

# Theory of Development of the Localization Program in the Railway Transport System of Uzbekistan

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**Abstract:** This article discusses the theoretical foundations and describes the promising directions of the localization program in the system of JSC “O‘zbekiston Temir Yollari”. As well as on the basis of a comprehensive analysis of the existing approaches, some problems of the localization program formation were identified and proposals for development and improvement in the system were developed.

**Keywords:** Localization of production, economic development, rational use of local resources, industry support, job placement, economic security, and import substitution.

## I. INTRODUCTION

In our country, the establishment and sustainable development of industries, their technical and technological re-equipment, modernization and diversification, efficient use of existing resources, provision of domestic markets with national products, creation of new jobs and population mobility, export-oriented and based on the import substitution policy in the production of import substituting finished products, components and materials Efficiency and competitiveness of the livestock can be achieved.

Shavkat Mirziyoev, president of our country, in every speech of the media, states that enterprises should "establish enterprises that produce modernized, competitive and import-oriented, export-oriented products" [1]. Therefore, it is required to introduce import substitution policies in order to facilitate the establishment of import-substituting and export-oriented enterprises. Taking into consideration the national peculiarities of the country based on the rich experience of the developed countries in implementing this policy, the implementation of the necessary reforms is one of the pressing issues of today.

The policy of import substitution is effective only for the economy, if it is competitive with respect to imports of domestic production and quality.

The policy of import substitution in our country has been in place since 2000. Its outlook is a "production localization program", one of the tools of import substitution.

It was noted that over 2.5 thousand projects worth \$ 4 billion have been implemented in the country since 2000 within the program of localization of production of finished products, components and materials in the country. During the same period the import substitution rate increased by 220 times. Over the past 10 years, the share of localized products in the total volume of industrial production increased from 9.2% to 20%.

In January-December 2017 within the framework of localization program of finished products, components and materials 999 trillion soums were produced for 799 projects, localized goods worth \$ 512.4 million were exported, and 3018 new jobs were created. was created [2].

## II. LITERATURE REVIEW

A number of normative documents of the national legislation The decrees and resolutions of the President of the Republic of Uzbekistan, resolutions of the Cabinet of Ministers have established the legal framework for the localization program.

The theory of localization of production in the economy has been studied by scientists, scientists and scientists of the world. Theoretical-methodological foundations of localization of production have been studied by economist scientists in the field of regional economics. According to them, the concept of localization of production means that the production of the product is localization.

Ideas on the development of an efficient productive system based on the rationalization of production (Localization) have a long history, and the emergence of industrial production has resulted in "stan- dard", that is, placement instruction. With the emergence of works on the industrial production system of I. Tyunen, A.Veber, T.Palander, A.Lyosh, V.Cristaller, V.Bunge, M.Scarlet and others, the word "shtandort" is a new meaning, and it became a teaching.

An economist specializing in International Economic Relations describes the concept of localization as a tool

of import substitution. Important feature of the import substitution policy is the industrialization of the economy by restricting and discriminating imports. In other words, the policy of import substitution implies artificial incentives (foreign trade and currency) for domestic producers to ensure competitiveness in the domestic market.

The theory of import substitution was first proposed by the German scientist Friedrich List in the nineteenth century. He pointed out that each state should pay special attention to its national economy.

Russian Economic School N.D. Kondratev defines the theory of import substitution by means of accelerated development of the private sector of the state, production and welfare of the population.

During the 60-70th years of the 20th century, H.Cheney, a neo-bookmaker, conducted research in the direction of development of the country's economy through import substitution within the framework of M.Bruno, A.Straug, N. Kerarteres.

Later, an American economist, Michael Porter, conducted a research study on the country's international competitiveness issues and concluded that only active support for domestic producers would be effective if there were certain facts.

As a result of the definition given to the economic implication of the "impactor replacement" by the economist scientists above, two approaches have emerged. That is:

Support for local producers (VKFalman, DN Zaytsev, B.A.Rayzberk, L.Sh.Lofovskiy, E.B.Starodubtseva, T.K. Kalashnikova, ESNazarchuk, O. V.Starovoytova, L.A.Noiev, NS Suhukova, DA Smirnov), checking of imports (OB.Berezinskaya, A.V. Vedev, P.Kadochnikov, E.F.Baranov, N.V.Volkova, E.Volkodavova).

