

# Economic Potential of the Liberated Territories of Azerbaijan: A Brief Overview

---

Dr. Rovshan Ibrahimov\*

The autumn of 2020 was marked by an important and historic event for Azerbaijan: the country managed to restore its territorial integrity from Armenian occupation by military means. This conflict had existed shortly from before Azerbaijan gained independence until September 2020. After the liberation of Azerbaijan's occupied territories, the main task that now needs to be addressed is the restoration of those territories and the return of internally displaced persons (IDP) to their homes therein. Indeed, for the return of IDPs, it is necessary to create an appropriate environment, including stable and comfortable conditions. The economic component of the liberated territories will play a vital role. To this end, it is important to conduct a review of the economic potential of the territories that have now completely returned to the sovereign control of Azerbaijan. The article will provide a general assessment of the economic potential of the liberated territories. The data that have been used in this research were mostly accumulated before the occupation of these territories by Armenia. With the possibility of new, in-depth geological exploration, these areas may present new economic opportunities. Nevertheless, this commentary does not set out to analyse how these resources could or should be used.

**Keywords:** Azerbaijan, Nagorno-Karabakh region, economic potential of liberated territories, IDPs.



---

\* **Dr. Rovshan Ibrahimov** is Professor in Hankuk University of Foreign Studies. This work was supported by Hankuk University of Foreign Studies Research Fund of 2021 ©

### *Introduction*

For about 30 years, the territories of the southwestern part of Azerbaijan have been occupied by Armenia. Therefore, the liberation of these territories was the main priority of both the domestic and the foreign policy of the Republic of Azerbaijan. For many years, Azerbaijan tried to resolve the conflict peacefully, conducting negotiations mediated by the OSCE Minsk Group's co-chair countries (France, the Russian Federation, and the USA). However, Armenia deliberately delayed the resolution of the Armenia–Azerbaijan conflict, thereby trying to preserve the status quo established after the 1994 ceasefire agreement. At that time, Armenia occupied not only the territories of the former Nagorno-Karabakh Autonomous Oblast (NKAO), but also seven surrounding adjacent districts, thus forcing their entire local population to leave their homes and making them IDPs in their own country.

The counteroffensive launched by the Azerbaijani Army on the 27 September in response to the Armenian forces' armed provocations at the frontline enlarged its scope of operation to a 44-day-long, all-out war, dubbed the “Patriotic War” or “Second Karabakh War”. This created a new reality: the formerly occupied territories were returned. The next stage will be the return of IDPs to their homeland in accordance with the trilateral statement signed by the heads of state of Armenia, Azerbaijan, and Russia on 10 November.

During the entire period of the occupation, the Armenian military forces and illegal residents completely plundered and wiped out all settlements in the region. In addition, they mined huge areas of those territories to make them dangerous for Azerbaijanis to move through after the liberation. In short, a lot of work is needed on demining activities and rebuilding destroyed cities, towns, and villages.

*During the entire period of the occupation, the Armenian military forces and illegal residents completely plundered and wiped out all settlements in the region.*

Another question is how the migrants will return to their native lands and what they will be occupied with there. After all, over 30 years, many IDPs have become resettled in new places and formed more or less stable livelihoods. Thus, it is important to determine the economic potential and the possibilities of the liberated territories, so that resettlement is not only a call of patriotic need, but also of economic expediency.

At the same time, the liberated territories will enable Azerbaijan to strengthen its economic opportunities and accelerate the growth of the well-being of its citizens as this region is rich in natural resources, the

development of which is an additional impetus for expanding the country's economic portfolio. This article will provide information on the economic potential of the liberated territories and analyse their possible uses. The purpose is to assess the overall potential; there will be no discussion of how the opportunities of the newly acquired territories can be realized.

