
Strategic Pathways for the Revitalization of Karabakh and East Zangazur: A Comprehensive Assessment of Post-Conflict Reconstruction, Resource Utilization, Smart Regional Development, and Socio-Economic Transformation in Azerbaijan's Newly Liberated Territories

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Abstract

This study provides a comprehensive and multidimensional analysis of the revitalization pathways for the Karabakh and East Zangazur economic regions of Azerbaijan—territories liberated during the 44-day Patriotic War of 2020. The research examines the strategic, economic, infrastructural, and socio-cultural dimensions of post-conflict reconstruction while assessing the resource potential and development prospects of these newly established economic zones. Special emphasis is placed on the efficient use of natural resources, the modernization of agriculture, and the introduction of high-tech and “smart” solutions aligned with contemporary sustainable development demands. The article highlights the significance of new state policies aimed at rebuilding transport, social, cultural, and production infrastructures destroyed during nearly three decades of occupation. It evaluates alternative investment mechanisms, such as industrial parks, free economic zones, agricultural parks, and public-private partnership (PPP) models, which are designed to accelerate regional development. The study underscores the competitive advantages of key sectors—agriculture, water resources, livestock, viticulture, cotton production, renewable energy, tourism, and the cultural economy—identifying their potential for driving long-term economic growth. Overall, the study argues that Karabakh and East Zangazur have the potential to emerge as leading innovation-driven and sustainable economic regions, contributing significantly to Azerbaijan's national development model and regional competitiveness under modern global challenges.

Keywords

Azerbaijan; Karabakh; East Zangazur; post-conflict reconstruction; regional development; liberated territories; economic diversification; resource potential; smart technologies; infrastructure rehabilitation; agricultural modernization; cultural economy; tourism development; industrial parks; free economic zones; sustainable development; investment climate; demographic recovery; regional competitiveness.

Introduction

The importance of determining more effective action directions and priorities and preparing mechanisms for the development of Karabakh and East Zangazur economic regions in modern conditions is highlighted. Opportunities in both economic regions are reviewed and material on the sectoral structure of the economy is presented. The foundations and constituent elements of the state policy on accelerating the restoration of the social and production infrastructure destroyed during the occupation period are indicated. It is stated that the reconstruction and construction works are mainly financed from the state budget. In addition to the creation of alternative financial sources and the acceleration of the development of traditional economic sectors in the region, the prospects for the development of new high-tech economic sectors are also indicated. The advantages of developing based on “smart” technologies are analyzed and the prospective results of the

relevant works are predicted. The problems of making the investment environment as attractive as possible in the Karabakh and East Zangazur economic regions are explained and the scientific arguments for the necessary measures are summarized. The importance of expanding and promoting entrepreneurial activity and building production infrastructure in the liberated territories is substantiated. The multifunctional features of the new economic mechanisms (industrial parks, free economic zones, and agricultural parks) that have been founded and created recently are analyzed (Asadov, 2005). The advantages of agriculture and the agrarian sector in general, as an economic field with a high future in the region, are elucidated. The fertile conditions to produce wheat, an important food crop, in the liberated areas, are evaluated as a superior factor. Opinions on the development possibilities of viticulture, animal husbandry, and cotton cultivation in the region are included. The possibilities of the tourism sector, which has more potential and development impulses, are highlighted. The possibilities of expansion of the tourism-recreational zone in Shusha city and Kalbajar region are researched. Resources for the formation of the cultural economy and the development of the service sector in the city of Shusha are analyzed. It is pointed out that for the first time in Azerbaijan, there is a potential to form the sectoral structure of the cultural economy in Shusha. The importance and efficiency of the development of service areas are evaluated. The strategic aspects of the implementation of many projects related to the construction of international airports, roads, and railways in the liberated territories are considered. In this perspective, the importance of creating new mechanisms and impulses of regional development in Azerbaijan, due to the improvement of the development mechanisms of the Karabakh and East Zangazur economic regions, is stated. The main development directions of the Karabakh and East Zangazur economic regions are determined from near and far perspectives by taking into account modern challenges, new trends arising from global threats, post-pandemic assumptions, and the goals of revitalizing the liberated regions. Based on this, recommendations are made, and suggestions are presented (Najafov, 2005).

In modern times, the favorable geographical location of Azerbaijan has attracted the attention of great powers at different times. Unfortunately, after the fall of the former USSR, 20% of our lands were occupied by the Armenian armed forces with the help of their foreign supporters. According to the incidents of the past 33 years, Azerbaijan's economy suffered millions of dollars of damage as a result of land occupation. Those who visit these areas can clearly see the extent of the destruction and the traces of the occupation. As a result of the second Karabakh War, our heroic army, under the leadership of the Commander-in-Chief, liberated our lands from occupation in 44 days. Currently, the socio-economic rehabilitation processes of these lands are accelerating.

