

THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL CENTER OF GRADUATE EDUCATION

MASTER DISSERTATION

on the topic

**“THE MAIN PROBLEMS OF THE LIBERATED OCCUPIED REGIONS
AND THEIR REINTEGRATION INTO THE ECONOMY OF AZERBAIJAN”**

Nəbizadə Eldar Zəl

BAKU – 2022

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AND THEIR REINTEGRATION INTO THE ECONOMY OF AZERBAIJAN”**

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Elm andı

Mən Eldar Nəbizadə Zal and içirəm ki, “The main problems of the liberated occupied regions and their reintegration into the economy of Azerbaijan” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

“AZAD EDİLMİŞ RAYONLARIN ƏSAS PROBLEMLƏRİ VƏ ONLARIN AZƏRBAYCAN İQTİSADİYYATINA REİNTEQRASIYASI”

XÜLASƏ

Tədqiqatın aktuallığı: Azərbaycan tarixinin minilliklər boyu ən şərəfli sayılan Vətən müharibəsində xalqımızın Ermənistan üzərində qazandığı tarixi qələbədən sonra işğaldan azad edilmiş ərazilərin bərpası istiqamətində konkret işlər görülür.

Tədqiqatın məqsədi: Bölgənin iqtisadi potensialının təhlili: regionun reabilitasiya və yenidənqurma imkanlarını və güclü tərəflərini eyni zamanda bu yolda potensial təhlükə və zəif cəhətləri aşkara çıxarmaqdır.

İstifadə olunmuş tədqiqat metodları: Tədqiqatda ikinci dərəcəli məlumatlara əsaslanan hesabat məqalələri, bundan əlavə isə, regionun güclü, zəif tərəfləri, imkanları və təhdidlərini qiymətləndirmək üçün SWOT təhlilindən istifadə edilmişdir.

Tədqiqatın informasiya bazası: Tədqiqatda istifadə olunan məlumatlar yerli dövlət və qeyri-özl təşkilatlar tərəfindən hazırlanmış hesabat və təhlillərə əsaslanır.

Tədqiqatın məhdudiyyətləri: Məhdudiyyətlər regionun 30 ildən artıq işğal altında olduğundan yenilənmiş, etibarlı məlumatların olmaması ilə əlaqədardır və Ermənistan respublikasının məsələ ilə bağlı statistik məlumatları etibarlı mənbə hesab edilmir.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Mövzu mövcud vəziyyətə aiddir və postsovet ölkəsinin işğaldan azad edilmiş bölgəsinin münaqişədən sonrakı reabilitasiyasına dair ədəbiyyatın çatışmazlığından əziyyət çəkir. Ədəbiyyatda işğaldan azad edilmiş münaqişə bölgəsinin reabilitasiyası tam öyrənilmədiyindən bu mövzuda boşluq vardır və hazırkı tədqiqat bu boşluğu aradan qaldırılmasına istiqamətlənmişdir.

Nəticələrin istifadə oluna biləcəyi sahələr: Kənd təsərrüfatı sektorunun regional inkişaf üçün böyük potensialı var və logistika sektorunun inkişafı investisiyaları və regional inteqrasiya proseslərini gücləndirə bilər. Yeniliyin tətbiqi regionun inkişafı və çiçəklənməsi üçün mühüm amil kimi qiymətləndirilmişdir.

Açar sözlər: kənd təsərrüfatı, reabilitasiya, reinteqrasiya, SWOT

“THE MAIN PROBLEMS OF THE LIBERATED OCCUPIED REGIONS AND THEIR REINTEGRATION INTO THE ECONOMY OF AZERBAIJAN”

SUMMARY

The actuality of the subject: After the historic victory of our people over Armenia in the Patriotic War, which is considered the most glorious in the history of Azerbaijan for many millennia, concrete work is being done to restore the liberated territories.

Purpose and tasks of the research: The analysis economic potential of the region: define the opportunities and strengths of the region for rehabilitation and reconstruction at the same time to reveal the potential threats and weaknesses in that path.

Used research methods: In the study is based on secondary data reports articles. In addition, SWOT analysis was used to evaluate the region's strengths, weaknesses, opportunities, and threats.

The information base of the research: The data used in the research is based on the reports and analysis made by domestic public and non-private organization.

Restrictions of research: Limitations relates to the lack of updated, robust data since the region was under occupation for over 30 years, and statistical data of the Armenian republic on the issue is not a reliable source.

The novelty and practical results of investigation: The topic relates to the current situation and suffers from the lack of literature on the post-conflict rehabilitation of the liberated region of the post-soviet country. In the literature, the rehabilitation of the liberated conflicted region is not studied and represents a gap, which the current research intends to fill.

Scientific-practical significance of results: The agricultural sector has enormous potential for regional development, and logistics sector development can boost the investments and regional integration processes. The implementation of the innovation was found to be a significant factor for the development and prosperity of the region.

Keywords: agriculture, rehabilitation, reintegration, SWOT

ABBREVIATIONS

GDP	Gross Domestic Product
IDPs	Internally Displaced Person
IFRS	International Financial Reporting Standards
SWOT	Strength, Weakness, Opportunity, Threat
OSCE	Organization for Security and Co-operation in Europe
ICT	Information and Communications Technology

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INTRODUCTION

The relevance of research topic: For three decades, Azerbaijan has been pleading with the international community to address the issue of Armenian occupation of its territory. Armenia occupied around 20% of Azerbaijani territory for over thirty years after these post-Soviet countries gained independence.

The Nagorno-Karabakh area and seven surrounding districts were covered. The OSCE Minsk Group's international mediation attempts had no meaningful results, as Armenia ignored the UN Security Council's four resolutions (822, 853, 874, and 884) demanding the complete and unconditional evacuation of all occupying forces from Azerbaijani territory for several years.

In this scenario, the period from September 27 to November 10, 2020, became pivotal. Azerbaijan launched a counteroffensive in response to a new attack launched by Armenia, after being disappointed by Armenia's disdain for international law, unconstructive position in peace discussions, and recurrent ceasefire violations, particularly after the July battles in Tovuz. The Second Karabakh War was 44 days long. Azerbaijan was able to reclaim its geographical integrity at this time.

After the historic victory of our people over Armenia in the Patriotic War, which is considered the most glorious in the history of Azerbaijan for many millennia, concrete work is being done to restore the liberated territories. This is a reasonably responsible, financially, labour-intensive, historical program based on modern ICT. First of all, work is underway to clear the area of mines and Azerbaijani scientists have previously stated that entirely neutralizing the contaminated areas might take several ten years, and not just a decade. The fact that the Armenian occupants during 30 years kept the land and destroyed all the infrastructure is the sign of the scale of the rehabilitation work that the Azerbaijan Republic should make. As a result, the land of Karabakh, an integral part of the victorious country, can become a prosperous land. The most fundamental issue is the settlement of the population in the liberated territories- the return of refugees

and displaced persons to their homes. One of the essential issues is reconstructing the transport system in the region. For this purpose, important projects are being implemented to establish transport infrastructure in the liberated territories. New railways and the Fizuli-Shusha highway are being built in the region. Modern airports are being built in Fizuli, Zangilan and Lachin. Ensuring the operation of the Zangazur transport corridor, the liberation of Nakhchivan from the blockade, the creation of Armenia's access to Iran, Turkey and Russia from Azerbaijan will contribute to the further expansion of economic relations between the countries of the region. Although the natural climatic features of the region and the predominance of high mountainous areas create objective difficulties, a well-thought-out transport development strategy can play an essential role in the balanced development of the liberated areas.

Despite the fact that armed conflicts are not a new phenomena, armed conflict studies as a separate part of economic literature emerged rather late. It wasn't until the late 1990s that phrase like post-conflict reconstruction became central topic in academic publications. Collier and Hoeffler (1998), Haughton (1998), Collier (1999), Burnside and Dollar (2000), and Addison and Murshed (2001) are among the early contributions in this field. The early research concentrated on issues such as the drivers of armed conflict and its effects, such as reconstruction and financial constraints.

One of the most underexplored areas of macro-level conflict-affected countries is debt and financial sustainability. Although several studies concerned the fiscal dimension of conflicts and post-conflict countries, only some of them focused on debt challenges. Scholars engaged in post-conflict recovery believe that conflict-affected countries confront enormous obstacles in obtaining resources to fund the reconstruction process following the conflict. Despite the fact that most researchers in this field agree that conflict-affected nations face a higher level of fiscal and debt risk than non-conflict countries, no previous research has looked into the factors that affect the fiscal sustainability of the former. In view of the massive reconstruction requirements and the limited funding resources available in the

aftermath of conflict, fiscal sustainability in countries emerging from armed conflict is a severe concern. Maintaining an unsustainable budgetary position in the medium and long term may endanger efforts to put countries recovering from conflict back on track to development.

Statement of the problem and learning level: This topic is very topical and new, so it has not been developed much. However, there are articles and theses written on this topic. To those who conduct research in this area; Hasanli L.H., Guliyev D., Mammadova S., Sukhayli O. and others.

Purposes and objectives of the research: With this background in mind, the research aim and objective are to analyze the economic potential of the region: define the opportunities and strengths of the region for rehabilitation and reconstruction at the same time to reveal the potential threats and weaknesses in that path.

Object and subject of the research: The main object of the topic is the liberated regions, and the subject is to study the issue of re-integration of these regions into the economy of Azerbaijan.

Research methods: The methodology in the study is based on secondary data reports articles. In addition, SWOT analysis was used to evaluate the region's logistical strengths, weaknesses, opportunities, and threats.

Research database: The research database includes literature in Azerbaijani, Turkish, Russian and English, official websites, articles and newspaper materials.

Research limitations: relates to the lack of updated, robust data since the region was under occupation for over 30 years, and statistical data of the Armenian republic on the issue is not a reliable source.

Scientific novelty of the research: The potential economic impact of the reintegration of the Karabakh region into the Azerbaijani economy has been identified;

The impact of the agricultural and logistics potential of the Karabakh region on the economy of Azerbaijan has been determined;

Post-conflict recovery period, its essence and implementation priorities were evaluated.