*The liberated territories will enable Azerbaijan to strengthen its economic opportunities and accelerate the growth of the well-being of its citizens as this region is rich in natural resources, the development of which is an additional impetus for expanding the country's economic portfolio.*

### ***State of affairs regarding the liberated territories and IDPs***

Until 9 November, the day when hostilities ceased with the mediation of Russia, Azerbaijan had already achieved on its own the liberation of the districts of Fuzuli, Jebrayil, Gubatli, Zengilan, and (partially) Khojavend, as well as the city of Shusha, which is the cultural capital of Azerbaijan. After the parties announced a ceasefire on 10 November, the Armenian armed forces left three more regions: Agdam, Kalbajar, and Lachin. A total of 13,198 km<sup>2</sup> were released (out of Azerbaijan's total territory of 86,600 km<sup>2</sup>). At the moment, Azerbaijan fully controls about 10,000 km<sup>2</sup>, and in the remaining 3,100 km<sup>2</sup> of territory, where the Karabakh Armenians are now located, Russian peacekeeping forces are deployed for a period of five years. The gradual reinforcement of Azerbaijan's control in these territories will take place in further stages.<sup>1</sup>

After the liberation of the occupied territories, the question of their restoration and ensuring the return of Azerbaijani IDPs is the key task. In total, 890 settlements (cities, towns, and villages) were destroyed by the Armenian military aggressor. In addition, it will take a long time to clear the territories of landmines and unexploded ordnance. According to an estimate by ANAMA, this may take about 3–5 years, and the full completion of all such works will take about 10 years.<sup>2</sup>

*After the liberation of the occupied territories, the question of their restoration and ensuring the return of Azerbaijani IDPs is the key task.*

The restoration of the territorial integrity of Azerbaijan is of great economic importance, as the occupation caused great damage to the economic sector. For 30 years, Azerbaijan has not had the opportunity to access

1 Ibrahimov R., "Voda, les, zoloto- ekonomicheskij potencial osvobodennix territoriy Azerbaycana," *CCBS.news.ru*, December 16, available at: <https://ccbs.news.ru/article/2351/> (accessed: December 28, 2020).

2 FED.az, *ANAMA: It's not necessary to wait 10 years to return to the liberated territories* (translation from Azerbaijani), November 29, 2020, available at: <https://fed.az/az/qarabag/anama-iscaldan-azad-edilen-erazilerezinsanlar-daha-tez-qayidacaq-94314>, (accessed: December 15, 2020).

the resources available in these territories. In 1994, the total number of Azerbaijani refugees from Armenia was 243,682 people; from Central Asia, 49,239 (Meskhetian Turks who were forced to leave their homes

*The restoration of the territorial integrity of Azerbaijan is of great economic importance, as the occupation caused great damage to the economic sector.*

owing to the outbreak of interethnic conflict in Central Asia. The tragedy of the Meskhetian Turks did not end with this: after they found a new home in Azerbaijan, they then became IDPs because of Armenian military aggression.); as well as 611,293 IDPs resulting from the Armenian occupation of Azerbaijan's territories.<sup>3</sup> Thus, more than 900,000 refugees and IDPs for a long period did not have the opportunity for full-fledged economic activity. Although, many of them were

employed and received a monthly state allowance, this kind of non-standard social orientation of budget revenues was also a serious burden for the national economy. A large amount of funds were allocated to provide for this social stratum of the country's population.

Thus, the government provides a monthly allowance for 496,557 IDPs.<sup>4</sup> The government also pays for utilities such as electricity, natural gas, water, and household waste. Medical care and treatment are also provided free of charge. In addition, the State pays for the education of students from IDP families studying in higher educational institutions, and provides schoolchildren from the same group with free textbooks. There are also other services that are free, such as exemptions from the fee for the issuance of an identity card and from notarial fees when buying or selling property.<sup>5</sup> In addition, at State expense, many houses were built to improve the living conditions of IDPs. Thus, back in 2007, Azerbaijan managed to destroy the last tent camp for IDPs, where they had had to live in the most difficult of conditions. Since then, according to the state programme, more than a hundred townships have been built for them. Overall, about 7 billion manat (around US\$4.12 billion) were spent on resolving the problems of IDPs.<sup>6</sup>

3 Preslib.az, *Armyano-Azerbaycanskiy Nagorno-Karabaxskiy Konflikt*, Administrative Department of the President of the Republic of Azerbaijan, available at: <http://files.preslib.az/projects/azerbaijan/rus/gl7.pdf> (accessed: December 15, 2020), p. 55.