Many issues, such as the reconstruction of Karabakh and East Zangazur, the restoration of destroyed infrastructure, the acceleration of the processes of the return of internally displaced persons to their native lands, the restoration of buildings destroyed by the enemy in the territories during the occupation and the creation of new infrastructure in line with modern projects should be resolved. Today, the restoration of the cities and villages of Karabakh and East Zangazur is one of the most important tasks facing our state. Innovative technologies are created and developed in the world, people intend to rebuild old villages and cities and build modern housing estates. One of the first works of the restoration of Karabakh and East Zangazur is the construction of roads. Because the road is considered a development, the creation of new road transport infrastructure in those economic regions is the initial stage of the "Great Return" program leading to their revival. It is impossible to imagine the rise and development of a region without roads (Najaf A., Najafov R. 2005).

One of the main priorities in the development of our country is the restoration of Karabakh and East Zangazur and their integration into the country's economy (Samadzadeh, Z.A., 2022). Rebuilding the infrastructure destroyed by many years of occupation takes a lot of money and time. Providing restoration and reconstruction works in a short time, with high quality and minimum investment, and protecting the environment is one of the urgent tasks waiting for a solution.

Methods and approaches

Planning and implementing the economic development processes, taking into account the global challenges and the needs of the post-pandemic period, requires new approaches and mechanisms. Restoration of the occupied and destroyed lands for nearly 30 years is of utmost urgency for Azerbaijan and has sufficient strategic importance. The main hypotheses of this article are our series of recommendations and approaches for the development and implementation of more optimal and effective directions and mechanisms for the complex and coherent restoration and revitalization of the two newly created economic zones (Karabakh and East Zangazur economic zones in the liberated lands):

H1. In the conditions of global transformation at the world level, conceptual approaches and action mechanisms reflecting modern realities should be prepared for the revitalization of post-conflict regions in accordance with the long-term goals of the national economic development model of independent Azerbaijan and they should take as the basis for restoration and revitalization projects.

H2. To develop and intensively revitalize the Karabakh and East Zangazur economic regions, there is a serious need to fundamentally examine the resource potential of these economic regions, prioritize the issues of efficiency of those resources in economy building, and give priority to the formation and development of new economic areas based on high technology in addition to traditional economic areas.

H3. Due to the objective research and evaluation of the development impulses of the Karabakh and East Zangazur economic regions, maximum optimal identifying the development trends of the region, taking the necessary measures, accelerating the processes of establishing the necessary social and production infrastructure, intensifying the implementation of major projects related to them, strengthening financial support for restoration and revitalization measures, creating alternative financial funds as well as budgetary funds and attracting investments can be effective.

H4. Today, there is a need to increase the role of entrepreneurship in the implementation of construction and revitalization projects carried out for the restoration of the Karabakh and East Zangazur economic zones, to evaluate and encourage projects on entrepreneurship, and to ensure more active participation of entrepreneurship and business subjects in the region. Public-private cooperation should be expanded in the operation of modern social and production infrastructure built based on “smart” technologies.

H5. In order to comprehensively consider historical, economic, and geographical factors in economic development and restoration works in the region, and to involve natural resources in economic and financial circulation, measures for the revival of traditional employment areas should be taken, intensive development of agricultural areas should be ensured, the realization of the potential of the agricultural sector should be a priority, the development of areas that allow the production of important food products and the creation of reserves should be accelerated, and in general, additional incentives should be formed for the integration of both economic regions into the economy of Azerbaijan, as well as with other economic regions.

H6. Large-scale revitalization projects in the region, including the revitalization of the city of Shusha, the center of Karabakh and the pearl of the Caucasus, large-scale revitalization projects in the region, measures for the reconstruction of the social and production infrastructure of this city, as well as the establishment of international airports and road infrastructure, can enable the service sector to develop more intensively and effective use of the high potential of the tourism sector. In terms of these factors, the process of revitalizing the Karabakh and East Zangazur economic regions should be prepared and implemented in the context of modern challenges and justified with scientific and practical arguments.

Results and materials.

The implementation of conceptual approaches to the development of Karabakh and East Zangazur economic regions is quite relevant. Thus, restructuring works after the Second Karabakh War are carried out through the reintegration and inclusion of Karabakh and East Zangazur into the value chain, which is an integral part of Azerbaijan's overall development strategy. Furthermore, with the participation of international experts, the damage to land, water, mineral resources, forest resources, property, and cultural resources, and most importantly, the civilian population is calculated, and claims are made. The strategy for the development of the Karabakh region includes short, medium, and long-term activities at different levels. It is crucial to use a variety of state policy tools to implement this strategy. There is sufficient potential for the development of territories in the regions that previously operated in Azerbaijan and are included in the division of new economic regions, including Karabakh and East Zangazur. Modeling of economic activities and development of entrepreneurship for the sustainable development of Karabakh and East Zangazur economic regions constitute the basic components of state policy. For instance, priority directions for efficient use of funds from the Entrepreneurship Development Fund for the development of those economic regions have been determined. Attracting interested and potential investors to these fields is one of the main tasks. In the near future, it will be possible to develop more efficient mechanisms for the development of high technology-based areas in these newly created economic regions (Aliyev Sh., Megits N., Pustovhar S., Bielialov T., Prokopenko O., 2022).