Scientific and practical significance of the results: The research has a practical and theoretical significance since the topic relates to the current situation and suffers from the lack of literature on the post-conflict rehabilitation of the liberated region of the post-soviet country. In the literature, the rehabilitation of the liberated conflicted region is not studied and represents *a gap*, which the current research intends to fill. Therefore, besides the theoretical contribution, the research has a practical contribution and analysis results can be used for policy-making decisions.

CHAPTER I. THE POTENTIAL ECONOMIC IMPACT OF REINTEGRATION OF KARABAKH REGION TO AZERBAIJAN ECONOMY

1.1. Literature review

After the liberation of the occupied region of Azerbaijan, one of the main challenges that the Azerbaijan republic faced was the Karabakh region's rehabilitation. The literature review covers recent authors since the second Karabakh war created the opportunity for authors to analyze and estimate the region's current potential in new circumstances. Concerning the literature review, it can be seen that the topic is not investigated deeply. Mainly it focuses on the pre-war period focusing on Soviet time.

Baumann et al. (2015) analyzed the property transformation in the Caucasus during and after the Nagorno-Karabakh war. The authors' purpose was to examine land-use changes due to the 1991–1994 Karabakh war between Armenia and Azerbaijan in the Caucasus area. They categorized multi-temporal Landsat imagery, plotted land-use shifts during and after the conflict, and utilized fitting statistics to separate the effect of the war from those other significant determinants of land subsidence. The authors found that an armed war can substantially impact land usage. Geographically, the results suggested that armed confrontations could create constant land-use change in areas away from the main battlefields, marking an example of a distant connection in geographical spaces caused by refugee flows. Sequentially, military wars could create a shift of the land-use system into a new state, analogous to previous dramatic economic shocks (Abışov V.Ş. Mahmudov Y., 2015).

The bottom line of the findings was that the Karabakh conflict plays as a drawback for the region's economic development and has a substantial negative impact on the whole South Caucasus region.

The primary sector of the economy and where there is potential for development was always the agricultural sector starting from Soviet time. Both

nations dispersed previously collectively owned land to remote communities. In Armenia, the activities such as taking exclusively entailed the distribution of actual land parcels. In Azerbaijan, the allocation was further done using grant portions (i.e., written documents), but only for a modest part of the farming fields (Lerman et al., 2004). Consequently, although vast estates and huge fields typified farming during Soviet times, the majority of agricultural regions today are held by small farms, and field areas are tiny (Giovarelli & Bledsoe, 2001).

Besides the agricultural sector, there is enormous potential for developing other sectors. Gandilova (2021) focuses on the importance of the tourism sector development in the region of Karabakh. The primary objective of her study is to examine the potential for the development of tourism in Karabakh.

The author analyzes the critical opportunities for the growth of the tourist business in the Karabakh territory. The primary strategies of promotion of tourism in the area are offered. The author concludes that tourism growth in the Karabakh area will significantly interest international tourists. If in Karabakh, the growth of tourism is prioritized, Karabakh would become an ecological center of international significance, and in the future, it can attain the rank of an international tourism zone. The author concludes that Karabakh has tremendous tourist potential, and with the recovery of lost infrastructure connectivity in the freed regions, ideal circumstances for business, notably for the growth of tourism, are anticipated to be developed.

Hajiyeva & Karimli (2021) assessed the region's potential from alternative energy development. The authors analyze the economic prospects of renewable energy sources in Azerbaijan's freed territory. For three decades, they highlighted that Armenia unlawfully abused energy and other environmental assets in Nagorno-Karabakh and its adjacent territories. Consequently, it is not unexpected that the construction of a "green energy" area in the regions has been given great importance in the post-liberation period.

Primary energy sources are now the most frequent source of power generation globally. In this sense, the world's most enormous ever-increasing energy consumption promotes nation-states' slow shift to green energy.

The authors conclude that in Nagorno-Karabakh and seven adjacent territories, the state concentrates on developing and effectively utilizing renewable energy resources. As a result, establishing harmony in the progressive use of renewable and traditional energy resources will be crucial to the country's economic growth, ecological sustainability, and energy security.

Guliyeva et al. (2021) explores the key potential for promoting investments in alternative energy production through governmental programs for establishing and supporting advantageous socio-economic circumstances in Nagorno-Karabakh and 7 adjacent districts. They stress the fact that due to the length of projects on renewable energy sources and the conventional funding of infrastructure projects, political and economic interests must be safeguarded by legislation.

They conclude that even though at the present moment there are carrying out the project work on growth and optimization of the energy industry, and consequently, knowledge of basic concepts is reasonably different in public and commercial sectors.

Agazade (2021), in his study, uses both qualitative and quantitative methodologies; secondary data such as reports, analyzes, internal and external scholarly papers issued by state and commercial organizations were utilized. In addition, the opinions of the powers of various banks were obtained, and primary sources were employed. The author draws attention to the fact that, just after the success of Azerbaijan for the development of the banking sector, PASHA Bank, one of the leading banks in Azerbaijan, opened a PASHA Bank branch in Shusha, using all its skill and understanding to support the government projects and reunification into the free and independent regions, as well as to establish entrepreneurship. The author concludes that the country's effectiveness in expanding the real sector relies on commercial banks working correctly. It is inconceivable to conceive current economic activity without the financial system.

Enhancing banking productivity is one of the most critical challenges for the Republic of Azerbaijan, which incorporates into the international economy. The function of the country's financial system in the freed regions is relatively successful. The state should offer complete assistance for the growth of this industry.

Musayev (2021) put forward the importance of family entrepreneurship as a sector with huge potential. The author draws attention to the fact that the gross production of essential industries in Upper Karabakh and Kalbajar-Lachin economic zones might expand by over 2 billion manats in the following years. In this circumstance, the family company is an efficient approach to generating jobs for the hundreds of thousands of people who will return to Karabakh. However, forming family companies based chiefly on pre-occupation expertise and historic practices would be successful. It would be essential to build up family enterprises in line with current outcomes at the next step.

The rehabilitation of the Karabakh area must consider the economic potential before the annexation and the areas of employment of the people. However, a methodical and innovative method to the healing process will assist create more integrated outcomes by minimizing expenditures in the rehabilitation process.

The discovery of natural resources for building materials in the region and the development of farm areas generating building materials in several regions will undoubtedly influence the process of access to cheaper goods, employment, and economic value creation in connection with large-scale reconstruction and construction processes. The emergence of the rug, yarn, silk, and cloth fabrics that preserve the Karabakh region's character will ensure that the population is employed following their current educational levels, produce competing products both in the country and abroad, and have a say in the region's economic development (Aghayeva et al., 2021).

Despite the considerable potential of the Karabakh region for economic development, the production process should be based on advanced technologies.

Gasimova et al. (2021), from that perspective, stresses the fact that the primary goal of the creation of new technologies is the attraction of advanced technologies to increase the gross domestic product, increase competitiveness in the local and world markets, and increase production efficiency by launching new types of products and services in the Karabagh region.

The authors conclude that all analyses show that there are still excellent prospects for developing industry in the Karabagh region. With the availability of appropriate programs and decisions, these prospects could be realized and contribute to the growth of Azerbaijan's economic power and international prestige.

One sector that has huge potential and was not studied academically is the region's logistic potential, which represents a gap in the scientific literature

1.2. Karabakh region development potential based on economic sectors

The Karabakh area, one of Azerbaijan's oldest residential and cultural hubs, is one of the regions marked by its transcontinental geographical location, affecting territorial, natural resources, and economic growth. However, territorial claims made by Armenians who have been resettled in Karabakh since the 18th century and separatist inclinations that have been in open war since 1988 have robbed the Republic of Azerbaijan of its potential and utterly obliterated its geographical prospect. The Armenian armed forces attacked the Nagorno-Karabakh region and seven adjacent districts, including Khankendi, Khojaly, Shusha, Lachin, Khojavend, Kalbajar, Aghdam, Fuzuli, Jabrayil, Gubadli, and Zangilan, in late 1991 and early 1992, taking advantage of political instability created by the collapse of the former Soviet Union and internal strife in the republic (Nağı A., 2014). As a result of Armenia's hostility, Azerbaijan lost a large portion of its land and suffered significant economic losses.

Table 1: Areas were withdrawn from circulation as a result of the Nagorno Karabakh conflict

Occupied regions	Area (km²)	Population (thousand)
Khankendi	926	57,0
Ağdam	1154	15,8
Khojavend	1458	9,01
Khojaly	970	11,6
Shusha	289	24,9
Gabriel	1050	52,05
Fuzuli	1112	95,94
Tartar	957	97,3
Lachin	1893	69,1
Kalbajar	3050	43,7
Gubadli	802	31,5
Zangilan	707	32,5
Karabakh Region	14368	540,4
Azerbaijan Republic	86600	7440,0
The unique weight of the Karabakh region in the Republic	18.6%	7.3%

Source: Based on the works of (Həsənov, 2002) and Materials of the State Statistics Committee of the Republic of Azerbaijan.

The territorial potential is considered the most critical economic development category, and the region is rich with natural resource potential. Mineral deposits, agricultural lands, natural-climatic conditions, and treatment waters, which significantly impact tourism development, have a special place here.

According to the report of the Ministry of Ecology and Resources of Azerbaijan Republic, there are 261,000 hectares of forest in the region, including 13,197 hectares of valuable forest areas, 215 natural monuments, 5 geological and paleontological objects, 145 certified oriental plane trees, and other natural monuments over 120 years old, 70,389 hectares of specially protected natural areas of great importance - Basitchay and Garagol state nature reserves. However, valuable trees and other rare specimens of biodiversity in the Basitchay and Garagol state nature reserves, valuable trees, and other rare resources had been plundered by Armenians which are parts of potential territorial significance in the country's economic potential, for the past 30 years.

In total, 561 deposits and promising mineralization areas have been identified in the Armenian-occupied territories of Karabakh (Assessment of the damage of the

Armenian armed aggression and occupation, 2015). Agriculture, the leading sector of the agro-industrial complex, and soil and climatic resources, which play an essential role in its development, have a special place in the territorial potential. In this regard, the Karabakh region is an exception.

