2015 | 56 951,9 | 26 660,4 | 30 291,5 | –3 631,1 | 74,4 | 73,9 | 74,8 |
| 2016 | 51 147,2 | 23537,3 | 27609,9 | –4 072,6 | 89,8 | 88,3 | 91,1 |
| 2017 | 63 474,9 | 29 240,0 | 34 234,9 | –4 994,9 | 124,1 | 124,2 | 124,0 |
| 2018 | 72 348,1 | 33 907,0 | 38 441,1 | –4 534,1 | 114,0 | 116,0 | 112,3 |
| 2019 | 72 431,8 | 32 955,1 | 39 476,7 | –6 521,6 | 100,1 | 97,2 | 102,7 |

Note - Source: [2].

Based on the data in Table 1, it can be concluded that for the period 2016-2017, the foreign trade turnover of goods of the Republic of Belarus had a pronounced positive trend. In 2018, this indicator amounted to 72.3 billion US dollars, which is 14.0% more than in 2017, but the growth rate is already declining. Exports in 2018 increased by 16.0% and amounted to 33.9 billion US dollars. Imports during this period increased by 12.3% and reached 38.4 billion US dollars.

In 2018, the foreign trade balance showed a downward trend in the deficit, but at the same time, it still has a negative value of (-)4.5 billion US dollars.

In 2019, the value of the foreign trade turnover of the Republic of Belarus amounted to 72.4 billion US dollars, an increase of only 0.1% compared to the same period in 2018, including exports reached 32.9 billion US dollars, which is 2, 8% less than in the previous year. This negative trend was due to 9.7% reduction in the supply of energy products. At the same time, the export of non-energy goods increased by 0.5%. [3]. Imports increased by 2.7% and reached 39.4 billion US dollars.

The balance of foreign trade in goods of the Republic of Belarus in 2019 showed negative dynamics in comparison with previous similar periods and amounted to (-) 6.5 billion US dollars.

The foreign trade deficit of the Republic of Belarus is formed primarily from trade with the EAEU member countries. At the end of 2019, the negative balance with this group of partners amounted to 12% of GDP [4]. In foreign trade turnover with third countries, the Republic of Belarus has mainly a positive trade balance. However, over the period of 2019, the balance significantly decreased (by 3.1 billion US dollars) and amounted to 1.2 billion US dollars (1.9% of GDP versus 7% of GDP in 2018) [4].

The main trade partners of the Republic of Belarus among non-CIS countries are China and the EU states: Germany, Poland, Great Britain, Lithuania, the Netherlands.

Belarus' imports from non-CIS countries in 2019 amounted to 17.2 billion US dollars, having decreased by 9.7% compared to the previous year [4].

The countries with which the largest negative balance of foreign trade in goods of the Republic of Belarus was formed in 2019 are presented in Table 2.

**Table 2 - Leading countries in the formation of a negative balance of foreign trade in goods of the Republic of Belarus for 2019, USD million**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Index** | **Russia** | **China** | **Italy** | **Turkey** | **Germany** | **USA** | **Spain** | **France** | **Czech Republic** |
| **Export** | 13685,8 | 673,3 | 97,9 | 140,8 | 1306,8 | 192,5 | 16,7 | 109,5 | 118,1 |
| **Import** | 22016,4 | 3807,6 | 803,0 | 760,4 | 1795,1 | 663,1 | 337,7 | 345,8 | 239,9 |
| **Balance** | –8330,6 | –3134,3 | –705,1 | –619,6 | –488,3 | –470,6 | –321,0 | –236,3 | –121,8 |

Note - Source: own development based on [[2]].

The data in Table 2 indicate that the largest negative balance in foreign trade in goods of the Republic of Belarus was with the Russian Federation and the People's Republic of China: (-) 8.3 billion US dollars and (-) 3.1 billion US dollars, respectively. Further, in descending order, there are such countries as Italy, Turkey, Germany, USA, Spain, France, Czech Republic.

The main goods that form the negative balance of the foreign trade balance of the Republic of Belarus in trade with non-CIS countries are engineering products, goods of light industry and plant growing, the import of which contributes to the introduction of modern technologies and thereby significantly increases the efficiency of the country's economy.

Mechanical engineering products generate the largest negative balance of 4.5 billion US dollars. Imports of machinery and equipment in 2019 amounted to 5.8 billion US dollars, an increase of 11.2%. The export of this group of goods to non-CIS countries is insignificant.

Imports of light industry products reached 2.9 billion US dollars (+ 6.8% to 2018 volumes). The negative balance for this group of goods amounted to 2 billion US dollars.

Significant volumes of consumer goods imported by imports indicate that this sector of the country's economy has not yet reached the necessary quality parameters to meet domestic needs and increase the supply of this group of goods to the far abroad. [4].

In general, the structure of imports in the Republic of Belarus for the period of 2019 was represented by the following main commodity groups: mineral fuel, oil and products of their distillation; bituminous substances; mineral waxes; nuclear reactors, boilers, equipment and mechanical devices, their parts; electrical machinery and equipment, their parts; sound recording and reproducing equipment, equipment for recording and reproducing television images and sound, their parts and accessories; means of land transport, except for railway or tram rolling stock, and their parts and accessories; plastics and products from them; ferrous metals and products from them; pharmaceutical products; optical, photographic, cinematographic, measuring, control, precision, medical or surgical instruments and apparatus; their parts and accessories, etc. [5].