Such mechanisms include the creation of production and processing areas based on flexible and productive technologies and the organization of the functioning of productive infrastructure areas. Based on these, it can be expected that the development will be more flexible and productive in the economic regions determined by the new division (Aliyev, Sh.T., 2021). In order to increase the role of Karabakh and East Zangazur in the development of the region and in strengthening our national economy in general, mechanisms for stimulating entrepreneurs who will operate in those economic regions are implemented, and in order to create more fertile conditions for improving the business environment, a system of concessions in the field of finance, customs, taxes, and communal services is applied (Narimanoghlu, H., 2022).

At the modern stage of development, the problem of sustainable development of economic zones is related to the economic instability of the regional units included in it. Many marketing strategies need to be widely implemented to promote fields and farms. Based on this, sustainable development will allow promoting and ensuring the competitiveness of a certain area. If any economic region develops continuously and changes in all areas are harmonious and interrelated, then that economic region will gain an advantage. The creation and management of modern economic systems in Karabakh and East Zangazur require continuous development. The purpose of creating and managing these systems is to ensure their sustainability and to create an effective mechanism for this. Moreover, more emphasis should be placed on comprehensively ensuring the environmental and economic sustainability of economic zones.

The effective use of resources in Karabakh and East Zangazur, their inclusion in the production process, and the restoration of the lands of these economic regions require large investments. Therefore, funds in the amount of 2.2 billion manats have been allocated from the state budget of the republic in 2021 and 2022, respectively. In our opinion, these funds are not enough. Thus, the successful implementation of the country's development priorities, meeting the needs of modern globalization processes, and based on this, innovation-oriented sustainable and inclusive development of Karabakh and East Zangazur will be ensured in the coming years. According to calculations, it will take approximately 5-8 years and an investment of up to 60 billion manats. More than half may be investments of foreign companies. It is one of the main priorities to attract foreign capital by creating a network of joint ventures to completely restore the destroyed economy of these economic zones, exploit the fields, process raw materials and materials, and produce targeted products along the value chain. In the last two years, nearly 1,000 small and medium-sized companies from foreign countries came to Azerbaijan to work in Karabakh and East Zangazur. Among these countries, the

companies from Turkey, Italy, Israel, Pakistan, Hungary, England, Russia, Kazakhstan, Japan and others are the most active. These companies are interested in investing in construction, industry, trade and service, agriculture, and other areas in all regions of Karabakh and East Zangazur (Asadov, 2005).

According to the data in Figure 1, the volume of investments in the construction sector in Karabakh and East Zangazur in 2021 increased sharply compared to previous years.

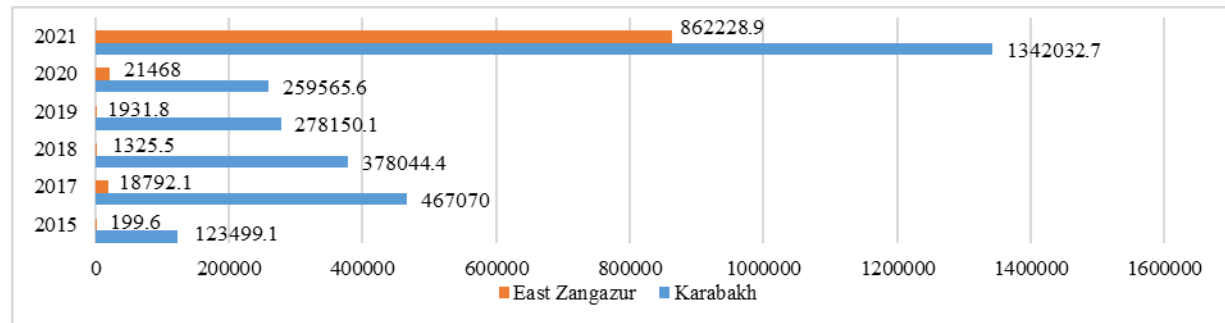


Figure 1. Fixed-capital investments in the construction sector in Karabakh and East Zangazur, thousand manats (Source: compiled by the author based on SSCRA data).