During the occupation period, it can be said that agricultural lands, which play an essential role in GDP, were out of circulation and could not be used (Əyyubov & Hacıyev, 1984, p. 168).

Analysis of reporting materials shows that during the 30-year occupation period, 4,000 km² of arable land, distinguished by its productivity, including cereals, legumes, wheat, barley, corn, technical crops, potatoes, vegetables, fodder crops, which play a crucial role in the food supply. Arable lands, vineyards, and summer pastures, which are necessary for developing livestock and producing their products, did not allow the use of natural potential (Vəliyev, 2019, p. 386).

The Revival and development of occupied land are the most crucial challenges the Azerbaijan republic faces. The successful solution of this task, first of all, is to accurately determine the damage to the economy caused by the Armenian military aggression, the economic potential lost by the occupied territories, assess their existing economic potential, identify resources and opportunities for effective implementation of this potential and develop necessary financial mechanisms.

On this basis, it is essential to identify priority areas and directions of the development in these lands. A working group set up by the president to assess the losses and casualties suffered by Azerbaijan due to the Armenian military aggression has been seriously engaged in this work since 2014 and has achieved concrete results.

According to the group's research, Armenians destroyed 2,400 industrial, agrarian, and other enterprises in the occupied territories between 1988 and 1994, as well as 5,200 kilometers of roads, 350 bridges, 286 kilometers of railway lines, 116 railway bridges, 224 reservoirs, 7.6 thousand kilometers of water lines, 2

thousand kilometers of gas pipelines, 76.9 thousand kilometers of power lines, 2.5 thousand transformers, and infrastructure facilities (Lmahamad, 2021).

At the same time, agriculture's economic potential was severely harmed; the occupiers confiscated approximately 1 million hectares of irrigated land, 34.6 thousand hectares of vineyards and orchards, and vast swaths of arable land were effectively cut off from economic circulation due to the lack of irrigation; 220,000 head of cattle fell into the occupiers' hands. According to the working group's estimates for 2017, the overall worth of losses and damages to the country due to military aggression and occupation was \$ 820 billion.

Undoubtedly, this figure will be much higher if to take into account the amount of damage and losses inflicted on the country during the Second Karabakh War, which began in September 2020, as well as lost revenues and profits that could not be achieved due to the destruction of enterprises in the Karabakh region (Babayev E., 2021). At present, Azerbaijan has developed a concept for the restoration and development of the liberated regions, and as an essential direction of its implementation, taking into account the economic potential of these regions, including forests, water, and land resources, Revival and development of agriculture, industry, and tourism. It is known that the territories liberated from the occupation are rich in underground and surface resources: ore, non-ferrous metals, gold, mercury, chromite, lime, marble, agate, mineral waters, and at the same time region has mineral resources and extensive resort recreational potential. Many construction materials are necessary for the construction sector in these areas: sawdust, brick, gravel, cement, limestone, raw materials for construction, construction sand (Hüseynov Y. R., 2019). Before the occupation, the industries operating in these areas played an essential role in the republic's economy. Industries such as food, light, and construction materials are mainly developed here. Before the occupation, the most vital sectors in these areas provided food for the local population.

The Istisu and Turshsu mineral water bottling enterprises, marble and sawn stone factories, wineries, textile and shoe factories, Karabakh Silk Factory, were

located in the Nagorno-Karabakh and Aghdam areas. As for agriculture, grain, fodder production, tobacco growing, viticulture, cotton growing, potato growing, gardening and horticulture, meat and dairy farming, especially sheep breeding, predominated in these areas (Babayev Q., 2017). At present, 411 agricultural enterprises were destroyed due to the occupation, including the Aghdam equestrian state farm, 319 collective farms, and 92 state farms, where the famous Karabakh thoroughbred horses are bred and operated in these areas. In general, before the occupation, about 35-40% of Azerbaijan's agricultural products were in these regions, including 14% of meat, 17% of cocoons, 14% of grain, 31% of grapes, 17% of milk, more than 19% of wool was produced. It shows that the liberated areas currently have great potential for the production of both agricultural and livestock products, and the current natural climatic conditions create favorable conditions for the Revival and development of these areas (Kerimov, 2021).

The realization of this economic potential and opportunities will create favorable conditions to meet the needs of the region's population, especially in the development of agricultural products, and most importantly, to increase the country's food security. In particular, self-sufficiency in livestock products will improve. Thus, the country's current level of independence in meat and meat products is 82.5% and 86.2% in milk and dairy products. According to forecasts, after the resumption of economic activity in the liberated areas, it will be possible to provide the Azerbaijan republic with these products and cereals at a higher level. Bringing the industrial potential of the liberated territories into economic circulation will enable the development of mining, metallurgy, construction materials, and various processing industries (Qarabağ Azadlıq Təşkilatı, 2021). According to preliminary estimates, the total production in the main areas of the Upper Karabakh and Kalbajar-Lachin economic regions in the coming years may increase by more than 2 billion manats. Thus, the involvement of the potential of the liberated lands in economic turnover will increase the value of the country's GDP, improve forecasts for the development of the non-oil sector, increase the

place and share of the region in the country's territorial division of labor, ensure the competitiveness of goods and services and will create significant opportunities.

1.3. Commercial activity in the ways of the liberated area of recovery

Azerbaijan has secured the victory of Karabakh by bringing Armenia to its knees, and in this context, there is a need for a comprehensive solution to the difficulties amassed during the postwar years. It is essential to clarify the nature of these problems. The state took the steps in this area, the strategies and concepts it has developed, and the programs of action place significant responsibilities on scientists and researchers. Methodological approaches in these areas need to be developed based on the country's national economic development. One of the crucial issues facing after the victory of Azerbaijan in the Patriotic War is to take measures to normalize the social and living conditions in the liberated areas, the gradual settlement of people in those areas, to ensure their employment. It should be noted that the essential steps to be taken in this area are reflected in such an important document as the "State Program for Socio-Economic Development of the Regions of the Republic of Azerbaijan (2004-2008)" adopted in 2004. The socio-economic development of the territories included in the economic region and the annexed Zangilan, Gubadli, Lachin, Kalbajar regions, and the city of Hadrut require, above all, efforts to restore the infrastructure potential (Seyidova, 2019).

As the infrastructure potential of the region, the deployment of infrastructure factors of the productive forces is considered to be a combination of optimal interaction with the environment and efficient use of resources, providing functional conditions for production, trade, and human activities. The amount of destruction and damage leftover from the occupation is tremendous. These areas have become ecological disaster zone and are mined on all sides. In those places, as well as all the existing infrastructure was destroyed. The priorities of their restoration, reconstruction, Revival of villages, settlements, and cities are strategically crucial for our country. However, it is vital to carry out this work through systematic, well-thought-out, and scientifically-based mechanisms. The

main goal is to implement measures to protect infrastructure and exceptional facilities, which are also a source of danger to people and the environment and prepare rehabilitation areas. The state is taking steps to restore and revive post-war regions. The approval of the members of the Supervisory Board of the Karabakh Revival Foundation by the Presidential Decree dated January 4, 2021, is a clear example of this (Valiyev, 2021).

It allows for a deeper study of the problems related to the priorities of the Revival of Karabakh. More opportunities are being formed to objectively justify the goals of restoration work in terms of scientific, economic, and social factors. It is possible to intensify activities in this direction from the point of view of potential, which is favorable for the development of agriculture. At the same time, the production capacity of various food products will increase due to the expansion of the agricultural sector and the assistance of processing enterprises. Benefiting from international experience, the prospects for growing and supplying the most environmentally friendly food products are noteworthy. Creating a network of infrastructure facilities in the region flexibly and more intensively is the demand of the day. Strengthening the energy supply in the regions will lead to faster recovery and Revival of the region (İsmailzade F., Miskovic D. K., 2021). Along with the key elements of infrastructure potential, such as transport, water supply, sewerage, telecommunications and energy, the formation of commercial infrastructure is an important condition of regional development policy. One of the main problems in developing basic infrastructure is the complete absence or poor condition of the infrastructure mentioned above in the liberated regions. In other words, the resumption of commercial activities (including retail and wholesale trade) should begin with a "clean slate" (due to limited access to utilities, poor development of road infrastructure, insufficient storage space). A serious limiting factor is the lack of spatial planning, which provides for a sufficient level of territorial planning, urban zoning, commercial provision of the population as a whole, and inadequate provision of transport, logistics, and utility infrastructure. Thus, public policy measures in the development of trade and other spheres of trade should focus on

the availability of territories and land plots that ensure the development of trade and logistics organizations, significantly strengthening utilities, the development of telecommunications, and electronic payments. Carrying out work on the restoration of commercial and trade activities in the liberated areas, the significant impact of this sector on GDP and employment, forming the basis for the development of small and medium businesses, solving important social issues (providing consumers with a wide range of quality, affordable products) conditioned. As the level of development of the trade sector itself is characterized by the level of welfare of the population, its number and density, availability and cost of financial resources, development of basic infrastructure and infrastructure services (logistics, construction.), the development of this sector together with other infrastructure elements is important. The analysis of international and local experience in the field of infrastructure development involves the use of three main groups of tools: construction of infrastructure facilities at public expense; use of public-private partnership mechanisms; creation of necessary administrative conditions for the provision of various benefits, as well as the attraction of private capital for the development of infrastructure facilities (Əliyev K., 2021). Along with creating energy infrastructure, special attention is paid to the calculation of the same potential for renewable energy. These areas have powerful renewable energy sources such as hydropower, solar, wind, bioenergy, and geothermal energy. More work needs to be done to assess this potential and economic efficiency needs to be assessed. The principles and criteria for a more orderly and organized rehabilitation process in post-conflict areas are also being improved. We see that the state has a conceptual approach in all areas, which takes into account the objective realities. It is possible to predict the significant impact of the availability of the main contours of specific areas of activity on the acceleration of restoration work. All this is an important condition for a more objective assessment of the region's great natural and economic potential and the adoption of adequate measures. Mechanisms of action are needed that can play a determinant role in mobilizing the self-development characteristics of post-conflict areas. It is