4 Apa.az, *The number of IDPs with increased monthly benefits has been announced*, (translation from Azerbaijani), 26 February 2020, Available at: [https://apa.az/az/sosial\\_xeberler/ayliq\\_muavineti-artirilan-mecburi-kockunlerin-sayi-aciqlanib-523288](https://apa.az/az/sosial_xeberler/ayliq_muavineti-artirilan-mecburi-kockunlerin-sayi-aciqlanib-523288), (Accessed: December 16, 2020).

5 Idp.az, *Privileges*, (translation from Azerbaijani), Available at: <http://idp.gov.az/az/content/7/parent/21>, (Accessed: December 17, 2020).

6 Prezident.az (2019), İlham Aliyev received chairman of the State Committee for Refugees and Internally Displaced Persons, (translation from Azerbaijani), 18 November 2019, <https://prezident.az/articles/34479>, (December 17, 2020).

### *Natural resources of the liberated territories*

The Nagorno-Karabakh region and seven adjacent districts of Azerbaijan have significant natural resources that, when developed, will enable Azerbaijan to boost its economy and improve the well-being of its citizens. As a result of the occupation, 647,900 hectares of fertile land were destroyed: most of this land is suitable for growing various agricultural products. For example, before the war, 199,000 hectares of land were used for crops.<sup>7</sup> In total, 1.7 million hectares of land were occupied. Now, this huge area has been reclaimed for the agriculture of Azerbaijan, and it will also be possible to re-establish the entire production chain, from growing crops to processing and producing industrial and agricultural products. This means new job places for the citizens of Azerbaijan who will return to their homes. For example, before the occupation during Soviet times in the Jebrayil and Fuzuli districts, local residents were engaged in viticulture, animal husbandry, grain growing, silkworm breeding, and vegetable and fruit growing.<sup>8</sup> It should be noted that, during the entire period of occupation, Armenia illegally used these territories for agricultural purposes. In his popular address on December 1, 2020, Azerbaijan's President Ilham Aliyev said that Armenia was growing wheat on tens of thousands of hectares of land in Agdam, Fuzuli, Jebrayil, and Zengilan districts. Armenia harvested up to 90,000 tons of wheat per year in the formerly occupied territories; only a little more wheat is produced in Armenia itself, just 100,000 tons per year. Also, despite the fact that many vineyards were destroyed, viticulture was still practised in some areas of the formerly occupied territories.<sup>9</sup>

In addition, the part of the Lesser Caucasus mountain range that was under occupation has a large forested area: about 246,700 hectares, including 13,197 hectares of valuable forests.<sup>10</sup> This factor is very significant for Azerbaijan, since only 12% the country's territory is covered by forest, which is below the world average. There are nature reserves on the territories of both the liberated Zengilan and Lachin districts (Basitchay and Lachin, respectively). In the Basitchay reserve,

*The Nagorno-Karabakh region and seven adjacent districts of Azerbaijan have significant natural resources that, when developed, will enable Azerbaijan to boost its economy and improve the well-being of its citizens.*

7 Preslib.az, Armyano-Azerbaycanskiy Nagorno-Karabaxskiy Konflikt, ibid, p.57.

8 Report.az, *27 years passed since occupation of Fuzuli and Jabrayil*, August 23, 2020, Available at: <https://report.az/en/karabakh/27-years-passed-since-occupation-of-fuzuli-and-jabrayil/>, (Accessed: December 17, 2020).

9 Youtube.com, President Ilham Aliyev addresses the people, (translation from Azerbaijani), December 1, 2020, Available at: <https://www.youtube.com/watch?v=ZGiynYxJXvs&t=1492s>, (Accessed: December 18, 2020).

10 Ecoreform.az, *Chto Predveshaet Osvobojdeniye Okkupirovannix Territoriy dlya Ekonomiki Azerbaycana*, Available at: <http://www.ecoreform.az/contact-us>, (Accessed: December 18, 2020).

there is a forest of plane trees (listed in the “Red Book” of Azerbaijan) where the age of some trees reaches more than 500 years. Unfortunately, during the occupation, Armenia massively felled centuries-old trees that were then used for the industrial purposes of Azerbaijan, mainly for the production of furniture.