According to Figure 1, 1,342,032.7 thousand manats were invested in the construction sector in Karabakh in 2021. This is 10.9 times more than in 2015 and 5.1 times more than in 2020. 862,228.9 thousand manats were invested in the construction sector in East Zangazur, which is 432.0 times more than in 2015 and 40.2 times more than in 2020. In 2021, there was an increase in industrial production volume in Karabakh and East Zangazur compared to previous years. Thus, the value of industrial products in Karabakh that year was 194,776,3 thousand manats, which is 4.4 times more than in 2015 and 70.0% more than in 2020. The volume of industrial production in East Zangazur in 2021 amounted to 7888.2 thousand manats, which is 6.5 times more than in 2015 and 3.1 times more than in 2020. In terms of all indicators, the highest growth in the last 30 years was seen in Karabakh and East Zangazur in 2021. The main reason for this is that most of these regions were under Armenian occupation in previous years. Moreover, the increase in investment activity in Karabakh is the main condition for the development of all economic sectors. The main investment that will provide the most efficient ways to build a strategy for the development of Karabakh is state investment. In the management of investments, the state performs the following functions: forecasting the development taking into account the current state of the investment market and the national investment demand; preparation of strategic directions of investment policy, taking into account the development trends of the entire country and its regions, monitoring investment activities and taking concrete measures to support and regulate the financing of investment projects at all levels (Mammadov, A., Ahmadzada, N., 2022).

In Table 1, the main socio-economic indicators for Karabakh and East Zangazur economic regions in 2021 are indicated. Since this region has been under occupation for nearly 30 years until 2020, it has not been possible to create an objective statistical base, and therefore, conducting an extensive analysis is out of the question.

Table 1

Main socio-economic indicators for Karabakh and East Zangazur economic regions in 2021

Economic regions and administrative units	Territory, thousand sq. km.	Population as of 01.01.2022, thousand people	The number of economic entities as of 01.01.2022		The total output of the product in the main areas, million manats	Industrial product, thousand manats	Agricultural products, thousand manats	Fixed-capital investment, thousand manats
			legal entities	physical person				
Karabakh economic region	8,99	907,9	4674	74873	2816,8	194776,3	910375,5	1342032,7
Khankendi city	0,008	55,9	...	...	...	...	...	...
Agjabadi district	1,76	138,4	1012	17086	465,6	80242,2	256301,3	44437,0
Aghdam district	1,15	205,8	497	11138	405,8	23812,1	141897,3	223314,3
Barda district	0,95	158,9	1352	28466	598,4	55515,1	313640,0	68322,8
Fuzuli district	1,39	135,3	1002	7016	774,7	21706,1	92696,5	640399,7
Khojaly district	1,00	29,1	20	112	39,6	137,4	5214,8	22,8
Khojavand district	1,46	44,3	180	946	109,0	544,1	11048,9	97236,2
Shusha district	0,31	35,0	61	91	240,3	656,6	7314,1	234124,7
Tarter district	0,96	105,2	550	10018	183,4	12162,7	82262,6	34175,2
East Zangazur economic district	7,47	345,0	1019	3909	964,2	7888,2	94448,9	862228,9
Jabrayil district	1,05	82,5	297	558	255,3	4890,8	26648,1	224048,6
Kalbajar district	3,05	95,3	131	899	240,0	353,4	41805,3	200258,9
Gubadli district	0,80	42,0	128	383	110,3	-	1883,9	108265,7
Lachin district	1,84	79,7	406	1884	143,5	2644,0	21499,6	116998,5
Zangilan district	0,73	45,5	57	185	215,1	-	2612,0	212657,2

Note. Compiled by the author based on the data of SSCRA - <https://stat.gov.az/source/regions/?lang=en>.

East Zangazur economic regions and creating the regional production infrastructure of the country (Guliyev, E.A., 2015). The issues of effective organization of interaction between economic and administrative regions should also be considered in this context. Professor A.Kh. Nuriyev states that each country has its own principles and systems of division into regions. This system and its internal components (economic zones, national state regions, administrative-territorial units) are not stable, but changeable. The opportunity to clearly see the historical causes of achievements and deficiencies in economic regions, to understand modern problems correctly, and to find ways to solve them should be sought (Nuriyev, A.Kh., 2021). In our opinion, the creation of a network of economic zones and systematic measures, specialization, and complex development issues are important conditions. Professor E.A. Guliyev's views are also interesting: Land relations and economic forms are created through agricultural reforms (Guliyev, E.A., 2015). In-depth analysis and objective evaluation of the possibilities of the agricultural sector is one of the important conditions for using the potential of Karabakh. Moreover, the efficient processing of produced agricultural products, the creation of food reserves, and the production and marketing of various food products in accordance with the needs of consumers are ensured due to the creation of a network of agro-industrial enterprises. Honored Scientist, Professor B.Kh. Atashov states that in developing countries, the recovery of the agrarian economy from the crisis, the sustainable operation of its fields, and the competitiveness of local food products requires the activation of innovation processes. Analysis of the socio-economic situation in the agricultural sector in recent years shows that materially and morally outdated technologies, plant varieties, imperfect methods, and forms of production and management are still used here. The tested mechanisms of applied activity, the relevant scientific and technical information systems of the market economy, and the tested effective interaction mechanism between scientific institutions and application structures are too weak (Atashov, B.Kh., 2017). In fact, most of these problems are still typical for the agricultural sector of our country.