The country has been consistently studied on the basis of theoretical and practical research on the economic benefits of the complex use of raw materials and the world experience of production of raw materials. In particular, these problems were addressed by Uzbek scientists LMTursunhojaev, N.M. Mahmudov, I.Tohliev, A.Kodirov, A.Yusupov, A.Aliev, A.Xabikarieva, A.Sherhonov, E.Ashmuhamedov, A.Sh.Bekmuradov, M.K. Kovbocenka, R.M.Salavatulin, G. N.Matchina, T.I.Iskandarov, N.K.Boboxojjaev, O.A.Sultonhodzhaev, R.Sayfulina, S.M.Mansurov, T.T.Topvoldiev, R.Rakhmanov, DA Mirkhanova, Sh.I. Mustafakulov and other economist scientists.

Thus, the main characteristic of the theory of localization of production is the industrialization of the economy by localizing the imported products into the country. Implementation of this theory involves the creation of artificial incentives (tax and customs privileges) for the development of certain sectors of the local industry to increase competitiveness in the domestic market and contribute to the growth of industry in the country's GDP.

### III. RESEARCH METHODOLOGY

The enterprises selected for the research were selected for the study. The findings of the study analyzed the work carried out on the basis of the localization network and the state program in the community. In the development of conclusions and recommendations, systemic and factor analysis is based on the results of sequential analysis, statistical grouping, inductive and deductive, monographic and expert analysis.

### ANALYSIS AND RESULTS

In pursuance of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan on the results of socio-economic development of the republic in 1999 and the course of economic reforms in 1999 and the first meeting of the President of the Republic of Uzbekistan IAKarimov in the second session of the Oliy Majlis of the first convocation on February 11, 2000, political, economic, and spiritual spheres, as well as the security of the country y in accordance with the decisions of the Cabinet of Ministers of the Republic of Uzbekistan on September 5, 2000, "the period up to 2005 on the basis of local raw materials and materials" On the Program of localization of production of VM-342 dated.

This resolution envisages the localization of production of materials and materials on the basis of local raw materials for the period up to 2005 developed by the Complex of the Cabinet of Ministers of the Republic of Uzbekistan, developed by the Ministry of Macroeconomics and Statistics, the Ministry of Finance, the concerned ministries and agencies, concerns, companies, associations and corporations, enterprises and associations.

However, it has developed and approved its network program on the localization program of materials and materials on the basis of local raw materials used in the activities of SJSC "Uzbekistan Railways". In order to expand production of import-substituting products, the Republic of Congo held meetings with the industrial enterprises and ministries and departments of the republican industrial complex.

During 2000-2005, the company produced more than 350 names of products, of which 140 products were import-substituting products (Table 1).

TABLE-1: During the period from 2000 to 2005, the products produced by JSC "Uzbekiston Temir Yullari"

№	Years	Number of projects		Product value	
		Plan	Fact	Plan	Fact
1.	2001	95	97	2.19	2.98
2.	2002	39	50	2.89	3.96
3.	2003	110	132	8.5	8.6
4.	2004	159	160	11.8	13.8
5.	2005	-	285	-	25.22

Source: Created by the author on the basis of the appendix to the Presidential Decree of Localization.

In accordance with the Resolution of the President of the Republic of Uzbekistan dated June 22, 2006 N PP-386 "On Program of localization of production of finished products, components and materials on the basis of local raw materials for 2006-2008" , "About localization program of production of components and materials", from January 29, 2009 of No. PP-879 "On localization of manufacture of finished products, components and materials on the basis of industrial cooperation in 2009" About the Program of localization of production of finished goods, components and materials on the basis of industrial cooperation for 2010 "from July 23, 2010 of N PP-1048" About approval of the Situation on the procedure for placement, On the Program of localization of production of finished goods, components and materials for 2014-2016 "of the PP-1520 dated February 4, 2014" On Program of localization of production of finished products, components and materials based on industrial cooperation " numbered According to the decisions, "Uzbekistan Temir Yollari" and took on the project of localization of production of import-substituting products produced (Table 2).

