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IMPORT SUBSTITUTION POTENTIAL IN THE WEAVING INDUSTRY OF AZERBAIJAN

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Introduction. The weaving industry, one of the primary industry branches of Azerbaijan, plays a leading role in the economic development of the republic and in meeting the needs of the local population. Although there is a raw material, labour force, and enterprises involved in developing the weaving industry, most domestic demand in this area is provided by the account of imported products. Cotton, the main material for weaving enterprises, is exported in the form of wool and yarn.

Aim and tasks. The purpose of the study is to learn the opinions on import substitution, to get acquainted with the state of Azerbaijan's weaving industry, to examine statistical information about the availability of the raw material base and the structure of production, to analyze import and export data on weaving products, to research the opportunities import substitution and to make proposals for increasing local production in terms of import substitution.

Results. Following the goal set in the study, the opinions of scientists on import substitution were studied, the state of the weaving industry was introduced, import and export indicators on weaving products were analyzed, the opportunities for import substitution were investigated, and suggestions were made of increasing local production that replaces imports. The weaving sector's share in the general industry was 0.52% in 2018, and this share increased by 0.15% and reached 0.67% in 2021. As a result of the research on the weaving products market of Azerbaijan, it was determined that despite the presence of raw materials, labour force, and enterprises in this production area, the domestic production capacity was used at a shallow level, and most of the domestic demand was met by imports.

Conclusions. Cotton, the primary raw material for product production, is exported with partial processing but without turning into a finished product. The importance of a comprehensive approach to solving existing industry area's problems, strengthening customs control over imports, and granting concessions to companies were emphasized to increase production, expand the range and replace imports. Applying a strategic and systematic approach to the development of the industry area, implementing systematic measures and strict control over the implementation, and creating a favourable business environment for the industry development were brought to attention as proposals.

Keywords: level of self-support, consumption, import structure, export structure, weaving industry.

1. Introduction.

The formation of import-substituting production and its increase is considered one of the main directions of economic development. The volume and structure of imports depend on the structure and state of domestic demand and local production. The presence and increase of domestic demand is the primary driving force for the development of local production. So, by production capacity, local products are directed to meet domestic demand first and then to export.

Problems such as the provision of domestic demand through imports, problems in the field of protection of the domestic market, the lack of favourable business conditions, and the presence of illegal interference in entrepreneurs' activity seriously limit the development of local production. The large share of imports in the volume of domestic demand in developing countries is because their economies are in the stage of formation, and the competitiveness of domestically produced products is low compared to imported products.

Import substitution is presented in studies as import substitution, import-substituting industrialization and import replacement. Import substitution is the replacement of imports with goods produced within the country.

Developing countries implement the policy of import substitution industrialization and aim to develop domestic production by protecting the domestic market and improving self-sufficiency (Jackson & Jabbie, 2020). Import substitution was replacing a country's imports with domestic production. Jacobs (1985) saw import substitution as a national economic theory and noted that if a country substituted its imports with local production, the country would become rich.

Import substitution stimulates economic development by limiting the import of domestically produced goods and increasing domestic demand for locally produced products (Irwin, 2020a). There is no need to import goods that can be produced locally. Local production is necessary to ensure the employment of the population (Schoepfle, 1982; Irwin, 2020b).

The formation of import-substituting production and its increase is considered one of the main economic development trends, and its importance has been found in several state documents of Azerbaijan. The 2022-2026 Socio-Economic Development Strategy of Azerbaijan envisages strengthening the local production potential to replace and localize imports (Ministry of Economy of the Republic of Azerbaijan, 2022). The relevant document stipulates the registration of at least one enterprise producing import-substituting and export-potential products in industrial zones as a resident or starting production activities, increasing the volume of import-substituting and export-potential products in industrial zones (Ministry of Economy of the Republic of Azerbaijan, 2022).

