

Economy and food security: Priorities of restoring normality of life in Artsakh after war



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Ruins of the economy

Almost all the economic sectors of Artsakh are vulnerable today. There are significant losses in the mining industry. The largest mine of Kashen is deprived of water, as the water sources feeding into the mine are already under the control of Azerbaijan. There was a gold mine in Kovsakan, which again is under the Azerbaijani control. The second largest sector of Artsakh's economy is electricity and gas provision. Almost all the hydro power plants in Kashatagh and Shahumyan regions are under the Azerbaijani control, and the ones remaining under the Armenian control have low capacity.

The next sector having suffered great losses is agriculture. Of about 140 thousand hectares of agricultural land only 35 thousand is under the Armenian control. The most productive croplands in former Nagorno-Karabakh Autonomous Oblast (NKAO) are in Amaras valley of Martuni and Georgavan. The latter is absolutely out of our control, and only a small part of Amaras valley is under the control of Artsakh. Even these thirty-five thousand hectares do not mean fertile and rich cropland. Grains exported from Artsakh were produced on the territories currently under the Azerbaijani control. We have lost farms with perennial seedlings, which used to provide big harvests. Significant investments were made not only into creating the farms, but also into constructing irrigation systems. Losses in processing industry are large as well. Those still on the territories under the Armenian control will be challenged in terms of importing raw materials. Beekeeping is endangered as well, as the region of Karvajar with its natural resources currently under the control of Azerbaijan was key for this economic activity.

The only sector where some activity is still going on is construction. This however may be temporary, because construction seems to have intensified only because people are returning to Artsakh and it is necessary to reconstruct the bombed, shelled and damaged buildings.

The impact of war on trade is enormous and it will be palpable for a long term. In the aftermath of war people tend to be more frugal, purchasing only essentials in food and household.

Hotel and restaurant businesses face serious challenges as well, since they relied mostly on tourism. There is a valid concern that in the coming years, tourism will suffer significantly, because many monuments of cultural heritage are under the Azerbaijani control and there are critical uncertainties even after the war.

Serious challenges describe the financial market as well, specifically regarding the returns of the investments in Artsakh, since many businesses, productions and hydro power plants have remained on the territories under the Azerbaijani control. Loan portfolios of commercial banks are also at risk, as in many cases both the businesses having borrowed credits and their collaterals have remained under the control of Azerbaijan.

And most importantly: uncertainties regarding the status of Artsakh and security issues are too many, and these affect everybody, seriously hindering the whole economy, investment environment and willingness to develop business strategies.

The reality of building a new economy

To outline a viable economy policy in the new realities Artsakh first and foremost needs to take inventory of its businesses and economic activities. The broken business chains are not yet fully



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identified. The totality of the losses is not yet estimated. Moreover, it is very difficult to understand what the remaining economy is comprised of and how it can be used for restoring the economy of Artsakh.

One thing is clear though that the economy of Artsakh can never be what it used to be, especially in regards to its structure. It is clear that Artsakh, which used to export wheat, will now need to import it, which will transform the previous food security model and thus will affect many aspects of life and economy. Numerous new issues will arise regarding protection of property rights, unemployment, insufficiency of cropland, supply chains and so on. And we need to think of all these issues today.

It is extremely important to understand that we should not reconstruct the economy of Artsakh as we used to know it, but we should build a new economy, based on the scarce opportunities we have been left with. This will allow us to not only avoid disappointment awaiting us with every step ahead, but will also allow us to think more openly and freely and to try to use potential perspectives which may open up with the new transformations in geopolitics, relevant players and the presence of peacekeepers. Meanwhile, in the current situation in order to create a conducive environment for economic restoration, it is necessary to work hard on shaping a relevant moral and psychological environment in Artsakh, to initiate effective actions to fight depression and its manifestations and to develop a road map of realising a vision and goals, which are properly and clearly communicated to the people. Therefore, public and political transformation should precede or at least go hand in hand with comprehensive programmes and actions intended to restore and develop the economy and infrastructures of Artsakh and to address the social issues.

The policy brief is elaborated based on the results of the online off-the-record discussion "Post-war realities: economy and food security", held on 14.12.2020. The online discussion brought together independent experts and representatives of civil society organisations and international development partners.