TABLE-2: Projects implemented by OJSC "Uzbekiston Temir Yullari" within Localization Program for 2006-2014

№	Years	Presidential Decree	Number of projects	Product value (billions soums)
1	2006	PQ-386	6	-
2	2007		6	15.7
3	2008	PQ -879	6	27.13
4	2009	PQ -1048	25	84.42
5	2010	PQ -1306	22	94.8
6	2011	PQ -1590	20	109.5
7	2012		20	121.12
8	2013		20	123.8
9	2014	PQ -2120	8	33.8
10	2015		24	37.2

Source: Created by the author on the basis of the appendix to the Presidential Decree of Localization.

In the Appendix 1 to the Decree of the President of the Republic of Uzbekistan "On Program of Localization of Production of Finished Products, Components and Materials for 2015-2019", dated February 11, 2015, in the Annex 1 of the Decree of the President of the Republic of Uzbekistan "On localization of imports and intersectoral industrial cooperation" target parameters of large enterprises and organizations. According to him, in 2015-2019, it was tasked with reducing the imports by localization of production by "Uzbekistan Railways" JSC (Table 3).

TABLE-3: Uzbekistan Railways plans to reduce imports due to localization of production

billion dollars

№	Name of organization and organization	Reduce imports due to localization of production				
		2015 year	2016 year	2017 year	2018 year	2019 year
1	Joint Stock Company "Uzbekistan Temir Yullari"	22,2	23,8	24,2	26,7	30,3

Source: The author has been prepared on the basis of the annexed to the Resolution of the President of the Republic of Uzbekistan No. PP-2298.

Resolution of the President of the Republic of Uzbekistan dated 26 December, 2016 "On measures to continue implementation of promising projects of localization of production of finished goods, components and materials for 2017-2019", dated February 26, 2015, In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № PP-2298 "On Program of localization of production of finished goods, components and materials in the period of 2019", the Joint Stock Company "Uzbekistan Railways" production of localized products worth 174.6 billion soums. From 2015 to 2018 (during the six months of 2018) localization of production of goods and materials amounted to 176 billion soums during the years (Table 4).

TABLE-4: Value of products manufactured in accordance with the Localization Program of JSC "Uzbekiston Temir Yullari"

*billion UZS*

№	Name of organization and organization	The value of products produced based on the localization program				
		2015 year	2016 year	2017 year	2018 year (6months)	2019 year (plan)
1	Joint Stock Company "Uzbekistan Temir Yullari"	37,2	47,2	47,6	44,3	-

Source: The author has developed on the basis of the appendices given in the decisions of the President of the Republic of Uzbekistan PQ-2298 and PQ-2698.

In 2015, 24 projects of the localization program worth 34.5 billion soums are planned, including 18 new production projects, 6 localization programs worth 23.2 billion soums and 11.2 billion soums in accordance with the program developed.

Within the framework of localization program for 2015, the company implemented 24 projects totaling 37.2 billion soums (107.7% against the forecast of the previous year), including the stimulation of increasing localization of imported products, including:

- The value of 3.7 bn. The wagon loaded with TS 2100 Ressorustki, side sidewall, corpus bags (100% according to prognosis).
- Cargo wagons with a value of 0.6 billion soums were purchased and back pillars were developed (100% according to the prognosis).
- The value of 0.7 bn. 1200 locomotives bulkheads, freight wagons and friccount apparatus were developed (100% according to the practice).
- 80 metropolitan wagon telescopes and resuscitation shafts with a value of 1.7 billion soums were developed (100% in the prognosis).
- Overhaul of 8 metropolitan wagons with a value of 7.5 billion soums, with the extension of service life, was repaired.
- In 2016 it is planned to implement 40 projects totaling 41.9 billion soums, which is by the end of the year 47.2 billion soums, or 112.8% of the forecast.
- Semi-trailers of 12-9768-02 and 4-axle transport tanks were developed with 35 4-axis telescopes totaling 8.9 billion soums.
- 2800 units of the exhaust system, side shafts and cargo car body body (100% according to the prognosis) with the cost of 4.9 billion soums.
- The value of 1.6 billion. A total of 2600 freight wagons, combined and rear axles, locomotive bucks and corpus hulls (100% in practice) were developed.
- 8 metropolitan wagons, with a value of 8.6 billion soums, have been repaired with the extension of their service life (100% according to the prognosis).