The issue of evaluating the natural and economic resource potential of Karabakh in the new realities is remarkable in terms of its relevance. The processes of revitalizing the Karabakh economic region require the development of close cooperation mechanisms as well as the mobilization of resources. In this respect, the maximum use of opportunities for public-private cooperation in the process of attracting investments to Karabakh is of great importance. The revitalization of Karabakh based on public-private cooperation is evaluated as an alternative method that allows more efficient and quality public services in the region and the improvement of infrastructure facilities by attracting private capital. Public-private cooperation is a significant resource in terms of increasing the efficiency of entrepreneurial activity in the region and realizing social priorities. The greatest impact of the interaction between the state and business in the region can only be achieved by creating a favorable economic environment for the realization of the interests of both parties. Large-scale restoration and construction works have been carried out in Karabakh for more than two years. Within these works, the development of the tourism potential of Karabakh is especially considered. This will lead to the creation of more diverse tourism services in the region in the coming years. International travel will gradually be restored and the promotion of tourism potential of Azerbaijan in the world countries will be accelerated. Fuzuli International Airport, which was put into service on October 26, 2021, also contributes to this work. This airport, called the Air Gates of Karabakh, was built in accordance with world standards. All works were carried out in accordance with international norms and standards, and any type of plane can land here. Comprehensive and scenic construction works have been carried out around the airport and all conditions have been created for the comfort of passengers and tourists.

The organization of tourism routes is planned for different destinations. The city of Shusha considered the cultural capital of Azerbaijan, is already the center of attention of tourists. International exhibitions, various festivals, promotion of tourism products, and other cultural and mass events are of great interest in the city. During the Soviet Union period, the Shusha sanatorium operated as a very large and important medical institution in the region. Restoration of these or other treatment centers is also of great importance. The "Victory Road" built-in Shusha will help strengthen the tourist flow to this region and generate economic income from it. Azikh Cave, one of the oldest settlements in Azerbaijan, has wide opportunities in terms of

tourism attractiveness. The presence of highways, railways, and airlines in the territory of Fuzuli, which is one of the regions with a favorable economic and geographical position, the location of the region on the border with Iran, the opening of the newly built international airport and the Zafar Road to Shusha will greatly increase the possibilities of restoring and expanding the transport communications of the region (Nabiyev, R., 2022). The development of tourism in Karabakh is one of the important factors for the development of the economy of this economic region and for the return of the local people who settled in other parts of the country to their own lands. Karabakh region, unlike some regions of Azerbaijan, is one of the regions where summers and winters are mild and greenery is abundant. The development of agro-tourism in the region, which has such unique natural-climatic features, shows great promise (Jabbarov, A., Abbasova, S., Tanriverdi, H., 2020). In general, the geographical location of Karabakh and its close proximity to the Lesser Caucasus Mountains can stimulate the tourism potential of the region to develop significantly. The revenues from the tourism potential of that economic region may exceed the amount of income from the tourism sector in the country. To this end, historical places, nature, and the ecological potential of the region should be restored to their pre-occupation state and conditions should be created for their future development (Karimli, I., Mohsunlu, R., Karimov, R., 2022). The international airport, which was built and put into service in Fuzuli, now plays an important role in allowing foreign guests to easily reach Shusha and other parts of Karabakh. Considering the tourism size and economic potential of Karabakh, the advantages of commissioning the international airport are clearly seen. Due to the geographical location of this port and other ports to be built in the region, it will have an important place in international transportation.

The aspects of effective use of natural and economic resource potential of the development of the Karabakh economic region in the near future are remarkable. Analysis and evaluation of the economic complexes of the economic regions of Azerbaijan show that in the regions of the country, especially in Karabakh, there are many types of raw materials, including economic resources, for the comprehensive development of the region and the increase of their reserves, the expansion of economic activities, the increase of the population's income, the creation of a network of productive enterprises and an attractive investment environment. One of these areas is the agricultural sector, which produces basic food products that ensure food security and reduce dependency on imports. The fact is that until 1988, Karabakh provided 15% of Azerbaijan's total wheat harvest. The invaders have been using parts of their wheat fields for the past 30 years. Total annual wheat production in Armenia was 190,000 tons, of which 90,000 tons were grown in the occupied territories. There is also high potential in Karabakh for the development of productive gardens such as viticulture, cotton cultivation, sericulture, and animal husbandry. Since Karabakh has an excellent climate and natural conditions, there is a favorable and fertile environment for the comprehensive development of livestock, which will allow for a significant increase in the volume of meat products, milk, eggs, and wool. In addition, the Karabakh region traditionally has competitive industrial products in the fields of agro-industrial complex and in the textile industry. Due to these potentials, it is possible to achieve in-depth processing of agricultural products, including the serious development of cotton processing. Before the occupation, various industrial enterprises, including carpet factories, and grain and meat factories, were operating in the Aghdam district. During the restoration works in the Aghdam region, the foundation of the Aghdam Industrial Park, which has a strong, modern, and high-tech infrastructure, was laid for potential investors to establish their own businesses and establish competitive ventures. The main focus in the region is the acceleration of restoration work and the creation of innovative, high-tech industrial zones and centers. Opening communication, creating transport corridors, and activating integration processes will also be beneficial for Armenia, where the country's economy lacks potential development opportunities and faces difficulties in finding jobs and improving living conditions (Aliyev, Sh., Abbasova, Ch., Hamidova, A., 2021).