Decisions were made by the competent state bodies to ensure import substitution and provide support to the manufacturing enterprises operating in Azerbaijan (Cabinet of Ministers of the Republic of Azerbaijan, 2017). Thus, the import duty on materials used in domestic production has been reduced from 15% to 0%. After analysing the list of materials used by 500 enterprises operating in the country, the list of raw materials that are not produced in Azerbaijan and are not expected to be produced in the near future was determined, and the corresponding decision was made based on the analysis materials.

According to the provisions of the Tax Code of Azerbaijan (State Tax Service under the Ministry of Economy of the Republic of Azerbaijan, 2023), producing food products replacing imported had exempted from 50% of the profit tax for seven years and paying property and land taxes.

In recent years, priority export markets for national production have been developed to protect the stability of Azerbaijan's economy and to insure it against foreign economic influences and imbalances in the movement of international capital (Mammadov & Ahmadov, 2020). Appropriate measures should be taken in the direction of maximally providing the local market with the production potential of the country's economy and, at the same time, with the development of regional economic cooperation policy.

This, in turn, indicated the necessity of localization of production, substitution of imports, import of technology from the point of view of import, and implementation of technological cooperation in production. To implement this policy, they emphasized the need to see the structural analysis of the import segment of Azerbaijan's foreign trade and the development dynamics of our national production.

2. Literature review.

Import substitution plays a vital role in the economic development of developing countries. If import-substituting production is not formed, the economies of developing countries will consist only of the extractive industry. As a result, they will always remain the raw material base of economically developed countries, while the processing industry could not develop. This problem has always been the focus of foreign and local researchers. Melnik and Sierova (2022) have identified areas of economic policy that replace imports in Ukraine. They mentioned the formation of a list of import-substituting products, production stimulation, diversification of exports, and development of industry as directions of the economic policy in this area.

Melnik and Sierova (2022) studied the structure of Ukraine's foreign trade from the point of view of the realization of the import replacement policy. These scientists determined the direction of state policy in this field by studying import substitution at the macroeconomic level. The approach of these researchers to import substitution can be considered correct.

Kysil et al. (2014) noted that production should be based on advanced technologies to implement an import substitution strategy. They thought this change would increase local production's role in meeting domestic demand. According to them, the import substitution strategy of industrial enterprises is a systematic approach aimed at reducing the share of imported materials in the finished products. They thought that this would create the possibility of improving control of products' quality.

These scholars studied import substitution at the firm level. This microeconomic approach can also be considered appropriate.

Myroslava et al. (2019) noted that the goal of import substitution was to harmonize the production sector's development measures with the state policy of promoting its products to the markets. It was about developing intermediary institutions that present or directly promote goods to the consumer, provide economic and organizational incentives for selling local goods, and a large-scale information campaign to promote manufactured goods.

Irwin (2020a) examined and commented on researchers' views of the import substitution process. The work was written in a completely theoretical style. So that only the theoretical views of researchers on import substitution were investigated.

It will be better to note that Mammadov and Ahmadova (2020) investigated import substitution at the level of the republic's economy. According to the results of their research, there are opportunities for import substitution in Azerbaijan for pharmaceuticals, wheat, tobacco and other tobacco products, vegetable oils, fruit juices, clothing items and accessories for clothing, plastic and products made from it.

Jackson and Jabbie (2020) viewed import substitution as an economic policy implemented at the government level. At the same time, was approached import substitution industrialization on the level of global economic sustainability (Veit, 2022). As an economic policy tool, protectionism should be the basis of industrialization replacing imports. Thus, countries can protect their domestic markets and develop local production through protectionism.

Badalov (2022) stated the importance of implementing regional state policy and having a strategic program document in this field for import substitution. It is better to note that this researcher studied the regional problems of import substitution from a theoretical point of view and found the solution to the existing problems in institutional issues.

Aliyeva (2021) examined the import of some agricultural and food products to Azerbaijan and assessed the possibilities of import substitution. Aliyeva (2021) noted that to replace imports with national goods, customs tariff (duties) and non-tariff (quotas, import licensing) regulations can be used, as well as subsidizing production within the country and a direct ban on importing certain goods from abroad. Import substitution was a way to overcome dependence. Despite sufficient statistical information in the article, the proposals needed to be fully substantiated.