118490 consumer goods, agricultural tools, metal products and other products with total cost of 5.9 billion soums were developed.

In 2017 within the localization program it is planned to implement 46 projects totaling 47.5 billion soums, of which 46 projects worth 47.6 billion soums were implemented. 100.2% to the forecast

- 12/9768-02 semi-trailers and 4-axle crusher tanks with 4-axis telescopes.
- Carrying of cargo wagons over resorbable rail, cargo carriageway side frame
- Multiple projects on Metallurgy wagons, Edge and Resistance and others and consumer goods production;

Moreover, it is planned to implement 11 new projects worth 2.5 billion soums on production of import-substituting and localized products.

According to the results of the first half of 2017, 46 projects worth 26.6 billion soums or 101.4% of the forecast have been implemented:

12-9768-02 semi-trailers and 4 lanes for transportation of chemical cargoes, more than 100 thousand consumer goods (kitchen utensils, children's carriages, skiffcops and bicycles, door locks), reinforced with a 4-spoke tele 35, 10,000 units of projects, spare parts for fuel.

Implementation of all projects included in the Localization Program will be carried out in accordance with the production plan approved by the network.

In 2018 within the localization program it is planned to implement 52 projects totaling about 80 billion soums, including 50 projects worth 44.3 billion soums or 103% in the forecast for the first half of 2018.

- 12/9768-02 semi-trailers and 4-axle transport tanks for 4-axis telescopes;
- Cargo wagons with rescue rods, side wing rack for cargo carriageway;
- Freight Cargo Cabin Cabin, Cargo Traction Chassis, Freight Cargo Units;
- Cargo front axle, Cargo rear axle, Cargo trailer;
- cargo car body, car body locomotives;

Components for pallet trucks, locomotive brake luggage and similar carriages are developed on the basis of localization program.

Resolution of the President of the Republic of Uzbekistan dated 26 December, 2016 "On measures to continue implementation of promising projects of localization of production of finished goods, components and materials for 2017-2019", dated February 26, 2015, In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № PP-2298 "On the Program of localization of production of finished products, components and materials in the years 2019" iylashtirish a total of 222, which is part of the implementation of the project, it was planned 2015-2018 (2018) for 6 months during the 170 years of the project on the implementation of the localization of parts and materials am (Table 5).

TABLE-5: Projects implemented under the Localization Program by OJSC "Uzbekiston Temir Yullari"

billion UZS

№	Name of organization	Projects implemented under the Localization Program									
		2015 year		2016 year		2017 year		2018 year (6months)		2019 year (plan)	
1	Joint Stock Company "Uzbekistan Temir Yullari"	Number of projects	against the forecast, %	Number of projects	against the forecast, %	Number of projects	against the forecast, %	Number of projects	against the forecast, %	Number of projects	against the forecast, %
	<b>жами</b>	<b>24</b>	<b>107,7</b>	<b>40</b>	<b>112,8</b>	<b>46</b>	<b>101,4</b>	<b>50</b>	<b>103</b>	<b>60</b>	<b>100</b>

Source: The author has developed on the basis of the appendices given in the decisions of the President of the Republic of Uzbekistan PQ-2298 and PQ-2698.

In the recent years, the number of offices of JSC "Uzbekiston Temir Yullari", which produces ready-made products, components and materials, has increased in the framework of the localization program. For example, it is possible to bring enterprises of JV UzXCMG, Andijan Mechanical Plant, JV "Tashkent passenger carriages construction and repair plant", "Dosage Mechanical Plant", "Uztemiryolmashtamir" UK and "Tashkent Mechanical Plant" table).