With the implementation of innovative farming models, the income from agriculture in these areas alone is estimated at billions of dollars. Ore reserves will bring a large amount of income to the economy of Azerbaijan by developing the mining industry and metallurgy. Revival and development of East Zangazur is also one of the main priorities. East Zangazur includes the districts of Jabrayil, Kalbajar, Lachin, Zangilan

and Gubadli. This economic region, which is a purely agricultural region, has become an important livestock region of the country. Sheep breeding, cattle breeding, and beekeeping were established as the main specialties. Fruit and vegetable growing mainly developed in Gubadli and Zangilan regions. Therefore, animal husbandry should be restructured in East Zangazur, concessional loans should be given for the development of livestock, and tax exemption problems of commercial enterprises should be resolved. Before the occupation, livestock, viticulture, and cocoon farming were the basis of the economy of the Kalbajar region. Over 60,000 tons of grapes have been produced in recent years. Mainly agriculture and animal husbandry have developed. Until 1990, 50 thousand people were being treated in the hot water sanatorium here, which was a huge number for a small place. Kalbajar also has plenty of drinking mineral water resources. Bottled and sold these waters can provide great financial gains. Agriculture, including livestock, forms the economic basis of the Lachin region. Even after the occupation, it is possible to make that region one of the leading regions in economic development by establishing and expanding animal husbandry, small cattle breeding, and beekeeping farms. Medicinal plants, which are invaluable in terms of folk medicine, are grown in this area, which can become an additional source of income in the future. Cocoon farming, grain farming, viticulture, tobacco farming, and animal husbandry were mainly organized in Gubadli district. 1,520 tons of tobacco, 12,000 tons of fodder, 133 tons of grapes, up to 15,000 tons of grain products, 1,200 tons of meat, 52 tons of cocoons, 2,600 tons of dairy products, and 10 tons of wool were produced in this area. Rice was cultivated in the region from the beginning of the 20th century to the 60s. Taking into account the current demand for rice, it can be considered purposeful in the development of this field. In the Zangilan region, 7,204 hectares of land are involved in the economic cycle. Here, potatoes are planted on 56 hectares of land, grains on 4,000 hectares, sugar beet on 41 hectares, vegetables on 33 hectares, tobacco on 307 hectares, melons on 10 hectares, fruit, and orchards on 41 hectares, and vineyards on 2047 hectares. During the year, the average production of grain products was 3180 tons, production of melon products was 30 tons, cocoon production was 80 tons, potato production was 20 tons, tobacco production was 1700 tons, and grape production was 18000 tons. The climatic conditions of this region are quite suitable for the cultivation of aromatic wild plants required by the perfumery industry. For example, it is possible to obtain large quantities of lavender oil by planting lavender fields. In modern practice, it is possible to obtain 50-60 kg of oil from 1 hectare of lavender field. Since the average price of 1 kg of lavender oil in the world market is 100 dollars, it is possible to make big profits. In the pre-occupation period, Eastern sycamores were protected in the Basitchay conservation area of Zangilan district. This conservation area was completely destroyed by the Armenians. These sycamores have beautiful and smooth trunks. Now there are no traces of this area. In addition to sycamore trees, many rare tree species were cut down in the region and transported to Armenia. Trees in the occupied regions were cut down and used as fuel in Armenia for about 30 years. The use of phosphorus bombs has caused great damage to biodiversity. Thus, fundamental obstacles have been created in front of the organization of biotourism. Biodiversity is a renewable resource for recreation. It is reasonable to believe that these resources will be restored by the relevant institutions, creating an opportunity for the development of biotourism. The basis of the economy of the Jabrayil region was grain farming, cattle breeding, and horticulture. Before the occupation, more than 60,000 tons of different grape varieties were grown in this region. There were eight industrial enterprises in the region. The lands of the district of Jabrayil are very suitable for grain and melon farming. It is possible to establish traditional livestock and sheep farms in this area.