The liberated territories are also rich in minerals. There are 155 deposits of minerals there, including five gold deposits (according to the estimates available from the years before the occupation, there are about 132 tons of gold in these deposits).<sup>11</sup> Zod-Soyudlu, the largest gold deposit of Azerbaijan, is located on the border between Armenia and the Kalbajar district of Azerbaijan (74% or 219 hectares of the field are located on Azerbaijan’s side, 26% on that of Armenia). The total volume of industrial reserves of the Zod-Soyudlu field in the Kalbajar district is estimated at 112.5 tons and the minimum output of ore mined from this deposit is 0.8 grams per ton.<sup>12</sup>

It should be noted that, before the return of the Kalbajar district, the Armenian occupiers illegally mined gold reserves therein. GPMGold, a subsidiary of Russian GeoPro Mining Ltd, has been mining ore in Soyudlu village since 2007.<sup>13</sup> Earlier, Canada’s First Dynasty Mines tried to conduct similar activities in Soyudlu; in 1998, it bought out the remaining 50% of shares from the Armenian Ararat Gold Recovery Company, thus bringing its block of shares to 100%. The total gold production of GPMGold from this deposit amounted to 130,000 ounces. The Armenians also exploited the Aghduzdag and Tutkhun gold deposits, both located in the Kalbajar region, with estimated reserves of more than 13 tons.<sup>14</sup>

The liberated territories also have significant deposits of mercury (1,900 tons), lead (40,000 tons), copper, and zinc.<sup>15</sup> According to the calculations of previous years, in the territory of the Kalbajar district alone, the total quantities of existing mercury deposits in Aghyatag, Levchay, and Chorbulag were 850 tons; in Gamishli and Aghgaya more than 200 tons; and the Chilgazchay and Narzanli large mercury deposits

11 Ecoreform.az, *ibid*.

12 Azertag.az, Rauf Hajiye: *Damage to nature and monuments of Kalbajar region will be calculated in a short time and appropriate measures will be taken* (translation from Azerbaijani), December 1, 2020, available at: [https://azertag.az/xeber/Rauf\\_Haciye\\_Kelbecer\\_rayonunun\\_tebietine\\_ve\\_abidelerine\\_vurulmus\\_ziyan\\_qisa\\_muddetde\\_hesablanacaq\\_ve\\_muvafig\\_tedbirler\\_gorulecek](https://azertag.az/xeber/Rauf_Haciye_Kelbecer_rayonunun_tebietine_ve_abidelerine_vurulmus_ziyan_qisa_muddetde_hesablanacaq_ve_muvafig_tedbirler_gorulecek) (accessed: December 19, 2020).

13 Omarov V., “Cruel exploitation of Karabakh and adjacent regions occupied by Armenia,” *Sia.az*, August 24, 2020, available at: <https://sia.az/az/news/social/822274.html> (accessed: December 22, 2020).

14 Nuriyev Q., “Azerbaijanskiy Klondayk: Armyane Doljni Vozmestit Usherb ot Ekspluatatsii Mestorojdeniy v Karabakhe,” *Report.az*, October 10, 2020, available at: <https://report.az/ru/energetika/azerbajdzhanskij-klondajk-armyane-dolzny-vozmestit-usherb-ot-ekspluatatsii-mestorozhdenij-v-karabahe/> (accessed: December 23, 2020).

15 Ecoreform.az, *ibid*.

are located in Lachin district. Many of these deposits were illegally used by Armenia. In this connection, the Azerbaijani government intends to invite international audit companies to carry out an independent audit in order to calculate the total damage that can be presented to the international courts for claiming compensation from Armenia.<sup>16</sup>

At the same time, during the occupation period of the southeastern regions by Armenia, Azerbaijan was deprived of the use of about 14 deposits of coloured and decorative stones, such as jasmine, agate, onyx, jasper, pyrite, pemphigoid, cad, etc. In addition, the region has 19 deposits of various kinds of facing stone and other deposits suitable for the production of construction materials, such as cement raw materials, building stone, pumice and volcanic ash, clay, building sand, gypsum, anhydride and clay gypsum, perlite, obsidian, and vermiculite.<sup>17</sup>

For example, in the Jebayil district, there is practically everything that is needed for construction:

a cube-stone can be mined in the Toulouse deposit, the reserves of which are estimated at 2.296 million m<sup>3</sup>. There are 4.672 million m<sup>3</sup> of clay in Garajaly, plus at least four deposits of cement raw materials with total reserves of 6.644 million m<sup>3</sup> available in Geyarchin-Veisalli. In addition, there are deposits of sand, crushed stone, gypsum, and other construction materials in the region.<sup>18</sup>

All of this will be of particular importance in the period when the liberated territories are being restored. Building materials can be produced directly in the region, which will reduce the cost of construction materials needed for rebuilding and can create new jobs. In addition, the use of local construction materials will contribute to the ability to restore the region's authentic architectural style.