A study by the Centre for Local Prosperity (2018) noted that import replacement was a leading-edge internal economic development strategy, particularly in small, rural, and local communities. This research considered import replacement a tool for local and rural economic development. Note that the study was of a project nature. The approach to import substitution in this direction could be considered reasonable.

3. Methodology.

Statistical and comparative analysis, logical conclusion, and balance methods were used during the study. Thus, during the analysis of statistical data given in the study, statistical analysis was used to compare data with previous years using the comparative analysis method.

The balance method was used when determining the indicators of domestic demand, actual consumption of weaving products, and dependence on imports. The balance method was derived from the requirements of a comprehensive approach to the indicators of product beginning and the end of year, production, import and export indicators.

The analysis and research data carried out with the help of the logical conclusion method were summarized, and proposals were made for import substitution.

4. Aim and tasks.

The study aims to investigate the import substitution potential of weaving products in Azerbaijan and present proposals in this direction.

The following tasks were set as part of the study:

- examine studies on import substitution;
- to assess the development level of the weaving industry;
- to analyse statistical data on the raw material base of production;
- to determine actual consumption and import dependency levels for weaving products;
- to analyse the structure and volume of production and import;
- to make proposals in the direction of import substitution.

5. Results.

As mentioned above, the weaving industry is one of the processing industries in Azerbaijan. Currently, the development status of the weaving industry could be more satisfactory. Although there is a raw material base for the development of the industry area, the volume of imports is increasing year by year, and local production is limited according to the increase in the volume of imports. In order to get acquainted with the general situation of Azerbaijan's industry, including the weaving industry, it would be reasonable to refer to the information in Table 1.

Based on the data of Table 1, note that in 2022, compared to 2018, an increase was observed in Azerbaijan's industry. This growth was more evident in the processing industry. In the weaving industry, growth was achieved only in 2021 and 2022. In recent years, the volume of weaving industry production has increased in value but has fallen in its share in the total industry. Thus, the weaving sector's share in the general industry was 0.52% in 2018, and this share increased by 0.15% and reached 0.67% in 2021. This increase was connected with the government's concern for developing industry areas. The slight increase in the volume of production in the weaving industry was not due to an increase in domestic demand for local products but to a decrease in the share of imports in the actual consumption of some products, its partial replacement by locally produced products, and mostly connected with an increase in the export of weaving products as the form of semi-finished.

Table 1. The main production indicators of industry, weaving and clothing areas, million dollars.

	Indicators	2018		2019	2020	2021	2022	
		million dollars	share in industry, %				million dollars	share in industry, %
1	Total industrial production	28,045.29	100	27,646.59	21,923.47	32,487.71	50,813.76	100
2	Extracting industry production	20,547.94	73.27	19,327.94	13,433.12	21,307.29	38,085.47	74.95
3	Processing industry production	6,156.12	21.95	6,937.53	6,969.59	9,345.29	10,656.71	20.97
3.1	Weaving industry production	146.0	0.52	179.0	141.71	217.35	228.59	0.45
3.2	Clothing industry production	60.94	0.22	65.70	66.35	76.47	124.85	0.25
4	Electricity, gas and steam generation, their distribution and supply	1,153.65	4.11	1,183.29	1,325.41	1,571.82	1,774.29	3.49
5	Water supply, waste treatment and processing	187.59	0.67	197.82	195.35	263.29	297.29	0.59

Source: based on The State Statistical Committee of the Republic of Azerbaijan (2023).

However, the weaving industry area's share in the general industry fell in 2022 compared to 2018 and 2021. The following steps will confirm what has been mentioned above with statistical data.

To increase the production and range of weaving products and replace imports, it is essential to have raw materials, manufacturing enterprises, qualified personnel in this area,

domestic demand, and a favourable business environment. Cotton, wool, synthetic fibres, and cocoons are materials for producing weaving products. Note that synthetic fibre is imported to our country. Cotton, wool, and cocoons are produced in the country. To get acquainted with information about the availability of raw materials, it becomes possible to use the indicators in Table 2.