expedient to implement the applied tools taking into account the principles of well-thought-out and, at the same time, efficiency. Judging by the parameters of the former USSR and the administrative division, Karabakh contained 25% of the country's forest strip and about half of our water resources. At the same time, 40 percent of agricultural production was produced in the region (Cəfərli T., 2022). Strengthening the integrated use of productive forces, natural resources, and development potential of post-conflict areas is one of the main tasks in the current situation. The operative inventory of the territories shows that our state has set a strategic goal to mobilize the potential of this region more quickly. The liberation of the occupied territories will increase the strength of the country's economy and strengthen the competitiveness of our economy, create high-tech economies, form sustainable sources of economic growth, and increase national income. Rehabilitation and development of post-conflict areas can contribute to the country's economy. We believe that foreign investment is also needed, but our country must first pay special attention to its economic strength and financial potential. Effective restoration of these areas will create additional sources for expanding the country's economic potential. In particular, we believe that new methodological and practical approaches to regional economic development will emerge. Our regions' economic activity structure, including Karabakh is multifaceted and has a strong resource potential. Here, the formation and intensive development of promising sectors of the economy can be considered quite realistic. In the post-occupation period, measures must be taken to organize and accelerate the socio-economic Revival of the territories through a comprehensive approach. A well-thought-out, well-founded strategic and conceptual approach to state economic policy must be formed. Strategic approaches to the recovery of post-conflict areas are fundamental and must first include objective realities, short-term and long-term perspectives. In addition, priority areas of activity in this area, coordinated with the national economic interests of our country, have already been identified. The National Priorities of socio-economic development of the state economic policy until 2030 in connection with the restoration and development of

post-occupation territories have been developed and approved (Official, 2021). In general, consideration of a set of recommendations and suggestions can allow for a more efficient organization of these processes: it is more expedient to give preference to the concept of Revival; Effective and efficient measures should be taken to address the required financial provision and investment attraction mechanisms, based on the goals of socio-economic development of the areas to be revived; Transparency, efficiency and purposeful use of tough measures taken by the state and spent financial resources for the maximum effectiveness of sustainable and systemic measures taken in the post-occupation period, for the satisfaction and evaluation of IDPs and society, in general, should be kept in focus. Given the unfavorable economic conditions in the world and the country as a result of various factors, as well as the limited capacity of the state budget and high social obligations, it should be noted that the trade sector is an area where the use of basic tools and measures does not require a diversion. Opportunities are wider. Here, the use of public-private partnership mechanisms and the provision of certain benefits, creating the necessary administrative conditions for the development of infrastructure to attract private capital, can be considered a more favorable direction. As tools and measures to support the development of infrastructure capacity: the development of trade development programs within the socio-economic development programs at the regional level (and local self-government), the development and implementation of regional infrastructure programs to formulate strategies for utility and transport infrastructure; Particularly noteworthy is the morning planning, which provides for the allocation of land and areas necessary for trade, logistics, and other similar organizations. Regional development strategies should focus on solving key problems and implementing priority areas for regional development. Strategies should include an assessment of the provision of infrastructure in the regions. Especially in the liberated areas, for many sectors and sectors of the economy created from scratch, developed infrastructure is becoming one of the key factors for success and an important condition for the location of the business in one region or another (Hüseynli N. və b.,

2021). Thus, strategic planning for all liberated regions should focus on the preventive development of infrastructure facilities according to the forecasts of socio-economic development of the region. Such planning will allow solving the infrastructure problems of the trade sector. Based on strategic plans for the development of the regions, separate programs should be formed to develop infrastructure, including trade infrastructure, taking into account the specifics of each region. Considering the high agro-industrial potential of the liberated regions, it may be expedient to revive the consumer cooperation system, which plays an important social structural role in these regions, to increase employment and further improve the population's living standards. Consumer cooperation's mission (purpose) should be to develop social infrastructure in the liberated areas and, first, in rural areas to ensure the sustainable development of the consumer goods market. One of the directions to ensure the effective development of the sector is to adopt promising strategies such as the formation of infrastructure elements justifying the development of e-commerce through the application of new information technologies and mechanisms for the implementation of electronic payment systems.

1.4. Analysis of investment potential of Karabakh region

The independent state of Azerbaijan, which is rapidly integrating into the modern globalized world economy, is already recognized worldwide as a competitive country and participates in necessary international fuel and energy, transport, and logistics projects. While this is a sign of the country's growing prestige, it also encourages other countries, especially developed ones, including significant fuel and energy producers and consumers, to look at it as a competitor in world markets. Therefore, in order to maintain the high pace of development of the national economy and constantly increase its competitiveness, the transition of the national economy to a sustainable and diversified model of sustainable or economic-socio-environmental problems is urgent. The sustainable socio-economic development of Azerbaijan and the restoration of liberated territories are the state's focus. Thus, the president of the Republic of Azerbaijan, Mr. Ilham Aliyev, noted that the liberation of our lands from occupation is the most important historical event of the last thirty years at the meeting on the previous year's results. The meeting reiterated the need to carry out construction work in the liberated territories. At the same time, to revive our history, culture, and economy in our ancient habitats, it is assessed as an essential task to attract investments and other investments in these areas gradually. The Ministry of Economic Development noted that the measures taken by the state to restore and develop the liberated territories in connection with these tasks and the economic potential of these regions would create a basis for attracting new, local, and foreign investment in the country especially in the non-oil sector. In order to save public funds and increase the efficiency of assets, extensive use of public-private partners in the implementation of investment in road transport, utilities, traditional and alternative energy production, migration and land reclamation systems, and other areas, promotion of economic activity It is considered expedient to apply a special preferential economic regime to the liberated territories. The Karabakh Revival Fund was established to carry out this work successfully. Thus, along with the 2.2 billion manats allocated from the state budget in 2021, the involvement in

circulation increases the amount of capital of national wealth - land, forests, water, minerals, property, and cultural resources - fixed assets. Effective use of all this will ensure the development of the liberated territories. It should be noted that the United Nations have declared 2021 as the "International Year of Creative Economy" for sustainable development. Azerbaijan's accession to this initiative as an exemplary member of the United Nations will further strengthen the attraction of investments to ensure sustainable economic growth in the liberated territories. These will play an essential role in achieving sustainable development goals in the liberated territories. It should be noted that according to the State Motor Transport Service under the Ministry of Transport, Communications and High Technologies, the enemy has destroyed transport infrastructure and road transport in our territories for 30 years (Məmmədzadə İ., Həsənova R., Turabova X., Əliyeva E., Qurbanova S., 2021).

One of the crucial issues is the effective use of investments allocated to reconstruct the destroyed transport infrastructure and material and technical base. Currently, relevant funds have been given from the President's Reserve Fund. Construction of the Fuzuli-Shusha highway and the Barda-Agdam railway has already begun. Considering the industrial potential of the liberated territories, the construction of an international airport has already commenced in Fizuli. At the same time, preparations are being made to construct a road from Horadiz to Zangilan, from there to Gubadli and then to Lachin.

Speaking about the Armenian vandalism, President of the Republic of Azerbaijan Ilham Aliyev noted that along with about 300 villages, 5 cities, 4 settlements and administrative buildings in the liberated areas, 700 historical and cultural monuments, 927 libraries, 800 cultural centers, 85 music and art school, 22 museums with a total of 100,000 artifacts, 4 art galleries, 4 cinemas, 2 concert halls were destroyed. It is imperative to attract the billions of investments that will be required to restore them. The President of the Republic of Azerbaijan, Mr. Ilham Aliyev, noted that the villages in the liberated territories would be built on the basis of the "Smart Village" concept: "We are currently preparing the concept of 'Smart

Village'. This concept is almost ready. The first pilot project, "Smart Village," will be implemented. Those places must be identified correctly. The fields and roads to the fields must be cleaned. The implementation of the "Smart Village" concept will begin in the Zangilan district, and the effective use of local and foreign investments to be involved in the implementation of this concept was emphasized once again. Speaking at a meeting on the results of this year, the head of state said that the liberated lands would be a "green energy" zone in the future: "I have already invited foreign and local investors. I also said that we, as a state, do and will do all the main work. By investing, foreign and local investors can secure their business interests and have a say in providing Azerbaijan with long-lasting, sustainable, cheap, and environmentally friendly energy sources. Kalbajar and Lachin regions have great potential for wind energy. Zangilan and Jabrayil districts have a great potential for solar energy. Preliminary studies have already been conducted, and thus we will rebuild our power generation capacity and transmission lines and turn Karabakh into a "green energy" zone. Thus, the generating capacity of the destroyed and restored stations in the Kalbajar and Lachin regions alone will be 120 megawatts. A total of 308 kilometers of power transmission lines and new substations in Fuzuli, Jabrayil, Zangilan, Gubadli, Lachin, Shusha, Agdam, and Kalbajar regions will create a 110-kilowatt network. At the same time, the construction of "Khudaferin" and "Maiden Tower" hydroelectric power stations are planned. On the instructions of the president of the Republic of Azerbaijan, Mr. Ilham Aliyev, important measures are being taken to develop the agricultural sector in the liberated lands. Thus, the Ministry of Agriculture, Azercosmos, conducted mapping of actual arable lands in the liberated areas based on satellite images (P R E Z İ D E N T K İ T A B X A N A S I, 2021). Work has begun on these lands to provide agro-technical maintenance to crops, including perennial crops. As can be seen, the work started following the president's instructions on developing agriculture in the Karabakh region already promises success. In order to meet the needs of farmers in agricultural machinery, thousands of machines and mechanisms were provided to them, as well as the sale

of thousands of breeding animals. Last year, micro-credits were issued to more than 3,400 farmers, and this year these loans will be available. In general, President Ilham Aliyev's decree approving the "Azerbaijan 2030: National Priorities for Socio-Economic Development" states that the economic advantage gained, above all, will create conditions for the full use of the existing economic potential of the liberated territories for the benefit of our people (Gulamov, 2021).

