



## Localization of Production–The Primary Factor in the Quick Development of Industry

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<http://dx.doi.org/10.47814/ijssrr.v6i3.1164>

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### **Abstract**

The established measures for localization of production in Uzbekistan and their application, as well as the accomplished results and directions for furthering localization, including the author's ideas, are discussed in a transparent way in this article.

**Keywords:** *Localization of Production; Degree of Localization; Cooperative Relations in Industry; Industrial Fairs; Electronic Cooperation Portal; Import Substitution Components*

### **Introduction**

Any country seeking rapid development strives to produce imported goods and materials, generate new jobs, and increase its proportion of added value. Countries attempt to offer numerous incentives, preferences, and other facilities in order to attract commercial entities to the localization of production.

Uzbekistan also strives to create favorable conditions for production localization, the expansion of economic entity cooperation for the production of products in high demand in domestic and foreign markets, and the production of finished products, components, raw materials, and materials that replace imports.

Meanwhile, there are untapped prospects for localization of production and expansion of cooperative relationships, the realization of which would result in quick production development and the creation of more new employment in the industry.

*The state has also provided further circumstances for the localization of manufacturing and the establishment of cooperative relationships in the industry.* The manufacturing of imported raw materials, materials, or parts and components of sophisticated procedures and technologies in compliance with defined standards and needed quality is referred to as localization.

Localization is advantageous for the state, the manufacturer, and the purchaser. If there are new jobs for the state, there will be budget revenues, a business direction and a source of income for the manufacturer, and a low-cost, high-quality product for the consumer.

“On measures to further develop industrial cooperation and expand production of high-demand products” adopted in Uzbekistan in 2019 and “On further increasing the responsibility of State and economic management and local executive authorities for the localization of production and the introduction of a new system for accelerating cooperative relations in industrial sectors” by the decisions of the president of the Republic of Uzbekistan on localization of production converted.

To further expand industrial product production in Uzbekistan, widely involve small business entities in industrial activities, strengthen and develop industrial cooperation, and reduce the cost of manufactured products as long-term priorities, targeted involvement of economic entities from all levels of the industrial product market, regular industrial holding fairs, and the operation of an electronic cooperation portal as an important means of communication are being organized.

Localizing the production of finished products, components, and materials on the basis of local raw materials and industrial cooperation was set as one of the most important priorities as a result of these decisions. This was accomplished by incorporating scientific research findings and cutting-edge innovative technologies into the manufacturing process of industrial products. In addition, accelerating cooperative relations within various industrial sectors were deemed to be another one of the most important priorities.

To achieve the goals of establishing a unified system for the localization of industrial production in the republic, accelerating the processes of localization of production in sectors and regions, mastering the production of components, spare parts, and materials by making the most of available production capacity, expanding cooperative relations in industry, and maximizing the efficiency with which imports are utilized, sectors, regions, and countries will need to work together. The post of the mayor’s assistant on issues of localization of production and expansion of cooperative relations in the industry was incorporated into the structures of Tashkent city administrations, and their primary responsibilities were defined. Their responsibilities include the following:

- Formation of a clear list of finished products, components, spare parts, and materials to be localized on the territory, based on a thorough examination of the import volume and nomenclature of the republic and taking into account the territory’s available resources;
- On the basis of an analysis of the proposals and potential of foreign firms and organizations, make ideas for the extensive participation of foreign partners in industrial cooperation for the acquisition of the most in-demand types of products that serve as import substitutes;
- Continuously assisting project initiators in developing regional localization program projects, coordinating their implementation, identifying partners and establishing long-term cooperation relationships;
- Conducting systematic monitoring of the achievement of the objective parameters established in the projects of the regional localization program and submitting ideas to the authorities for the elimination of the discovered systemic faults and shortcomings;
- Posting and updating data on the volume and technical specifications of industrial products produced in the region on the portal for electronic cooperation;
- Implementing comprehensive measures for the development of regional industrial cooperation by providing economic entities in the region with detailed information on the types, technical specifications, and quality indicators of industrial products manufactured in the republic, and by organizing regional industrial fairs on a regular basis.