Under the current conditions, the development perspectives of the Karabakh and East Zangazur economic regions should be evaluated objectively, and the development ways should be determined optimally. The reuse of Karabakh and East Zangazur lands can play an important role in improving the social situation of the population living in these economic regions and in the development of agriculture in the republic as a whole. Therefore, special state programs and projects for the development of these economic regions should be actively implemented. An example of this is that Zangilan, Gubadli, Lachin, and Kalbajar have very suitable opportunities for the development of livestock. Agricultural opportunities are wider in Aghdam, Fuzuli, and Jabrayil regions. In general, Karabakh and East Zangazur are economic regions with development potential and opportunities in both directions. For this reason, a separate evaluation should be

made for each region, and whichever of these areas has the highest development potential, priority should be given to measures aimed at revitalizing those regions. The implementation of infrastructure projects, including the transport logistics project, in East Zangazur will significantly accelerate the development of this economic region and lead to the development of villages and settlements. This effect will not only be valid for Karabakh and East Zangazur but will also show itself significantly in the development of the whole country. Thus, those economic regions have high resources, including the potential for intensive development of a number of traditional and new economic areas. There is great potential in the region in terms of developing the traditional fields of agriculture such as viticulture, farming, plant breeding, and animal husbandry (Aliyev, Sh.T., 2022). Obviously, there are sufficient resources in the economic regions of our country, and the development opportunities of agriculture, especially animal husbandry and farming, are attracting more attention. There are very high resources for the development of animal husbandry. It is necessary to emphasize the existence of necessary meadows and pastures and the abundance of forage plant resources in the Lachin and Kalbajar regions. In general, there are prospects to produce many meats and dairy products and the creation of a network of industrial enterprises for processing agricultural products through free economic zones (Aliyev, Sh.T., 2022). While planning and implementing projects for the development of the agricultural sector in the Karabakh economic region, the multiplier effect of the linkage and reintegration of these projects with this region should be studied and evaluated. In addition to the development of traditional employment areas in the agricultural sector in Karabakh, the creation of a network of enterprises based on innovative and “smart” technologies, especially processing enterprises, should be a priority. In addition, it is of great importance to develop flexible infrastructure and export activity mechanisms, establish special state support mechanisms to produce agricultural products and take more effective measures to encourage agricultural exports. In general, the development of the agricultural sector should cover all regions of the country, as well as the East Zangazur economic region. The urgency of researching the problems and development prospects of the agricultural sector in East Zangazur is related to its future contribution to the country's economy. Examining the issues related to the development of the agricultural sector in East Zangazur is of great importance in terms of increasing the productivity of agrarian entrepreneurship. Karabakh and East Zangazur have high potential in terms of agrarian development. There are ample resources here, including resources for the development of livestock and agriculture. Thus, the Lachin and Kalbajar regions have sufficient grazing and forage reserves. These economic regions have great prospects in terms of the organization of production of livestock products through special economic zones and the development of the agricultural sector (Aliyev, Sh.T., 2022). Efforts are underway to establish the “Araz Valley Economic Zone” in East Zangazur, where renewable energy-based technologies will be applied (Valiyev, O., 2022). This industrial park attracts attention primarily because of its geographical location. This industrial area attracts attention primarily because of its geographical location. In other words, that industrial area is located on highways and railways and at the exit of East Zangazur, which is the Southern Gate, to Iran. This will also allow the products produced in this industrial park to be exported to different markets.

The resources of the Karabakh economic region and its reintegration into the national economy are of particular interest. Consistent measures are taken for the rational use of the laws of historical economic development of Karabakh, and its characteristics, especially natural and economic resources, mineral resources, and tourism-recreational resources in this economic region. The shaping of the economy and the regulation of the structure of Shusha, which is the center of Karabakh, the pearl of the Caucasus, and the pride of every Azerbaijani, will take place mainly with the development of cultural areas (Aliyev, Sh.T., 2023). In short, new fields of activity, including cultural economy, are being created in order to ensure socio-economic development in Azerbaijan. Due to the effective organization and use of cultural areas, measures are being taken to form economic areas that create added value, to form additional financial sources, to create new jobs, and to take important steps to ensure the employment of the population. We believe that the creation of social infrastructure in the Karabakh economic region has entered a sufficiently active phase. Large-scale works are being carried out in the direction of the construction of a new residential area with an ancient, very complex, and national ornament, such as Shusha, and the restoration of ancient monuments,

first, monuments of historical and strategic importance. In addition, the master plan has been approved in order to ensure the socio-economic development of the city of Aghdam, and important steps are being taken to establish the city infrastructure for a population of one hundred thousand people. In Aghdam, the construction of the school, health, education infrastructure and the construction of the residential area, and the construction of the middle part of the city are continuing rapidly. The modern representative office of the President of the country in Karabakh has become operational here.

Furthermore, Aghdam Industrial Park was established to create the production infrastructure in Karabakh, to use the existing resources more efficiently, and to organize the processing areas, where the citizens are already registered, and the enterprises are getting ready for operation. The operation of Aghdam Industrial Park will make a significant contribution to the efficient use of natural and economic resources in the region, especially to the establishment of a processing-oriented enterprise network and to attracting investments in these areas. The opening of Fuzuli International Airport, which is the air gate of Karabakh, and the realization of international flights here is a historical event in terms of the socio-economic development of the region. The establishment of the airport and its infrastructure in accordance with modern world standards is important in terms of creating an attractive investment environment for more investors to come to the region. On the other hand, this international airport is of great importance for the visit of businessmen, international experts, and Azerbaijanis from around the world to Karabakh. Intensive flights are conducted in these directions. The launch of Fuzuli International Airport also promotes the creation of new areas of activity in the socio-economic development of the region, the development of transport and logistics infrastructure, the creation of industrial production infrastructure and the organization of high-tech workplaces, and the strengthening of the standard of living and employment of the population. The implementation of the “Smart Village” project consisting of 1000 houses in the Devletyarlı village of the Fuzuli district has been started, and such projects have already been implemented on the basis of the Aghali village of the East Zangazur economic district. It is gratifying that people are returning to their own land. All this leads in a short time to the creation of new objective realities regarding the resettlement of the population in the Karabakh and East Zangazur economic zones, their return to their native places, and their active participation in the processes of socio-economic development.