CHAPTER II. THE IMPACT OF AGRO AND LOGISTIC POTENTIAL OF KARABAKH REGION TO AZERBAIJAN ECONOMY

2.1. The role of the Agricultural sector of the Karabakh region on the food security issue of Azerbaijan

As a result of the 44-day Karabakh war, a large part of the occupied territories of the Azerbaijan Republic was liberated, and Azerbaijan, as a victorious state, almost put an end to the Nagorno-Karabakh conflict. Unfortunately, the occupation and war did not pass through these territories without consequences. Thus, during the years of occupation, the lands were left unattended, the forests were cut down, the lands were trampled, and when the Armenians left these lands, they burned the forests and houses and mined the territories. The ecosystem of the territories has been destroyed as a result of the effects of war the destruction of lands by shells, missiles, and bombs. Currently, landmines are being cleared, but the destruction of mines and other explosive devices is again damaging the land. Restoration of these territories and their efficient use is one of the state's main issues. The liberated territories have fertile lands and abundant water resources (Hacıyeva N., Əliyeva A., Ə. Salahı Ə., Mirseyidli L., Əliyev M., 2021). This shows that the agricultural potential of the region is enormous. It is estimated that these areas will significantly contribute to our country's food security and the region. The liberated territories cover the economic and geographical regions of Kalbajar-Lachin and Upper Karabakh. These economic regions consist mainly of mountainous and foothill areas. The fertile soils and abundant rivers in the area create favorable conditions for agro-industrial sectors. This region also differs from other regions by its rich vegetation, abundant natural mineral resources, and ecologically clean air (<http://ek.anl.az/lib/item?id=chamo:785975&theme=e-kataloq>, 2021).

Along with the agricultural sector, the Karabakh region also has excellent tourism potential. The territories of Aghdam, Jabrayil, Fizuli, and Khojavend, which belong to the liberated Upper Karabakh economic region, consist of black and chestnut-brown soils and create favorable conditions for agriculture. Before

the occupation, grain growing, viticulture, fruit growing, cocooning, and tobacco growing developed in these areas. Beekeeping has also become of great importance as one of the traditional fields. Kalbajar-Lachin economic region covers Kalbajar, Lachin, Zangilan, Gubadli regions. Being a purely agricultural region, this economic region has been a critical livestock region of the country. Sheep-breeding, cattle-breeding, and beekeeping have been formed as the main specialized areas. Fruit and vegetable growing is mainly developed in Gubadli and Zangilan districts.

Considering the pre-occupation situation and future development of agro-industrial sectors in the liberated territories by administrative districts, several conclusions can be made: The basis of the economy of the Lachin region was agriculture, especially livestock. Even after the occupation, by creating sheep, cattle, and beekeeping farms, these areas can be turned into one of the leading areas in the region's economic development. The basis of the economy of the Gubadli region was grain growing, cattle breeding, tobacco growing, cocooning, and viticulture. Up to 15,000 tons of grain products, about 12,000 tons of feed, 1,520 tons of tobacco, 1,200 tons of meat, 2,600 tons of dairy products, 133 tons of grapes, 10 tons of wool, 52 tons of cocoons. From the beginning of the XX century to the 60s, paddy was cultivated in the region. Given the current demand for rice, it can be considered expedient in developing this sector (Abdulayev, 2020). In the territory of the Zangilan region, 7204 ha under cultivation: 4000 ha of grain, 307 ha of tobacco, 41 ha of sugar beet, 56 ha of potatoes, 33 ha of vegetables, 10 ha of melons, 41 ha of fruits and berries, berries and berries. During the year, grain production averaged 3,180 tons, tobacco production 1,700 tons, cocoon production 80 tons, melon production 30 tons, potato production 20 tons, grape production 18,000 tons. The climatic potential of this region is very suitable for the cultivation of aromatic wild plants needed for the perfumery industry. For example, much lavender oil can be obtained only by planting lavender plantations. It is possible to obtain 50-60 kg of oil from 1 hectare of lavender in modern practice. Since the average price of 1 kg of lavender oil in the world market is \$ 100, it is realistic to

make big profits (<https://azlogos.eu/azad-olunmus-%C9%99razil%C9%99r-v%C9%99-bazar-iqtisadiyyatina-kecid/>).

Grain, livestock, melons, and vegetables play a leading role in the economy of the Fizuli region. In addition, the region's farms produce cotton, sugar beet, grapes, and fruit. The area produces 65,730 tons of grain, 1,221 tons of barley, 638 tons of cotton, 30,516 tons of sugar beet, 1,608 tons of potatoes, 175 tons of grapes, and 1,010 tons of fruit (https://www.stat.gov.az/menu/7/source/007_1.doc). The basis of the economy of the Jabrayil region was grain growing, cattle breeding, melon growing. The region produced more than 60,000 tons of grapes before the occupation. There were 8 industrial enterprises in the district. The territory of the Jabrayil region is very suitable for grain and melon products. It is possible to create traditional cattle and sheep farms in this area. Aghdam region is considered a region with developed agriculture. Canneries, butter and cheese, cocoon seeds, cotton, wine, mechanized bakeries, carpet factories, and grain products. The main directions of agriculture are cotton-growing, viticulture, and animal husbandry. At present, grain is planted on 700 hectares of the liberated territory of the Aghdam region. The basis of the economy of the Kalbajar region before the occupation was cattle breeding, viticulture, and cocoons. In recent years, more than 60,000 tons of grapes have been produced. Livestock and agriculture developed mainly in agriculture.

Kalbajar is also rich in drinking mineral water. The packaging and sale of these waters can lead to considerable financial gains (<https://www.stat.gov.az/menu/7/source/008.doc>). The value of gross agricultural output in our country at current prices in 2019 amounted to 7836.7 million manats, of which 4085.5 million manats fell to livestock and 3751.2 million manats to crop production. The start of economic activity in the liberated territories may increase at least 7-10% in the initial stages. In 2020, grain was planted on 1 million hectares in Azerbaijan. The number is expected to increase by 10% at the initial stage due to the return of liberated agricultural land to circulation (<https://www.stat.gov.az/menu/7/source/008.doc>).

The abundant mountain rivers in the liberated areas are favorable for irrigating crops. Moreover, these rivers can be an additional contribution to our country's food security in the creation of modern fisheries. It is believed that in a bright future with great hopes.

It should be noted that the idea of giving priority to the establishment of agrarian joint-stock companies in the liberated territories prevails and the creation of ecologically clean, environmentally friendly agro-parks and high-tech "smart" agro-industrial parks in the Karabakh region is a priority, which can lead to the implementation of high financial and investment projects. The intensive organization of the development processes of the agro-industrial complex depends on the development and application of improved financial and credit mechanisms (Əliyeva, 2019). The agro-industrial complex can play a leading role in the sustainable and rapid development of the region, as the liberated areas have strong potential and resources for the development of agriculture, both crop and livestock. According to economist-expert, V. Bayramov believes: "After the recovery of the economy in the liberated territories, production will increase up to 8 times. Before the occupation, the Fizuli region had a large agrarian and industrial potential". The same trend was observed in Jabrayil and Zangilan districts. Most of the land in these areas is fertile. Gubadli, Aghdam, Kalbajar, and Lachin districts also have fertile lands. The liberated regions can make a special contribution to the Azerbaijani economy in the next stage, particularly to the country's food supply and food security." On the other hand, these areas have great potential for the development of viticulture, tobacco, cotton, cocoons, fruits and vegetables, melons, and gourds (Əyyubov & Tagiyev, 2014). Given the availability of financial and credit resources, it is possible to increase the efficiency of entrepreneurship and business in these areas, which increases the opportunity to make a greater contribution to the revival of the Karabakh region. It is important to have a substantial potential for the development of the processing and food industries in the region, the development and application of maximum working forms of financial and credit mechanisms, and a strong assessment of resource potential. The rapid development

of the agro-industrial complex in the liberated territories can fully meet domestic demand for meat and meat products and milk and dairy products (Musayev & Tagiyev, 2018). In general, about 600,000 hectares of arable agricultural lands, more than 231,000 hectares of arable lands, 352,000 hectares of pastures and hayfields were occupied. In the current situation, to include these resources in the turnover of the agricultural and agro-industrial complex, it is necessary to provide more financial and credit resources, creating a regional infrastructure of mechanisms for their concentration, distribution, and use. The application of more appropriate models of mechanisms for the active attraction and use of financial and credit resources from various sources should be kept in focus to create a solid foundation for the restoration and development of the agro-industrial complex of the region (Məmmədov S., Məmmədov T. Məmmədov R., 2018). The high development potential of agriculture is one of the main conditions for the large-scale operation of the agro-industrial complex in general. Most of the regions of Karabakh have investment-oriented agricultural and agro-industrial activities. According to economist-scientist A.Masimli says: "Modern agro-structures, as well as agriculture, small and medium business, are involved in the implementation of the " Great Return Program ". It is possible to achieve a high level by creating clusters on" (https://azlogos.eu/azad-olunmus-%C9%99razil%C9%99r-v%C9%99-bazar-iqtisadiyyatina-kecid/).

The cluster organization and development are directly related to solid investment flows and financial and credit resources. For this purpose, it is crucial to mobilize both local and foreign investment and financial sources.