As the primary reformer, the state established the economic circumstances for intensifying indigenization, including:

- Creation of the internet portal Cooperation.uz to simplify the sale of locally manufactured completed goods, components, raw materials, and materials on the home market;
- The State Fund for the Promotion of Entrepreneurial Activities guarantees up to 5% of the interest rates on commercial bank loans for up to 50 percent of the loan required for the implementation of investment projects for the production of localized products;
- In the case of three or more participants–local manufacturers, state purchases are carried out among local manufacturers according to the customer’s choice;
- The possibility of up to a 20% pricing preference relative to local manufacturers when the state purchases items from specific industries;
- Privileges and preferences, such as the fact that organizations developing the types of products included in the localization program are allowed to pay customs fees for the import of components, raw materials, and materials for their production needs for up to 120 days from the date of issuance of the customs declaration, are an essential factor in the expansion of localization (except for customs clearance fees).

Local government authorities convey to entrepreneurs the opportunities generated for the localization of production and the creation of cooperative relationships in the industry, and their active participation in these processes is carried out.

*State program of localization of production.* As part of the localization effort, the production of import–substituting goods in the Samarkand region increases each year. If in 2019 190.0 billion soums worth of products were created for 36 products, in 2022 1,588.8 billion soums worth of products were produced for 64 products, meaning the number of localized products increased to 28 and their value increased 8.4–fold.

In 2023, the region is anticipated to generate 2,046.5 billion soums worth of 100 different items, of which 81.9 million dollars will be exported.

State management authorities have been offering complete help to local producers in the areas of successfully managing their activities, maximizing the created capacity, producing new goods to replace imports, and exporting local goods.

*Electronic cooperation portal.* The state–created electronic commerce portal cooperation.uz, intended to foster advantageous conditions for regional businesses, has begun to enable the sale of regional industrial products. Today, the electronic collaboration website is recognized as the key trading channel for acquiring commodities from regional producers.

Nowadays, 96,812 manufacturing enterprises with 184,258 products use the electronic collaboration platform. Through the website (<https://cooperation.uz>) in 2022, 59,189 contracts were performed for a total of 15,013,2 billion soums.

The capabilities of the electronic collaboration site are improving, and the number of its members, as well as the number and value of the contracts they sign, increase daily.

Displays of industrial cooperation and product exhibitions. An focus has been placed on industrial cooperation fairs that assist local industrial enterprises, localized product sales, and the formation of new cooperative ties.

In 2021 and 2022, it will be standard practice to hold industrial cooperation fairs in the Republic of Karakalpakstan, its regions, and the city of Tashkent, to conduct negotiations and sign contracts on the sale of localized products, and to formalize agreements on establishing cooperation relations in the industry regarding the localization of imported components, raw materials, and materials.

Simultaneously, at the start of 2022, the “Sof EXPO” exhibition hall was inaugurated in the Jomboy area of the Samarkand region. It is a permanent, contemporary facility with all amenities. The exhibition has a total area of 9,500 square meters, of which 4,500 square meters are enclosed space.

In the past, the show hosted specialty displays on construction techniques and technologies, agricultural techniques, technologies, and products, industrial collaboration, medicinal plants, and biologically active additives.

The worldwide exhibition of agricultural products, processes, and technologies “AGRO Pro EXPO 2023” will be place in the Jomboy district of the Samarkand area on February 21–23, 2023. Participating in the exhibition were 150 businesses offering over 3,000 product varieties. 6,200 representatives of local farms, businesses, and agriculture–related organizations, along with 300 international experts, participated in the expo.

The exhibition includes a total of 535 billion soums for 2023: 210 billion soums worth of agricultural machinery, 150 billion soums worth of water–saving technology introduction equipment, 70 billion soums worth of chemical plant protection products, 30 billion soums worth of livestock, 25 billion soums worth of in vitro fruit seedlings and vegetable seedlings, 50 billion soums worth of other agriculture Contracts for the purchase of farm products were signed.

The “World Edu 2023” worldwide educational exhibition, e–commerce, logistics, Internet publications, and customer relationship management, it is planned to hold the “e–com & retail” international exhibition, where services in areas such as automation and finance will be displayed, as well as the “Regional Industrial Fair”, which aims to establish and develop cooperative relationships between industrial enterprises, and exhibitions of construction techniques and technologies.