In terms of the commodity structure of imports, the negative foreign trade balance of Belarus is formed by the following categories of goods:

- goods, the dynamics of imports of which corresponds to the dynamics of exports (mineral fuels, ferrous metals, various food products, tools and apparatus both optical and photographic);

- goods, the dynamics of export of which is ahead of the dynamics of their imports (pharmaceuticals, plastics and their products, fish and crustaceans, residues and waste of the food industry, animal feed);

- goods, the dynamics of imports of which is steadily ahead of the dynamics of their exports (equipment, mechanical devices, electrical machines, etc.).

In order to reduce the tendency for the excess of imports of goods over exports in the Republic of Belarus, identified in the course of the study, it is necessary to intensify the implementation of the import substitution policy.

Import substitution is understood as state policy aimed at rationalizing the import of goods and services by stimulating domestic producers of similar products, creating new enterprises in the country, including those with the participation of foreign capital to organize the production of products that were previously imported [6].

It can be argued that import substitution implies a reduction in imports with a simultaneous release of foreign exchange funds, as well as an increase in the production of similar goods within the country with the possibility of their subsequent sale in the external market.

In this context, it should be noted that at present Belarus is implementing a policy of import substitution as one of the main components of the country's economic policy.

In particular, for the period 2015-2020 national products replaced imports worth more than 37 billion US dollars. We increased the volume of production of import-substituting products from 11.8 to more than 20.2 billion US dollars over this period. The share of import-substituting products in the total volume of industrial production increased: from 26% to 37%. About 52% of import-substituting products are imported by other countries [7].

The Ministry of Antimonopoly Regulation and Trade of the Republic of Belarus has developed a List of consumer goods offered for the development of their production, the production of import-substituting products and the development of the range, taking into account the market conditions in 2020. This list includes several groups:

1. The first group, containing goods, which are produced in the republic, but in insufficient quantity and range, or which do not fully meet the demand for certain parameters (properties).

The nomenclature for this group includes: electrical goods, dishes, household goods, tools, locks and hardware, household chemicals, plant protection products in personal subsidiary plots, fertilizers, plastic products, sanitary ware, building materials, haberdashery goods, products sanitary and hygienic purposes, perfumery and cosmetic products, television and radio goods, watches, school-writing goods and stationery, goods for physical education (sports and tourism), passenger cars, scooters, toys, furniture, tools and accessories for pets, fabrics, bed linen, clothing and knitwear, footwear, as well as a certain range of food products [8].

2. The second group, containing goods not produced in the country, which include electrical goods, dishes, household goods, tools, household chemicals, sanitary ware, construction materials, haberdashery goods, TV and radio goods, photographic goods, computers, school and writing goods and stationery, goods for physical education (sports and tourism), motorbikes, toys, goods for children, accessories for newborns, tools and supplies for pets, fabrics, as well as a certain range of food products [9].

The import substitution policy in the Republic of Belarus involves the expansion of the share of the provision of the domestic market with domestic goods. Moreover, its main task is not the mechanical substitution of imported goods by domestic counterparts, but the development of competitive national production [10]. The list of commodity items for import substitution is annually adjusted and updated. In particular, it includes new items for which the import of goods increased in the previous year and amounted to more than one million US dollars and excludes items for which there is practically no import. Thus, the country is pursuing an effective policy to reduce import dependence. Priority is given to commodity items similar in technological processes to those already manufactured.

The main manufacturers of import-substituting products are organizations of the Ministry of Industry, the Belneftekhim Concern, the Bellesbumprom Concern, the Ministry of Architecture and Construction, the Ministry of Health, etc. [11].

In particular, the Ministry of Industry of the Republic of Belarus has developed a List of products demanded by organizations in this industry and recommended for development on the territory of our country: radiators and components, bearings, braking equipment, cable products, turbochargers, etc. [12].

The Belarusian State Concern for the Production and Sale of Light Industry Goods ("Bellegprom") has compiled an approximate list of goods of foreign origin purchased by the enterprises of the industry, potentially possible for production by small and medium-sized businesses in Belarus. The basis of this list is made up of: accessories, shoe upper blanks, shoe bottom blanks, packaging products, chemicals, technical equipment and consumables for technological equipment, other materials and components not related to technological equipment [13].

Organizations of the Belarusian Production and Trade Concern of the Timber, Woodworking and Pulp and Paper Industry (Bellesbumprom) use a number of imported materials (raw materials, chemical compositions, components, etc.) in their production. To a greater extent, goods that are not produced (sold) on the territory of the Republic of Belarus or are produced in limited quantities are used. In addition, it can be goods, the price of which is lower than that of domestic counterparts. The industrial organizations of this concern are ready to use import substituting materials in their activities [14].

In the country as a whole, the main directions of import substitution include the production of light and food industries, woodworking, the production of cosmetics and household chemicals, the production of medical devices, the production of certain types of components and building materials, the development of innovation, etc.

Lists of imported goods for their possible development by small and medium-sized businesses in the Republic of Belarus are presented on the websites of republican government bodies, regional executive committees, Minsk city executive committee, which indicates a certain capacity of the domestic market and the demand for import-substituting products.

Of particular importance are those areas of import substitution in which our country has comparative advantages, Belarusian production organizations will be able to be competitive in the long term and the development of new products will contribute to the diversification of export flows. In the future, the import-substituting industries created in the republic should be focused on the EAEU and far abroad markets, which, in turn, will provide a scale effect.

The accelerated growth of the production of import-substituting products in our country is facilitated by R&D, provision of financial and technical resources, the availability of the necessary infrastructure, the introduction of modern communication and information technologies.

Thus, on the basis of the study, it can be concluded that the policy of import substitution is advisable and relevant, which, in turn, will reduce the import of goods and, as a result, reduce the deficit and reduce the negative balance of foreign trade in goods of the Republic of Belarus.

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