It should be noted that 2.2 billion manats have already been allocated from the state budget for 2021 to ensure a major return to the liberated territories. ("Azerbaijan Evaluates Cost Of Nagorno-Karabakh War," 09:49:58Z). This fact makes it necessary to establish transparent, accessible, and maximum effective financial and credit mechanisms in the Karabakh region and the widespread use in the revival of agro-industrial sectors in the region. We consider it important to pay more attention to some issues shortly: - Formation of financial and investment

mechanisms for agriculture and agro-industry should be organized, based on the tasks and priorities of the revival of agro-industrial sectors in the Karabakh region;

- The organization of a network of financial-credit and investment enterprises and associations, foundations, associations, which allows the development and accessibility of financial-credit and investment mechanisms in the region, is an important condition;
- Development of large financial-credit and investment-oriented projects in various areas of agro-industrial sector. Presentations to local and international financial-credit organizations, investment funds, in other words, international financial and economic institutions, potential financial-credit and investment partners;

Active arrival to our country - the Karabakh region must be achieved. The agricultural sector is one of the most important sectors of the country's economy. This area has great potential to provide the country's population with quality food products. The agricultural reforms implemented in the country since the end of the twentieth century, the efficient use of land and property, gave a strong opportunity to the improvement of the sectoral structure of the agricultural sector. Such issues have created great opportunities for entrepreneurship development in this area. The development of rural entrepreneurship in our country has a great role in ensuring food security and the needs of industrial enterprises in raw materials. When developing the agricultural sector, of course, there is a need for investment, and in this case, it is important to have a normal environment for investment. Another important issue is to control the effective use of loans. It is known that when starting any voluntary activity, it is important to have 3 main elements, which are material, labor, and financial resources. Financial well-being is a key factor influencing the success of any business. Efficient use of financial resources in the agricultural sector also leads to efficient production, leading to increased productivity and increased incomes. As a result, the development of the agricultural sector is ensured. In order to improve the efficient use of financial resources in the agricultural sector, it is necessary to pay attention to several issues, including determining the ratio of costs and revenues, reducing overall economic and production costs, attracting highly

qualified specialists to record the effectiveness of agricultural financing, supporting strengthening financial flows to the agricultural sector, control over the achievement of the expected result. When discussing the development of the agrarian sector, it is necessary to consider its strengths and weaknesses. Weaknesses of the agrarian sector include insufficient development of market orientation of this unit, low level of competitiveness, low level of cooperation, limited financial resources, extensive development. As for the strengths of the sector, it can be said that there are favorable natural and climatic conditions for the development of the sector. In addition, it should be noted that the state has recently paid great attention and support to the development of this sector. Another aspect is that the agricultural sector has great export potential. One of the key issues in developing the agricultural sector is the spread of innovation processes in this area. The innovation process is characterized by two stages: the creation of innovation and its dissemination. The spread of innovation is considered the most important element of economic growth and is considered an indicator of economic development. Strategic integration with key suppliers focus on quality and other non-price factors, corporate agility are key elements of modern innovation models considered (Kərimli, 2012). The process of innovation in the agricultural sector requires much effort and is quite a complex process. In order to drive innovation processes in this sector, it is necessary to take into account their sectoral characteristics. There are different types of innovations in the agricultural sector, including socio-ecological innovations, selection-genetic innovations, and innovations in management (Muradov & Uzeir Hajiyeva, 2022). Several priority areas can be considered when activating innovation processes in the agricultural sector. Development of ecologically clean products, restoration of soil fertility, application of energy, and resource-saving production and processing technologies are among such directions. In order to expand innovation in the agricultural sector, many issues should be kept in focus, including strengthening international cooperation in the dissemination and organization of innovation in this area, establishing and strengthening an effective economic mechanism to manage innovation processes in

this area, promoting integration between science and industry and so on can be. In the current situation, the cluster model can be mentioned as one of the important factors in accelerating the development of the agricultural sector. In world practice, clusters are mostly represented in various industries. However, in terms of certain features, it can increase the scale and efficiency of agricultural production. It is known that there are Anglo-Saxon and continental models of clusters. The application of the continental model in the Azerbaijan Republic is more realistic. The application of clusters in our country's agricultural sector should serve such purposes as increasing competitiveness, creating new jobs, applying advanced technologies, and so on. In addition, the clusters created in this sector and the entry of agricultural products into the world market reduce production costs, increase the level of competitiveness of cluster participants through the application of advanced and modern technologies, and improve product quality. The experience of developed countries proves that it is more expedient to create innovation clusters in the agricultural sector. Innovation clusters are considered a more progressive form for the agricultural sector. It should be noted that a cluster is a place of high innovation activity (Mammadov et al., 2021).

2.2. Karabakh region as the new logistic potential for the region and Azerbaijan economy

In this context, the creation of new trade hubs, logistics centers, and the construction of new airports to provide air transport is of particular importance. The new Baku-Nakhchivan-Turkey railway, the country's location at the crossroads of the East-West and North-South corridors, the restoration of the historic Silk Road will create an opportunity to become a necessary logistics and trade hub in the region. The state must define several strategies for developing these areas, attract businesses and new investments, develop unique plans in this direction, and determine local and foreign investors' state protection and guarantee of investments in the Karabakh region. What conditions are needed for this?

First of all, there must be state measures and guarantees to eliminate possible military threats in the Karabakh region. The main point of the issue is establishing a zone to be liberated from occupation. Along with the political struggle in the post-war period, Azerbaijan must also develop a strategic economic development plan. The infrastructure of the region should be built first, utility lines should be laid, roads should be built, and at the same time, the minimum infrastructure projects necessary for the population should be implemented. The resettlement of the population should be accelerated and security should be ensured. Access to the region's resources should be open to investors. Those who invest in the region should be exempt from taxes for 10 years as well as customs duties should be abolished when importing the necessary equipment, raw materials, and specific inventory for production projects.

Another critical factor is implementing projects of state importance that should be implemented jointly with private enterprises along with special subsidies for investors should be allocated from the state budget and state funds. Last but not least, the legislation should be in place to facilitate foreign capital, especially foreign exchange transactions. Therefore, future rehabilitation work should begin with the construction of general infrastructure (roads, gas, water, electricity, communications) and basic living conditions, and at a later stage move to

economic development projects. During the Soviet era, the Karabakh region developed close economic ties with other economic regions of Azerbaijan. Roads in all directions have strongly connected these two areas economically. The occupation of Karabakh by Armenians and its separation from other Azerbaijani regions created severe problems for the population and economy of the region. For many years, the vast majority of enterprises located in the territory of Karabakh operated based on fuel, raw materials, and supplies imported from the regions of Azerbaijan, and many operated as branches of large enterprises in Baku. In 1985, only 8% of the raw materials for cocoons entering the large Silk Factory in Khankendi, Karabakh, were produced in Karabakh itself, and 92% were imported from other regions of Azerbaijan. While the Republic of Armenia accounted for only 0.3% of the volume of foreign economic relations and 1.4% of imports carried out by the Karabakh Province in 1986, Azerbaijan accounted for 33.3% of its exports. Khankendi, the center of the former Karabakh Autonomous Region, used to be directly connected to the Azerbaijani railways and highways and the transport and communication system of the republic as a whole. The distance from Khankendi to Baku by rail is 392 km. This is a critical factor for the region's development and the new infrastructure projects that can use maps of transport logistics that existed in the Soviet era. Naturally, the unified transport and communication system operating in the occupied territories for many years is currently in a state of disrepair due to the Armenian aggression. Construction process must be connected by satellite. If different satellites are created, spontaneous construction in new cities will be prevented in the future. The road known as the Lachin Corridor is the Yerevan-Gorus-Lachin-Shusha-Khankendi road. Other districts, such as Kalbajar and Gubadli, also join this path. Given that this road will be widened in the future and Russian peacekeepers will not stay in this corridor forever, we can say that Lachin will be a region that benefits from trade activities in the future. Because this route, which is more popular today in military conflicts, can change its purpose to trade relations and cargo transportation. Today, it is not easy to imagine this picture, but history shows that

such transitions serve first wars and then trade. For example, the Khudaferin Bridge, which has been in the service of wars for years, has long since changed its purpose. Therefore, the connection of Karabakh and the surrounding regions with Armenia through this geography can impact the economic development of this place, as it will create a very favorable environment not only for the growth of commodity markets but also for concluding contracts (Tağısoy N., 2022). The construction of international airports and new railway lines and the establishment of mobile communication systems are among the priorities, according to the President of the Republic of Azerbaijan Mr. Ilham Aliyev's decree on the establishment of exceptional temporary management in the liberated territories (Aliyev, 2021).

Due to the tendency to revive and restore the real sector in the economy of Azerbaijan, the gradual normalization of the financial and credit situation, the demand for transport services has increased in terms of both volume and variety. The development of these positive processes and increased domestic and international competition place additional demands on transport to accelerate the movement of goods, improve the quality of transport and logistics services, and reduce transport and logistics costs in the final price of products. The main objectives of creating a cluster in the transport and logistics industry of Azerbaijan are: - Improving the quality of services that meet the requirements of the world market; - development and efficient use of the country's transit potential; - Development of the complex's capacity to deliver more competitive products of local producers to world markets (by reducing transport costs); - to stimulate the integration of small and medium enterprises in the industry into the general logistics concept; - Development and improvement of interaction mechanisms of educational and scientific institutions with other cluster members to implement innovations in the transport industry. The transport and logistics cluster is a group of geographically localized interconnected companies specializing in the storage, escort and delivery of goods and passengers and infrastructure service

organizations, complementing and strengthening each other's strengths and realizing the competitive advantages of a particular area defined as organizations.

The structure and main participants of the transport and logistics cluster. The transport and logistics cluster allow: - to develop the structural elements of logistics; - increase the competitiveness of transport corridors; - reduce the share of transport costs in GDP; - small and medium logistics organizations - transport, forwarder, warehouse, to ensure integration into the general logistics system (БЕНЗЕНКО, 2015). The formation and development of transport and logistics clusters effectively attract foreign direct investment and increase foreign economic integration. The inclusion of regional transport and logistics clusters in global chains will significantly increase the national technology base, increase economic growth by increasing the international competitiveness of enterprises by applying the latest equipment and provide access to international markets. International experience shows that the implementation of any project for the formation of transport and logistics clusters is possible under the following prerequisites:

- Interest and support for cluster processes by the authorities;
- Providing the region with natural resources;
- Availability of leading enterprises that can lead innovation processes in specialized sectors of the economy;
- Availability of scientific and educational potential for cluster processes and human resource development;
- Creation of a favorable innovation environment;
- Interaction with other clusters in the region;
- Availability of developed production, management, and financial infrastructure;
- Political will for international economic integration.