Table 2. Production of raw materials for the weaving industry in Azerbaijan, thousand tons.

	Indicators	2018	2019	2020	2021	2022
1	Cotton	233.59	295.28	336.79	287.04	322.50
2	Wool	15.85	16.1	16.13	16.14	15.80
3	Cocoon	0.51	0.64	0.45	0.50	0.34

Source: based on Sadiqov (2022); The State Statistical Committee of the Republic of Azerbaijan (2023).

Based on the data of Table 2, note that there is a raw material base to produce weaving materials in Azerbaijan, and the production of cotton, the primary type of raw material, is increasing yearly.

Compared to 2018, there was a slight increase in wool production in 2021 and a slight decrease in cocoon production in the same period. Compared to 2018, cocoon production in 2022 fell by about 33.33% Sadiqov (2022).

Wool and cocoon materials are used in domestic production, and their use remained constant during the period under review. The increase in cotton production is due to its partial processing and exports as cotton fibre and yarn. Therefore, the increase in cotton production is not due to its use in domestic production but export. For information, note that cotton fibre is exported to Turkey, Iran and Russia, and cotton yarn is exported to Turkey, Russia, Ukraine, and Bangladesh.

Regarding the presence of manufacturing enterprises in Azerbaijan in 2021, the number of enterprises with more than 50 employees in this area was 30 (Cabinet Ministers of Republic of Azerbaijan, 2018). Currently, such enterprises as Giltex LLC, Mingachevir Tekistil LLC, Azerpambig ASK LLC, Azeripak LLC, Azer Ilma Carpeting Center, and Azerkhalcha OSC operate in Azerbaijan. Giltex LLC and Mingachevir Tekistil LLC produce high-quality cotton fibre and yarn, woven and knitted fabrics, towels, bedding, and hotel products. The products of both enterprises are sold in the domestic market and exported to foreign markets. Azerpambig ASK LLC operates in the fields of cotton production, supply and processing, and its products are used as raw materials in the production of products by Giltex LLC and Mingachevir Tekistil LLC and are also exported to foreign countries. Azeripak LLC produces silk head covers for women from cocoon raw materials. Carpets are produced at Azer-ilma Carpet Manufacturing Center and Azerkhalcha OSC. Azerbaijan has enterprises in this industry area.

There is a demand for locally manufactured goods in domestic and foreign markets. Thus, the presence of imports indicates the existence of domestic demand, and its structure indicates the structure of domestic demand. Therefore, both locally produced and imported products exist in the domestic market.

Some weaving products have competitive advantages in the domestic market over imported. Such products include women's headwear, bedding, and cotton fabric. However, in some weaving products, domestic production in the local market stays in the back in terms of price and quality from foreign products. Examples of such products include carpet products and socks. Local production generally exists for some weaving products. Cases of such products are articles of apparel and clothing accessories, knitted or crocheted, clothing and clothing accessories, and articles of apparel and clothing accessories, not knitted and crocheted. It is acceptable that the products of the weaving industry enterprises, which are in the reorganization stage, cannot compete with the corresponding imported products.

Nevertheless, locally manufactured weaving products exceed those imported into the internal market in terms of naturalness and hygiene. Thus, natural cotton, wool, and cocoon are used as raw materials in locally produced products, and synthetic raw materials are used at a low level. It is a reality that in terms of appearance and technological processing, locally produced products are left behind compared with imported products. However, this problem can be solved by forming a favourable business environment and business conditions for local production. To get acquainted with the general picture of weaving products' production, import, export, and consumption, it is reasonable to see the data in Table 3.

Table 3. Actual consumption and import dependence level on weaving products, million dollars.