*The liberated territories of Azerbaijan are also very rich in water resources, which provide a very significant contribution to Azerbaijan's limited water reserves.*

### ***Water and energy potential of the liberated territories***

The liberated territories of Azerbaijan are also very rich in water resources, which provide a very significant contribution to Azerbaijan's limited water reserves. Given the fact that, lately, the problem of supplying the country with fresh water was becoming critical, these resources will be most useful.

<sup>16</sup> Youtube, President Ilham Aliyev addresses the people, ibid.

<sup>17</sup> Ecoreform.az, ibid.

<sup>18</sup> Preslib.az, Armyano-Azerbaycanskiy Nagorno-Karabaxskiy Konflikt, ibid., p63.

Back in the 1970s, on the initiative of Heydar Aliyev, then First Secretary of the Communist Party of Azerbaijan (equivalent to the capacity of a leader of Azerbaijan), the Sarsang reservoir was built (at the moment, the reservoir falls within the region where the Russian peacekeepers are deployed) on the Tartar River, with a total capacity of 560 million m<sup>3</sup>, as well as the Sugovushan reservoir, with a capacity of 80 million m<sup>3</sup> for irrigation and energy purposes. The area of the Tartar river basin is 2,650 square kilometres, and the river is 184 km long, with an average water flow of 23.1 cubic meters per second. This is the largest river in the Nagorno-Karabakh region and is of great importance for the economy of Azerbaijan, as it is used for both agricultural and industrial needs.<sup>19</sup> The Sarsang reservoir will provide irrigation opportunities for agricultural land in six regions of Azerbaijan with a total area of about 100,000 hectares.<sup>20</sup> During the occupation of the Azerbaijani lands, these areas were deprived of the opportunity to receive water from the reservoir because, during the sowing season, Armenians cut off the water supply, releasing it only in the winter, which was causing flooding for the agricultural land of these districts. Currently at the Sugovushan reservoir, the necessary works are already being carried out to ensure the irrigation of land during spring, which will create the conditions for the irrigation of another 15,000 hectares of land. Immediately after the liberation of the village of Sugovushan, for the first time in 28 years, water was released from the reservoir to the Terter, Goranboy, and Yevlakh districts.<sup>21</sup>

In the south, in the Jebrayil and Zengilan districts, the Khudaferin reservoir on the Araz River, which is used jointly with Iran, was also released. This reservoir will enable the irrigation of about 75,000 hectares of land. According to some estimates, the volume of this reservoir is 1.6 billion m<sup>3</sup>. The liberated territories also have underground sources of drinkable water that can provide a daily volume of up to two million m<sup>3</sup>.<sup>22</sup>

The significance of these water resources is reinforced with the capacity for energy production from hydropowerplants. In the occupied territories, there are, including those built later by the Armenian occupiers, about 34 hydroelectric power plants (HPP). The largest among them are the Sarsang HPP, with a generation capacity of 50 MW, and the Khudaferin

---

19 Azertag.az, Rauf Hajiyev: Damage to nature and monuments..., ibid.

20 Ecoreform.az, ibid.

21 Report.az, *Spustya 28 let Voda iz Suqovushana Pushena v Reku Terter*, October 9, 2020, available at: <https://report.az/ru/karabakh/spustya-28-let-voda-iz-sugovushana-pushena-v-reku-terter/> (accessed: December 25, 2020).