Table-6: Plans for the production of finished products, components and materials by "Uzbekiston temir yullari" JSC as part of the Localization Program for 2015-2019

№	Name of the organization and organization under the JSC "Uzbekiston Temir Yullari"	Projects implemented under the Localization Program									
		2015 year		2016 year		2017 year		2018 year (6months)		2019 year (plan)	
		Number of projects	Localization Ranking, %	Number of projects	Localization Ranking, %	Number of projects	Localization Ranking, %	Number of projects	Localization Ranking, %	Number of projects	Localization Ranking, %
1	JV OOO «UzXCMG»	-	-	-	-	6	36.86	6	36.86	6	36.86

2	"Uztemiryolmashtamir" UK	4	81.4	4	81.4	8	81.42	8	81.42	8	81.42
3	Andijan Mechanical Plant	2	39.4	2	39.4	2	39.4	4	38.65	4	38.65
4	"Dust Mechanical Plant"	10	55.39	10	55.39	17	60.54	20	65.22	20	65.22
5	"Tashkent passenger wagons construction and repair plant" JSC	2	45.5	2	45.7	2	50.05	1	41	1	41
6	Tashkent Mechanical Plant JSC	-	-	-	-	12	39	14	38.85	21	39.80
<b>Total:</b>		<b>18</b>	<b>69.27</b>	<b>18</b>	<b>55.47</b>	<b>47</b>	<b>51.21</b>	<b>53</b>	<b>50.33</b>	<b>60</b>	<b>50.49</b>

Source: The author has developed on the basis of the appendices given in the decisions of the President of the Republic of Uzbekistan PQ-2298 and PQ-2698.

These enterprises, along with the production of import-substituting products, have the ability to export products, exporting a number of products to foreign countries.

In 2017, the subsidiary of the Founding Mechanical Factory, the cargo wagon welding unit, the side shroud, the casing body, the shanking shaft, the joint hub, the front hinges, the rear hinge, the trailer, the body of the friction body, locomotives of the telescopic bodies, Locomotive brake luggage, friction pad, central detector, trolley locker, shutter guard, brake luggage are exported to the Republic of Kazakhstan.

### Conclusion and recommendations

As a result of analyzing the theory of development of the localization program in JSC "Uzbekistan Railways", the following conclusions can be made:

1. The network program of localization of production in the society has been implementing since 2000;
2. The state program of localization of the system is implemented since 2006;
3. Within the framework of the Localization Program it is planned to implement a total of 222 projects, including 2015-2018 (for 6 months of 2018) localization of production of materials and materials based on 170 projects over the years;
4. Within the framework of the localization program, the following companies are joint-stock company: UzXCMG JV, Andijan Mechanical Plant, JV "Tashkent passenger carriages construction and repair plant", "Kuveyt mexanika zavodi", "Uztemiryolmashtamir" UK and "Tashkent Mechanical Plant" manufactures finished products, components and materials at the enterprises.
5. The products produced by local enterprises in the public sector are exported to neighboring countries such as overhead wagons, side panels, bulk carriers, pulling drawers, joint roof rails, front axles.

It is desirable for the Uzbekiston Temir Yollari JSC to implement the following in the further development of the localization program:

1. It is necessary to modernize publicly owned companies by attracting foreign investment;
2. It is necessary to expand the production of import-substituting products on the basis of localization programs at public-owned enterprises;
3. It is necessary to increase the competitiveness of manufactured components;
4. It is necessary to establish exports to neighboring countries through import-substituting, competitive export-oriented products and services;
5. It is necessary to increase the level of localization of the components manufactured by joint ventures;
6. In our country it is necessary to increase the level of localization and increase the production, depending on the demand for freight wagons;
7. It is necessary to localize parts of the necessary spare parts for freight wagons;
8. Implementation of import substitution policy by localization of component parts of passenger wagons;
9. International services should be established to extend the lifetime of freight wagons and to repair passenger wagons in neighboring countries.

It is important to keep in mind the main goal of raising funds in the system of JSC "Uzbekiston Temir Yullari" in order to prevent foreign currency outflows through further implementation of the localization

program and to create additional jobs and increase the localization level of component parts.

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