	Indicators	2018	2019	2020	2021	2022
1	Stock of products in warehouses of manufacturing enterprises (balance at the beginning of the year)	26.59	29.59	29.18	26.88	20.29
2	Amount of domestic manufactured products	146	179	141,71	217,35	228.59
3	Amount of import	430.97	461.7	401.86	496.6	532.91
4	Amount of export	135.21	185.43	182.12	303.02	246.68
5	Stock of products in warehouses of manufacturing enterprises (balance at the end of the year)	29.59	29.18	26.88	20.29	51.76
6	Actual consumption (11+21+31-41-51)	438.76	455.68	363.75	417.52	483.35
7	Dependence on imports, $(31 \times 100 / (21 + 31 - 41))$, %	97.56	101.41	111.18	120.85	103.51

Source: based on State Customs Committee (2023), The State Statistical Committee of the Republic of Azerbaijan (2023).

Based on the data in Table 3, it could be noted that in the area of weaving products, the dependence level on imports was 97.56% in 2018, and this indicator increased in 2021 by 23.87% and reached 120.85% (State Customs Committee, 2023; The State Statistical Committee of the Republic of Azerbaijan (2023). Dependence on imports decreased in 2021 compared with 2022. Imports exceeded actual consumption. It would be better to note that the structure of local production does not match domestic demand and is oriented toward exports. More precisely, it is a raw material producer for foreign companies.

Local and foreign businessmen are interested in something other than establishing processing enterprises in this area. That is why imports mainly cover domestic demand, and domestic production is directed to exports such as cotton fibre and yarn. The volume of actual consumption in weaving products decreased slightly in 2021 compared with 2018.

If the export of cotton was 108.35 million dollars in 2018, this indicator increased by 105.41 million dollars, or 97.3%, and reached 213.76 million dollars in 2022 (The State Statistical Committee of the Republic of Azerbaijan, 2023; State Customs Committee, 2023). If the export of cotton fibre was 54.34 thousand tons in 2018, it would increase by 23.24 thousand tons and reach 77.58 thousand tons in 2022.

The export of cotton yarn was 9.5 thousand tons in 2018, and it decreased by 0.9 thousand to 8.6 thousand tons in 2022 (The State Statistical Committee of the Republic of Azerbaijan, 2023). During the period under review, the export of cotton fibre was given greater priority than cotton yarn. This is because cotton fibre is cheaper than cotton yarn, and there needs to be more domestic production capacity to produce cotton yarn. For clarification, note that if the statistical price of one ton of cotton fibre exported in 2018 was 1,481.0 dollars, in 2022, its price increased by 781.12 dollars and reached 2,262.12 dollars. If the export cotton yarn price was \$2494.36 in 2018, and in 2022, the price increased by \$1,346.50 and reached \$3,840.86 (Ministry of Economy of the Republic of Azerbaijan, 2022; State Customs Committee, 2023).

The main imported weaving products during the period 2018–2022 were manufactured yarn, manufactured fibres, waltz, felt, and non-woven products; yarn, cords, ropes, and other textile floor coverings; knitted or crocheted fabrics; clothing and clothing articles; knitted and non-woven accessories; clothing items; and clothing accessories.

In 2022, the total value of weaving products imported to Azerbaijan was 532.91 million dollars. In the total import of weaving products, the share of the product group “chemical yarn, flat and similar yarns of chemical weaving materials” was 8.78%, and the share of the product group “cotton, felt, and non-woven materials, special yarn, ropes, cables, and products made from them” was 8.43%.

Also, in that year, in the total import of weaving products, the share of the product group “knitted or crocheted fabrics” was 6.9%, the share of the product group “articles of apparel and clothing accessories, knitted or crocheted” was 31.44%, and the and the share of the product group “articles of apparel and clothing accessories, not knitted and crocheted” was 23.1% (The State Statistical Committee of the Republic of Azerbaijan, 2023).

From the structure of imported weaving products in Azerbaijan, it can be concluded that more is needed to replace imported primary weaving goods with local production products soon. Some of these products contain chemicals, so local production does not exist, and some products are cheap, so organising local production in this area is inconvenient. It is important to note that cheap and relatively low-quality products are imported to meet the needs of the population group with a relatively low income. Raw materials with chemical content are imported to meet production needs. Despite this, to cover the demand of middle- and high-income consumer groups in the local population, middle- and high-priced, high-quality products are also imported.