The main terminal and logistics structural elements are being developed in the transport and logistics cluster, the competitiveness of transport corridors is increasing, the share of transport costs in GDP is decreasing, and cooperation and integration of small and medium logistics organizations are being ensured. As a

result, transport and logistics clusters have significant advantages over traditional forms of integration:

1. They are highly adaptable to the market environment (unlike vertically integrated companies);
2. Focuses on the application of innovations;
3. Contributes to the development of the regions in which it is located;
4. Facilitates the deepening of interregional economic integration;
5. Acts as a catalyst for industrial and infrastructure facilities;
6. Accelerates the innovative development of regional business structures.

Several obstacles may arise during the development of transport and logistics clusters (Коваленко Е.Г, 2005). These barriers may include - Insufficient development of small and medium enterprises; - lack of developed infrastructure; - lack of trust between economic intermediaries; - lack of information openness culture; - formation of unfair competition, low efficiency of the working environment. The difficulty in forming transport and logistics clusters is that the interests of different parties can create inevitable conflicts with each other. Private investors and developers are more interested in constructing this facility in areas that meet the following characteristics: high demand for high-quality logistics services, well-developed transport and production infrastructure (roads, electricity), and free land availability. When choosing a site for a transport and warehousing complex, public authorities are guided by the country's strategic interests, such as the development of international trade, the integrated development of various modes of transport, and the reduction of unemployment in certain areas (Кузменко, Грейз, & Калентеев , 2013). From this point of view, the state may be more interested in high-quality logistics services in constructing transport and warehousing complexes in the areas adjacent to the state border, near potential international transport corridors. In general, the formation and development of transport and logistics clusters can play an essential role in improving the socio-economic situation by significantly increasing the country's competitiveness. Given the vital role of transport and logistics clusters in the social production of

our country, their formation will be of great socio-economic importance for both regional and national economies. The advantage of the formation of these clusters will be reflected in the formation of a modern logistics infrastructure that meets international standards, increasing productivity and innovative activities of enterprises that are part of the cluster, increasing investment (СТЯЖКИН , 2012).

2.3. SWOT analysis of the logistic potential of the Karabakh region

Modernization policy in the field of transport (in particular, railway transport) On July 6, 2010, the President of the Republic of Azerbaijan Ilham Aliyev approved the state program to develop the railway transport system in the Republic of Azerbaijan for 2010-2014. This program was designed to promote radical improvements in the country's railway sector. The program includes renovation of passenger cars, freight cars, and locomotives, an overhaul of railway lines, increased power supply capacity, the transition from temporary to permanent signal and communication equipment, and renovation of other facilities. In addition, prioritized infrastructure development planning is also part of the following two social development programs. These plans for the development of transport infrastructure take into account the geographical features of Azerbaijan as an effective hub for the East-West and North-South transport routes. This prompted the Azerbaijani government to consider the modernization of the railway infrastructure as a priority goal and develop a comprehensive program for its development. In addition to infrastructure development programs, targets have also been set to modernize the following service areas.

- Ensuring proper maintenance of infrastructure, locomotive traction, and other steps to create a profitable freight market, promoting the search for ways to consolidate the results achieved and further develop the railway business.

Achieving the financial self-sufficiency of Azerbaijan Railways will allow covering the cost of freight transportation from revenues while reducing the costs necessary to move in this direction.

The introduction of International Financial Reporting Standards (IFRS) into the accounting system of Azerbaijan Railways, the introduction of independent accounting for passenger, freight, and other sectors of the income of individual enterprises, as well as highlighting the fact of independent management of the company and gradually follow the path of increasing the degree of transparency of management. The Baku-Tbilisi-Kars railway corridor connects Azerbaijan and Turkey, connects the Caspian and Black Seas, and connects Central Asia, the Caucasus, and Europe. At the same time, the North-South transport networks of Yalama (on the Azerbaijani-Russian border) and Astara (Azerbaijani-Iranian border) will also be improved. At present, conditions on the border with Iran require the construction of new tracks 8.8 km long within Azerbaijan and 150 km inside Iran. For the reforms to be successful, the Azerbaijani government is demanding a streamlining of the management by the Azerbaijan Railways, expecting that this will lead to financial reforms, internal administrative changes, and the introduction of an effective asset management system. In addition, in preparation for introducing a high-speed transit railway in the future, it is also necessary to rebuild the existing system of transport communications. As for the logistics sector, since Azerbaijan is located at the intersection of the North-South and East-West transport corridors, the country has a convenient geographical position for resolving transit trade, imports, exports, and others. To take advantage of these trade advantages, initiatives are underway to build new ports, expand north-south and east-west railways, and other advances. In Azerbaijan, railways are most often used for international trade. In terms of rail freight, the share of transit traffic is currently low, with almost all import-export traffic either originating from or arriving in Azerbaijan. The share of goods transported by rail in the total transit trade volume in 2015 amounted to 23%. In addition, a huge proportion of all Azerbaijani cargo is coal, oil, agricultural products, and other types of bulk cargo, while there are few containers for transportation. In light of these conditions, the goals set out in the strategic roadmap include investments in infrastructure to create a regional logistics hub and improved management models (aimed at

introducing advanced digital management practices), with a time frame of 2025 to achieve them. Particular attention will be paid to activating the logistics functions of the Baku International Sea Port and the Baku International Airport named after Heydar Aliyev. As for trade between North and South, in the same way, the annual volume of goods transported along the route South Asia-Russia in transit through Azerbaijan amounted to 4 million tons (2015), and it is planned to increase the volume of transit up to 40% by 2020; while the volume of cargo transported along the Iran-Black Sea route amounted to 2.3 million tons (2015), and there are considerations to increase the volume of transit to 25% by the same 2020. Although there is approximately 19,000 km of highways, the total length has increased slightly since 2000. In contrast, the length of paved roads has increased by about 3,000 km since 2000 to 9,467 km, resulting in a reduction in the area of gravel roads and other paved surfaces. In general, the work on laying the main roads has been completed, and it can be said that the current situation is mainly related to initiatives to solve quality problems. The length of rail transport is approximately 2,100 km, but since 2000 this figure has decreased slightly. This reflects the result of an increase in the number of sections temporarily unused due to ongoing upgrades, route changes, and other changes. The length of power lines is about 1,200 km, while DC power lines make up just under 60% of the total length of operating power lines (in other words, the rate of electrification is not growing). The double-track sections of the Azerbaijan Railways are electrified at a direct current voltage of 3 kW. Currently, Azerbaijan Railways maintains 204 electric locomotives, 96 of which are in active operation. Of these, 46 are new locomotives with a service life of up to 15 years. The remaining locomotives of the VL-8 type have been operating for 35 years or more in a heavily worn condition, with one or more breakdowns occurring monthly. It is necessary to repair or upgrade these electric locomotives immediately. The use of 3kW DC is rare in the world. In addition to Azerbaijan, similar transmission lines are operated in Georgia, Armenia, and Russia. In this regard, Azerbaijan Railways hopes to move from 3 kW DC electrification to 25 kW, as in Europe. However, recovery costs are

extremely high, and for this reason, studies are also being carried out on the possible introduction of diesel locomotives instead of electrification. If we analyze the chronology of the operation of passenger cars of Azerbaijan Railways, then 20% were put into operation 11-15 years ago, 65% - 15-20 years ago, the remaining 15% - more than 20 years ago. Of the 729 vehicles owned by AZhD, 490 units are in operation, while the rest are either awaiting repair or have reached the end of their designated service life. Given that 40% of the total trains are used on international routes, extensive repairs will be required over the next six years. Another 31% of all trains will need minor repairs. Azerbaijan Railways can undertake only minor repairs but will not cope with large-scale repairs. Over the past 15 years, high costs have been gradually reduced in the railway sector, and the delay in major repairs has increased the financial capacity of AR. Behind this is that Azerbaijan does not own its railway repair facilities. Historically, locomotives have been shipped for repair work to neighboring countries. To this day, ARW continues to use the Russian Ministry of Transport's standard technologies and safety standards. Concerning the safety of Azerbaijan's railway systems, over the past 30 years, maintenance standards have not been fully observed, which has led to dangerous situations. As a result, due to the exceeding of the service life of the railway tracks, numerous sections have arisen on which speed limits of up to 20 km / h have been introduced. Rail traffic, meanwhile, has declined since its peak in 2008. The volume of cargo peaked in 2006 - about 30 million tons, and by 2016 fell by about half - to 15 million tons. In the field of railway transportation in 2007, the peak of passenger turnover was reached - 6.6 million passengers, and by 2016 it decreased by about a third - to 2 million passengers. The vast majority of port cargo is handled in-transit cargo. Although the volume has fluctuated continuously since 2001, the figure is typically between 8 and 12 million tons per year. Of these, import and export cargo ranged from 500,000 to 3 million tons, of which 60 -90% are transit cargo. For a long time, transit cargoes have been the focus of port functions in Azerbaijan. The rapid decline in transshipment volumes at the port since 2014 presumably reflects the impact of contracted services at the former port

of Baku and the impact of the construction of the new port of Alyat. Although Baku Heydar Aliyev International Airport does not publish statistics on the volume of passengers transported, a study of the published data indicates that it reached 4 million people in 2017, which indicates a large increase over the year. This figure is projected to rise to 5 million this year, effectively doubling the number of users over the past five years. Given that the airport's passenger terminal is designed for 7 million people, there is a possibility that the capacity of the facility will be exceeded. Azerbaijan Airlines, the owner of the existing airport terminal, is initiating studies to expand the passenger terminal as a response. The facilities at the Heydar Aliyev Baku International Airport are owned by Azerbaijan Airlines, which are thus solely responsible for making all necessary capital investments. As such, it is believed that the airlines will directly raise funds needed for expansion while turning to the government for external loans or other needs in case of a shortage of funds. It is estimated that the cargo volume will be between 100,000 and 200,000 tons, and the throughput will be between 500,000 and 1 million tons.