*The advantages of localization of production.* Increasing localization has many benefits for the state, including increasing employment by creating new positions, ensuring economic and social stability, raising tax revenues by expanding output, and boosting human capital.

Localizing components and materials previously imported by businesses represents a substantial investment in human capital. The workers and employees involved in this process develop their knowledge, skills, and experience as they master new components. With their collaboration, new product localization will be simplified. A layer of qualified, experienced specialists will emerge in the region, creating an opportunity for businesses to develop entrepreneurialism through the production of new products based on their expertise.

For example, as part of the “Stekloplastik” enterprise’s localization program in the Samarkand district of the Samarkand region, buses and trucks of the “ISUZU” brand, manufactured at the “Sam Auto” automobile manufacturing enterprise, and “MAN” and “Sinotruck” manufactured at the “Uz Truck and Bus motors” automobile manufacturing enterprise, have been localizing and producing several types of glass fiber plastic components for manufactured trusses. The purchase of such components for “KamAZ” vehicles, which began production at the “Uz Auto Trailer” company, took minimal time and money. This company also had little trouble producing glass –plastic components for trams manufactured in the Czech Republic, which began operating in Samarkand.

Localization provides an entrepreneur with an assured market. It does not take much work or expenditure for an entrepreneur to research market size, competitive price, and product quality while producing import–substituting items. In the case of imported components produced through industrial cooperation, the entrepreneur collaborates directly with the importing firm on product development and localization.

Entrepreneurs who have the opportunity to localize in automotive enterprises, for example, are given the import price of the product, a foreign supplier, a product sample, technical requirements for its production, and expert support and advice in creating a sample of the product and bringing its quality to the required level. The entrepreneur will have a product with guaranteed sales as a result of this method.

“Mitan Yogdu Elektrik” in Ishtikhon district and “Esmak Automotive” in Pastedgom district steadily worked on the localization of imported components to the “Sam Auto” automobile manufacturing firm, creating entrepreneurship and dozens of jobs for themselves.

Residents gain from localization as well. The most significant point is that there will be more low–cost products on the market from which the buyer may select the one he prefers. Another significant circumstance is that makers of sophisticated equipment (cars, home appliances) organize after–sales service, allowing customers to utilize the product for an extended period of time.

## **Conclusions**

1. It is necessary to significantly reduce the import of these products by increasing the quantity and quality of products produced locally, lowering the price of those products, and increasing the level of localization in businesses that are a part of the localization program. Concurrently, it is desirable to localize new types of imported products with businesses that are making efficient use of chances for localization. This can be accomplished by working together.
2. It is essential to entice new businesses to participate in the localization process, educate these businesses on the opportunities and benefits of localization, and invite these businesses to displays of industrial collaboration. This, in turn, leads to an increase in the quantity of locally produced goods that are available on the market and an increase in the weight that regional businesses carry in the local community’s economy.
3. It is necessary to increase the effectiveness of industrial fairs and cooperative exhibitions, to inculcate the exhibition culture in businessmen, to increase the competencies of both product presentation and mutually beneficial negotiations, to make extensive use of social videos about exhibitions and other advertising tools, to hold industrial forums at fairs in order to determine the directions of industry development in the global industry. It is essential to discuss the accomplishments. Introducing and expanding “Industry 4.0” material at all trade shows is vital.
4. To achieve complete placement of the products of existing participants and to make full use of the benefits of electronic trade, it is important to grow the number of local manufacturing businesses that participate in the electronic cooperation portal. Because of this, it is essential to publicize the benefits of using this trading platform by demonstrating the success of the participants in the portal’s previous sales transactions conducted via the portal. At the moment, the majority of the purchasers of the electronic collaboration site are state–owned businesses. As a result, it is imperative that promotional efforts be carried out in order to communicate the opportunities presented by electronic sales to private businesses.

Localization of production and the expansion of industry cooperative relations will be the primary drivers of development in the near future. As a result, increasing the involvement of entrepreneurs in this process will greatly encourage the regional economy’s quick expansion.

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