As mentioned above, the possibility of organising local production in this area and substituting some imported products with local products is unfavourable because of the low price of imported products.

Since the prices of imported products (carpets and carpet products, decorative materials, ropes, etc.) are low, it is unfavourable to organise local production in this area. Increasing the customs duty and tax rates on imported products to protect the domestic market may further limit the purchasing opportunities of the low-income population's group and lead to an increase in the price of locally produced products. It would be better to add that ready-made weaving products imported to Azerbaijan are subject to customs duty at 15% and value-added tax (VAT) at 18%. Imported silk raw material is subject to customs duty at the rate of 5% and VAT at the rate of 18%. Imported woollen raw materials are subject to customs duty at the rate of 15% and VAT at the rate of 18%. Imported fabrics are subject to 15% import customs duty and 18% VAT. Carpets, other floor coverings, and other weaving products are subject to import customs duty at 15% and VAT at 18% (Ministry of Economy of the Republic of Azerbaijan, 2022; State Customs Committee, 2023).

These data show that the internal market is adequately protected, and for this purpose, the highest rates of import customs duties and taxes are applied. The problem here may be related to the implementation of weak customs control.

The question arises: Should the customs duty and tax rates imposed on imported weaving products be increased to develop local production and replace imports, or should the existing duty and tax rates be kept in force? Keeping the current import duty and tax rate in force is reasonable. Local production should be organised according to the needs of specific consumer groups in the domestic market. Local manufacturers should substitute imports for efficient weaving products; the domestic market for these types of products should be protected, and a superior business environment should be formed in this direction.

Azerbaijan has the potential to substitute imports of silk, wool, yarns, and fabrics made of them, such as cotton, machine-woven fabrics, machine- or hand-woven knitted clothing and clothing accessories, and women's head covers. Import and export data confirm the above-mentioned.

Thus, in 2018, the volume of silk exports was 0.3 million dollars; this indicator increased by 5.67 times and reached 1.7 million dollars in 2022. The imports of wool yarn and fabric made of them were 1.06 million dollars in 2018, but this indicator decreased by 0.28 million dollars to 0.78 million dollars in 2022 (The State Statistical Committee of the Republic of Azerbaijan, 2023). This was because other products covered the domestic demand for the corresponding product. Compared to 2018 in 2022, cotton exports increased by 1.97 times to 213.76 million dollars, and imports increased by 1.29 times to 7.08 million dollars (Ministry of Economy of the Republic of Azerbaijan, 2022; State Customs Committee, 2023)

For clarification, please note that the commodity structure of the import and export of cotton products was different. As mentioned above, compared with 2018, in 2022, the export of cotton fibre increased by 1.43 times. It reached 77.58 thousand tons, while the export of cotton yarn decreased by 10% and fell to 8.62 thousand tons (The State Statistical Committee of the Republic of Azerbaijan, 2023).

It could be noted that cotton fibre and yarn were not imported from 2018 to 2022. In the period under review, machine and hand-knitted fabrics' imports increased by 2.66 times to 36.75 million dollars, and machine or hand-knitted articles of clothing and clothing accessories increased by 1.09 times to 167.55 million dollars (The State Statistical Committee of the Republic of Azerbaijan, 2023). This data indicates that imports mainly cover domestic demand for weaving products.

One of the directions of weaving industry development and import substitution is the development of clothing production and its integration with the textile industry, increasing the range of weaving products produced by the structure of imports and improving the quality of products (Agyapong & Anyars, 2022). Thus, the weaving industry supplies materials to produce clothing products. Unfortunately, the development of the clothing industry in Azerbaijan is not satisfactory.

Clothing production in Azerbaijan was 60.94 million dollars in 2018, and in 2022, this indicator increased by 1.57 times and reached 95.47 million dollars (The State Statistical Committee of the Republic of Azerbaijan, 2023).