22 Ibrahimov, R., ibid.



HPP (102 MW), which is being built on the Araz river in collaboration with Iran.<sup>23</sup> In addition, there are plans to construct the Maiden Tower HPP, which will also be located on the Araz river. It should be noted that the construction of the Khudaferin and Maiden Tower HPPs was agreed back in 1982 as a joint project between the USSR and Iran. However, a new agreement was concluded directly between Azerbaijan and Iran in 2016. In fact, the construction of the Khudaferin HPP was completed by Iran, but it has not yet begun operation. Equal value from water and electricity supply is expected. It is anticipated that the profits from the sale of electricity generated by the Khudaferin and Maiden Tower HPPs will be divided equally between the two countries.<sup>24</sup>

About 39.6% of the total geological reserves of mineral waters (120 sources of various compositions and medicinal values) of the Republic of Azerbaijan fall within the liberated territories. This means that the potential supply of mineral water is in the order of about 7,800 m<sup>3</sup> per day. Among these, the Istisu (Kalbajar district), Turshsu (not far from the city of Shusha), and Syrlan (Shusha city) springs are of particular importance. This mineral water is distinguished by its chemical composition and it is a natural remedy for many diseases. Before the conflict there was a large resort and sanatorium at the Istisu spring as well as a mineral water bottling plant, which were completely destroyed during the occupation. The water from the Turshsu and Syrlan springs is believed to treat various internal diseases.<sup>25</sup>

The presence of many mineral waters in this region makes it possible to develop a curative tourism destination, along with the existing tourist potential. It will be possible to develop many other types of tourism in the region by mobilizing other indigenous elements such as religion, cooking, ecotourism, and healing. For the latter, the restoration and construction of new hospitals and sanatoriums is necessary, which will attract not only Azerbaijani citizens, but also foreign tourists.

The presence of certain reserves of oil and natural gas in these territories is also known. In short, their estimated reserves in the liberated territories are estimated at 200 million tons and 250 billion m<sup>3</sup>, respectively.<sup>26</sup> Although these areas comprise rough, mountainous terrain, thanks to new technologies, their extraction can become possible and economically

23 Ibrahimov R., *ibid.*

24 Krivosheev K., "GES, Kotoraya Jdala Konsa Voyni, "B" Posetil Gidrouzel s Tyajeloy Sudboy", *Kommersant*, December 9, 2020, Available at: <https://www.kommersant.ru/doc/4605407#id1986968?> (Accessed: 2 January, 2021)

25 Ecoreform.az, *ibid.*

26 Interfax.com.ua, *Zapasy nefiti v Karabakhe otsenivayutsya v 200 mln t, gaza - 250 mlrd kub. m - AN Azerbaydzhana*, December 14, 2020, Available at: <https://interfax.com.ua/news/economic/709809.html>. (2 January, 2020).

viable, which will create new jobs, provide the region with additional energy sources, and increase the export of hydrocarbon resources.

### *Conclusion*

The natural potential of the liberated territories is enormous. Considering how important they were for the Armenian economy, it has become clear that Azerbaijan will make the most of the restored opportunities. According to some estimates, the use of natural resources in the territories formerly occupied by Armenia will enable Azerbaijan to extract up to an additional 30% of its GDP. Now these resources will give a big impetus to the economy of Azerbaijan and will also contribute to the early return of local residents (former IDPs) to their homeland.

Moreover, the development of these territories will create positive opportunities for Armenia as well. Indeed, according to the Statement of 10 November, there are projects that will positively affect the development of regional cooperation, which will create interdependence between the countries and therefore reduce the likelihood of potential conflicts in the future. In accordance with the ninth paragraph of the Statement, “all economic and transport links in the region shall be restored.” For the first time since independence, Armenia has the opportunity to become part of a long-established regional economic system. In the case of a constructive approach and the rejection of revanchist ideas, Armenia will receive significant dividends for its economy from the new arrangements.

In addition, the statement assumes the restoration of existing and construction of new transport and communications links between the western regions of Azerbaijan and the Nakhchivan Autonomous Republic of this country, links that pass through the territories of the Republic of Armenia. Owing to the occupation of the southern districts (Fuzuli, Jabrail, and Zengilan), all ground communications had been interrupted. If this transport route starts operating, a positive effect will be provided not only for Azerbaijan, but also for Armenia, which will have the opportunity to escape regional isolation, as well as to gain access to regional transport links with Azerbaijan and, through Nakhichevan, Turkey.

Restoring its territorial integrity will enable Azerbaijan to fully use the economic potential of this region, which will positively affect the well-being of its citizens and will also become an additional impetus for regional cooperation in the South Caucasus, where Armenia was intentionally isolated during the years of the ongoing conflict.