STUDY OF IMPORT SUBSTITUTION OPPORTUNITIES IN UKRAINE AND HUNGARY

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Import substitution is an important area of economic policy for many countries seeking to reduce dependence on external supplies and strengthen the domestic economy. For Ukraine and Hungary, this issue is especially relevant, given the external economic challenges, such as the volatility of world markets, geopolitical factors and the need to increase the competitiveness of national economies [1-16].

Ukraine has significant potential for import substitution due to its natural resources, agricultural sector and industrial production. In turn, Hungary, as a member state of the European Union, uses EU programs to support local producers and stimulate innovation in key industries [1, 4, 9].

The purpose of this study is to analyze the opportunities and limitations of import substitution in Ukraine and Hungary, to identify successful approaches that can be used to stimulate domestic production, and to identify the factors that impede the effective implementation of the import substitution policy [2, 6, 12].

For many years, Hungary and Ukraine have sought to integrate into the world trade market, make their economies as open as possible, followed the principles of MRT, and developed their competitive advantages. As a result, many vital industries were not developed enough to compete with imported counterparts in quality and volumes.

The desire for economic independence has set Hungary and Ukraine the task of replacing imported industries with domestic ones in the shortest possible time. As world practice shows, the implementation of such a task requires a lot of time, competent distribution of resources, the introduction of special approaches that take into account the national characteristics of the economy, the introduction of preferential tax regimes for priority industries, and strict control by the state.

In this regard, it becomes relevant to determine the factors affecting the implementation of the import substitution policy and the prospects for using methods to support national producers in the most vulnerable industries. The purpose of the study is to identify the key factors affecting the successful implementation of the import substitution policy in the economies of Ukraine and Hungary in modern conditions.

The task of replacing imported products with domestic analogues is largely determined by the nature of the dependence of the national economy on imports. The main goal of import substitution is to create an environment for the national industry in which the greatest growth will be observed. Sustainable economic development of the state is possible only in the case of a significant increase in the level of industrial self-sufficiency, an increase in the volume of production within the country [3, 11, 15].

The modern import substitution strategy involves a transition to the production, first of all, of science-intensive and high-tech products. This applies to industries such as aircraft construction, mechanical engineering, medicine, IT technologies, electronics, pharmaceuticals and others. At the same time, it is necessary that the product created at import-substituting industries should be oriented not only to the domestic market, but also to the foreign one. Only in this case the level of competitiveness of products will be acceptable [1, 7].

Now the problem of import substitution has become especially acute. The most successful example is the state policy of localization in order to promote Ukrainian auto production. Back in the early 2000s, Ukraine reduced customs duties on the imported automotive industry, setting the condition that importers would transfer part of the production volumes to Ukraine. The state has signed investment contracts with obligations of producers of products or services to increase local added value, subject to the production of goods annually in the specified volume. At the same time, the Ukrainian government used zero duty on products necessary for the production process. Almost all sectors of the automotive industry enjoy such benefits today. Now, the successful process of import substitution requires an appropriate favorable macroeconomic environment, certain conditions and factors. Let's consider some of them.

Competition and monopolies. The generally accepted opinion of ordinary people is that if Western companies leave, then there will be less competition, Ukrainian and Hungarian manufacturers will freely take their place and their development will go faster. In reality, it is competition that contributes to the development of business both in the foreign and domestic markets. In industries where there are few competitors, monopolies are inevitably formed, as, for example, in the

gas market. In powerful and prosperous economies, there is strong competition: the slightest advantages of one give him a chance to survive, the rest go bankrupt, their assets and personnel are lured away to other successful companies, etc.

The country's economy ultimately depends on how *the available resources* are used. With a monopoly, the situation does not change for years and decades, since producers have no incentive to change and develop.

Financing. The financial system in Ukraine is arranged in such a way that banks are not interested in financing production. Therefore, state programs are needed to support banks and the real sector of the economy with cheap money through project financing [4, 12].

Public procurement. One of the effective tools for stimulating the production process is the state order. For example, in China, for 30 years, public procurement has been used to encourage certain domestic industries by the state. In Ukraine, the practice of public procurement was not widely used, but was used only for critical industries, locally. To obtain real results, cash injections of about several trillion rubles are needed annually in order to maintain domestic production. *Solvency of the population*. Low incomes of companies and households reduce their purchasing power, thereby narrowing the market, and very often production decreases precisely because of the lack of a developed domestic market – a kind of vicious circle. As a result, it is necessary to saturate the economy with money supply, since *the level of monetization* in Ukraine is three to four times less than in industrially developed countries.

Labor resources. In the context of the formation of an innovative economy, high-tech industries will need highly qualified personnel. Modern complex technologies, the spread of computer and information technology presuppose the availability of labor resources of a new type. The availability of promising young specialists in the field of modern technologies is considered by the government of Ukraine as one of the most important factors in stimulating import substitution in the field of high technologies. An analysis of the possibilities of import substitution in Ukraine and Hungary allowed us to draw the following conclusions. Ukraine has a strong position in the agro-industrial complex, metallurgy and equipment production. The active development of these industries can reduce dependence on imports and strengthen the domestic market. However, in order to realize the potential, it is necessary to modernize production facilities, attract investments and solve logistics problems. Hungary relies on the development of high-tech industries, such as automotive, electronics and pharmaceuticals. Support from the EU and the attraction of foreign investors contribute to the creation of value chains within the country. An important barrier remains the limited domestic market, which requires a focus on export strategies. Common challenges for both countries are: lack of skilled labor and technology, insufficient investment in R&D (research and development), high level of dependence on imports of critical goods such as energy.

For Ukraine and Hungary, an important task is to create incentives for local producers, such as tax incentives, government subsidies and support for startups. The development of infrastructure, the improvement of transport logistics and the introduction of digital technologies will accelerate the implementation of import substitution programs. International cooperation and exchange of experience between Eastern European countries will help to find better solutions to common problems.

In conclusion, it can be noted that a successful import substitution policy in Ukraine and Hungary requires a comprehensive approach, including state support, private investment and international cooperation. Such measures will not only reduce dependence on imports, but also strengthen the economic stability of both countries.

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