This increase cannot be considered severe. Thus, local production covers a small part of the local demand for clothing products. Actual consumption of clothing products was approximately \$350.0 million in 2018 and \$405.0 million in 2021 (Sadiqov, 2022). \$670.76 million in 2022, the result of approximately 93% in 2018, 87% in 2021, and 87-88% in 2022 of actual consumption in this area were provided by imports (The State Statistical Committee of the Republic of Azerbaijan, 2023).

For clarification, note that the specific weight of cotton products in the export of weaving products was 80.13% in 2018, and in 2022, this share increased by 6.87% and reached 87% (The State Statistical Committee of the Republic of Azerbaijan, 2023).

As can be seen from the figures, the export of cotton in fibre and yarn was given greater precedence than its use in the products' production. For information, Mingachevir Tekstil LLC was established with the government's support to replace most of the imported textile and weaving products. Unfortunately, only cotton fibre and yarn are produced by that company. It is appropriate to see the information in Table 4 to get acquainted with the range and situation of the production of weaving products in Azerbaijan.

Table 4. Main weaving products' production indicators.

Indicators	2018	2019	2020	2021	2022
Cotton fibre, thousand tons	61.0	85.0	71.6	92.5	91.0
Cotton fabrics, thousand sq.m	19,314.4	21,098.0	29,965.5	33,918.9	22,531.50
Silk fabrics, thousand sq.m	40.7	103.2	-	69.8	181.80
Cotton bed sheets, thousand pieces	580.7	610.5	268.1	350.9	45.7
Cotton yarn, thousand tons	24.7	34.8	11.7	22.5	14.1
Carpets and carpet products, thousand sq.m	2.4	3.0	1.3	13.0	5.6
Knitted socks, thousand pairs	2,367.8	3,248.9	2,993.0	3,078.7	3,752.80

Source: based on Sadiqov (2022); The State Statistical Committee of the Republic of Azerbaijan (2023).

It is seen from the data in Table 4 that the decrease in the considered period occurred only in cotton bed linen and cotton yarn. The reason for the decrease in the manufacture of cotton bed linens was the import of cheaper products compared to local products from the Republic of Uzbekistan, higher quality, and relatively high prices from Turkey.

The decrease in cotton yarn production can be attributed to low domestic demand and imported cheaper products. It is clear from the data in Table 4 that the range of local production is limited, and the types of products produced do not correspond to the structure of domestic demand. The small range of production and the absence of manufactured products corresponding to the structure of local

demand caused an increase in the sum and range of imports. Suppose Azerbaijan increases the range of locally produced products by the structure of domestic demand shortly. In that case, it will be possible to replace imports.

6. Conclusions.

To ensure the development of the industry area and to replace imports, it is essential to have a comprehensive approach to the sector's development and solve the existing problems. Thus, to protect the domestic market and replace imports, the concessions and privileges given by the government to local production and measures to create additional sales opportunities should be implemented in a complex form.

First, a goal based on the possible opportunities should be defined for developing the weaving industry. Tasks corresponding to this goal should be defined; tasks should be strictly executed, and their execution should be strictly monitored.

More precisely, there should be a strategic plan for developing the industry sector and strict control over the implementation of the plan. In order to organize and increase the manufacture of import-substituting weaving goods, the types of imported products and their import statistics should be taken into account, import substitution should be organized according to the types of products that are profitable for local production, and a favourable business climate should be formed to support the growth of the industry. In addition, more attention must be paid to improving the quality parameters of the locally produced products and increasing their range. The advantages of locally manufactured goods should be

increased during government procurement. The government should organize quarterly sales fairs of locally manufactured products in the big cities of Azerbaijan, investigate the problems of manufacturers, and help them solve them. It is important to note that import substitution was only possible with local manufacturers. Local manufacturing can only grow with business benefits, a favourable environment, and legal and factual security. Formation of the manufacturing of all imported weaving products in Azerbaijan and substitution of imports is not favourable. Imports of specific weaving products favourable to the manufacturer should be replaced, and the changes that will occur in the structure of demand should be considered.

In order to ensure the weaving industry's development and replace imports, serious attention should be given to the development of clothing manufacturing, its integration with the weaving area, and the organization of production in a cluster form.

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