Conclusion

Therefore, large-scale projects will need to be implemented in the coming years in order to achieve the goals of revitalizing the Karabakh and East Zangazur economic regions. These processes require large financial resources, effective action mechanisms, practical tools, and well-thought-out action strategies. Several issues and related factors, approaches, and priority action directions are noteworthy:

To provide more effective reintegration of Karabakh and East Zangazur economic regions into the national economy, the realization of state support mechanisms and “public-private sector cooperation”, development of entrepreneurship in these regions, improvement of the business and investment environment, additional measures to invite foreign investors to the region and measures to intensively ensure the socio-economic development of the region should be systematically and consistently implemented;

Realization of international projects and attraction of investments in Karabakh and East Zangazur will have a positive effect on the security of the region. Therefore, measures should be taken to increase investment attractiveness in the region, and mechanisms to attract foreign investments should be developed and implemented;

The participation of experts and the local labor market in general in the realization of new projects on the concepts of recovery and revitalization should be considered a priority and effective measures should be taken accordingly;

With the active involvement of the country's human resources in the reconstruction processes of Karabakh and East Zangazur, it may be possible to complete these processes in a shorter time in those economic regions;

The main goal in the implementation of the priorities for both economic regions is to improve the living conditions of the population of Karabakh and East Zangazur, to protect and improve the ecological situation of the region, to attract tourists to the newly created recreation centers and create fertile conditions for increasing economic activity in the region;

In our opinion, the state should ensure that the tax system is highly encouraging within the scope of its protectionism policy in the region. Thus, taxes reflect the relationship between the state and business entities and should be subordinated to the development of production. It is also necessary to apply differentiated taxation to business entities depending on the characteristics of economic regions;

In the reconstruction of Karabakh and East Zangazur and in the following periods, the issues of ecologically clean transportation, “green energy”, that is, the use of alternative energy sources, should be deepened as a main priority;

To accelerate the resolution of complex tasks related to the revitalization of the Karabakh and East Zangazur economic zones and measures within the framework of the Great Return, proposals reflecting more fundamental scientific and economic approaches and practical mechanisms, and targeted state programs should be developed;

Effective and efficient measures should be taken to realize the necessary financing and investment attraction mechanisms, taking into account the region's revival process and socio-economic development goals;

A transparent and encouraging investment and innovation environment should be created for the activities of local and foreign companies and enterprises dealing with the restoration and development of regions, and sustainable financing mechanisms should be implemented for the restoration and development of economic regions;

Considering the tourism and recreation potential of Karabakh and East Zangazur economic regions, tourism-recreation zones should be organized with a special concession package, agro-industrial parks that meet local demand and are export-oriented should be created on the basis of high agricultural potential;

The processes of using the natural and economic resources of the Karabakh and East Zangazur economic regions should be intensified to the maximum extent. In these economic regions, the processes of creating high-tech economic areas as well as traditional economic areas should be accelerated;

In the near future, in our country it is necessary to create processing agricultural enterprises based on high technologies, including “smart” technologies, and put into operation a complex of multifunctional processing network enterprises. In this case, the possibilities for processing the grown product - various agricultural products, as well as home-grown products - will increase. Thus, in addition to obtaining certain sustainable resources to meet the demand for food products in the country, additional opportunities for increasing the income of the population may be formed;

The formation and organization of economy building of Shusha city according to its resources and existing opportunities are of great importance. Since the city is accepted as the cultural center of the Turkish world, a purposeful action strategy for the creation and development of a cultural economy model should be developed and implemented here.

Ethical Considerations

This research complies with academic ethical standards and responsible research practices. All secondary data used in the study were obtained from publicly available statistical sources, governmental reports, and scholarly literature. No confidential, personal, or sensitive information was used. The study maintains neutrality and objectivity in analyzing post-conflict processes and avoids political bias. Proper recognition and citation of all referenced authors and institutions are ensured. As the work is conceptual and analytical, no human subjects or experimental procedures were involved.

Methodology

The research is based on a qualitative analytical framework integrating descriptive analysis, comparative analysis, synthesis, generalization, and content analysis. The study systematically reviews official documents, strategic state programs, academic works, and statistical databases. The use of combined qualitative methods ensures academic rigor and enhances the validity of the conclusions and recommendations.

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