Results of the analysis of strengths, weaknesses, opportunities, and threats (from now on - SWOT analysis) in the field of logistics and trade in Azerbaijan as noted in the Modernization Policy section, Azerbaijan has developed a strategic roadmap for the logistics and trade sector and is currently promoting measures aimed to become a regional logistics hub around 2025. The essence of the idea is to compete with the Trans-Siberian route and the Trans-Siberian and Kazakhstan land-sea and sea routes, using the country's location as a transport hub on the route along the route from north to south Iran-Russia and the route from Iran or Turkmenistan and from Azerbaijan or Georgia to Europe. Thus, the decline in oil prices and the strengthening of the positions of competing routes promise to create a solid structural presence.

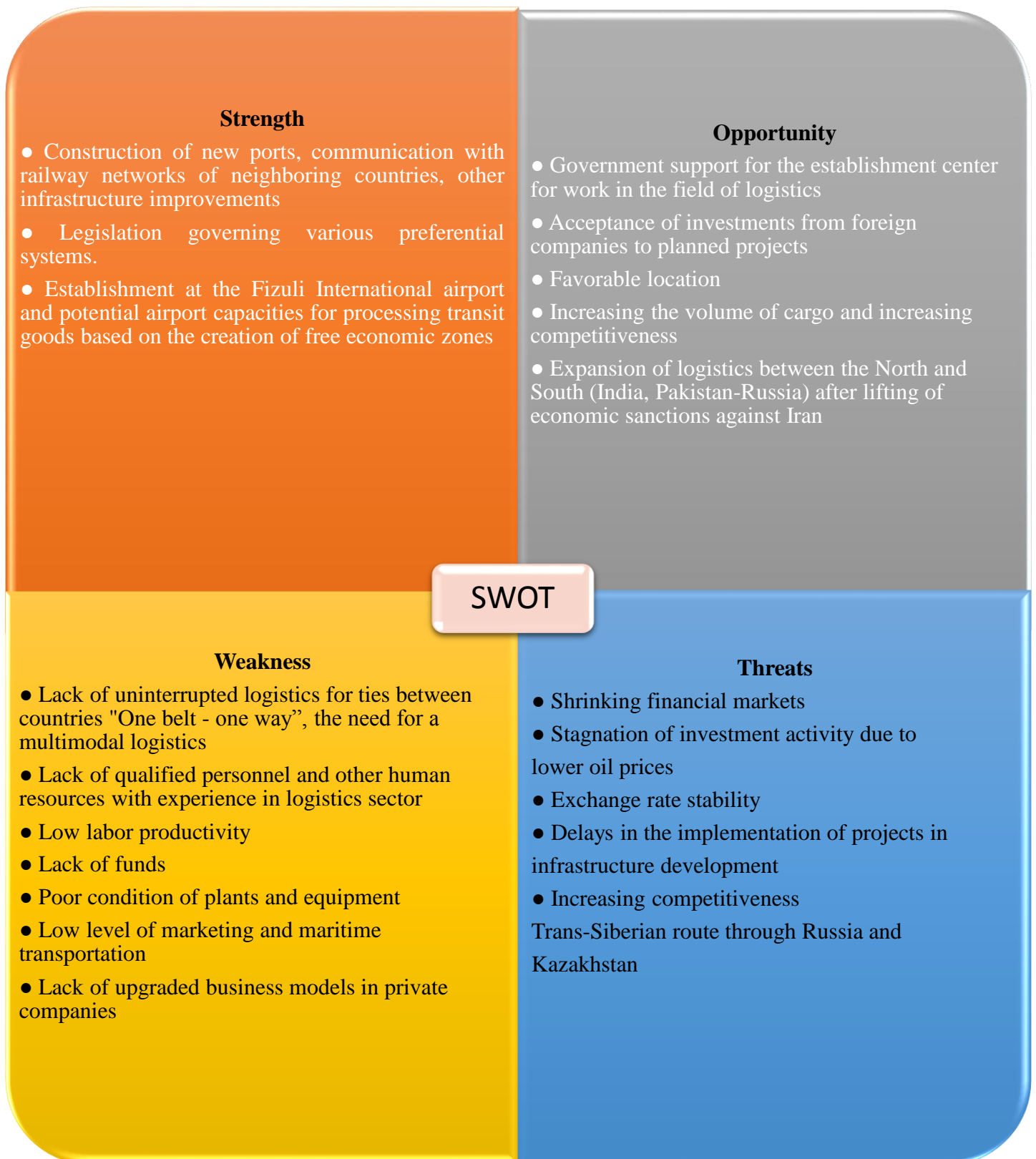
Azerbaijan's geographical location in the liberated Karabakh region and greater access to Europe and Asia will further strengthen Azerbaijan's active participation in international transport and communications and corridor projects. The Karabakh region's logistic potential further increases Azerbaijan's economic

and political prestige as a strategic and reliable state of the Caspian-Black Sea basin and the South Caucasus. Many Western experts agree that with the victory in the Second Karabakh War, Azerbaijan was able to clarify its geopolitical and geoeconomic course among neighboring countries by liberating its ancient land, Karabakh, located at the crossroads of west and east. This provides Azerbaijan with significant economic, political and even socio-cultural advantages at the regional and even international level, and its location at the junction of two major North-South and East-West corridors. It has made responsible demands, such as purposeful geoeconomic activity in Asia and the Middle East. Factors that increase the regional and international prospects of the region, which currently has geoeconomic values, such as the Karabakh region, have a positive impact on cooperation with the regional countries and internationally. Today, Azerbaijan has become a mighty country in the South Caucasus, returning the economic potential and national natural resources of the liberated Karabakh region to the people of Azerbaijan, who are the real owners. Thus, at present, Azerbaijan has 60% of the human resources of the South Caucasus, fuel and energy, mining, natural minerals, and fertile soil resources, and 80% of the economic potential. All this proves once again that the opportunities to turn all of Azerbaijan, including the Karabakh region, into a very important logistics and trade hub, along with modern, progressive industrial and agricultural production, have increased. Effective use of the country's strategic geographical position to attract transit cargo to the transport corridors passing through the country, and the establishment of logistics and trade centers in the Karabakh region will increase the region's attractiveness and all spheres of public life. More importantly, the transport logistics project being prepared for the reconstruction of the transport and communication system in the Karabakh region has begun strategically important work, such as connecting Nakhchivan with the main part of Azerbaijan (Zengezur Corridor) and thus building a direct railway and highway between Turkey and Azerbaijan. The strategic importance of this road is, first of all, the flow of goods entering Azerbaijan through the corridors from the north-south and east-west directions are

concentrated in the Baku International Seaport and from there via the Baku-Tbilisi-Kars railway (a new route of this road through Karabakh to Nakhchivan via Zengezur corridor and to Turkey, and then to Europe) to form an efficient logistics chain that provides a European route or an eastward route by ship. The transport logistics system and the multifaceted scheme of this system will be restored on the first route in the territory of Karabakh, or the transport and logistics links of the Karabakh region and the possibility of connecting to international transport corridors will be more important. We must take into account that in the Karabakh region, where railways and highways predominate, the restoration and reconstruction of roads in the following three directions can be considered more effective: Baku - Yevlakh - Barda - Agdam - Khankendi - Shusha; Baku - Yevlakh - Aghdam - Fuzuli - Jabrayil - Zangilan - Mehri - Julfa - Nakhchivan; Baku - Yevlakh - Ganja - Goranboy - Kalbajar - Lachin. Along with all this, it is considered expedient to build a bilateral highway or railway between Karabakh's strategically important administrative-territorial units. For example, constructing a modern 4-6-lane highway between Fizuli and Shusha is nearing completion. It is necessary to draw some conclusions from the experience of many advanced countries in the field of land transport to consider the geographical and strategic importance of settlements in the construction of railways and highways. In connection with the construction of railways and highways covering the entire territory of the Karabakh region, among the transport-parking points expressed in the above three directions, transport-junction or distribution parking stations are separated and settled in capital letters: Baku, Yevlax, It is considered to be Ganja, Fuzuli, Julfa, and Nakhchivan. Julfa and Nakhchivan junction stations are not considered crossroads of intra-regional transport routes but rather junctions formed by international transport corridors for freight and passenger transportation. The Nakhchivan railway and highway will go to Turkey, from there to Europe, the Julfa junction to Iran, and from there to the east. The attractiveness of the Karabakh region's natural climate and socio-economic charm, along with the economic construction of the region, the construction of modern transport and

logistics infrastructure also includes the construction of airports. It is gratifying to note that President Ilham Aliyev's live broadcast of the start of construction work in the Fizuli region drew attention to the fact that the airport is already built in accordance with international standards and currently at the level of an international airport. At the same time, the President said that the construction of an airport for domestic flights is planned in the Lachin and Gubadli regions of Karabakh, and construction work will begin in the coming years. Passing through the Karabakh region, the Zangazur corridor, and Nakhchivan's Julfa transport and logistics hub from Azerbaijan to Iran, and from there to the east and vice versa to Europe, the second internationally important route for Azerbaijan will be the East-West international transport corridor. The Baku-Astara (Azerbaijan) -Astara (Iran) -Rasht-Qazvin route is the first internationally important transport and logistics route connected to Iran, to the east, and vice versa, to Europe and has been operating for many years. The Baku-Tbilisi-Ceyhan oil, Baku-Tbilisi-Erzurum gas, and Baku-Tbilisi-Kars railway routes connect Azerbaijan with Turkey via Georgia and from there to Europe and vice versa are the third most important transport and logistics routes for Azerbaijan. All the objective material, technical and socio-economic bases for connecting all three routes to the world-class international transport corridors have been created and will be created in the future. Although Azerbaijan's access to the two major international transport corridors, North-South and East-West, depends on the geographical location and strategic importance of the area, in all cases, the establishment of both international transport corridors is based on the ancient Silk Road has paid off. All historical realities are very valuable, but more valuable is the economy. Improving the efficiency of transport logistics links in freight and passenger transportation by corridors, increasing the volume of international transportation by rail, road, and air transport services, reducing time, and minimizing the cost of transit transportation.

Table 2: SWOT analysis results



Source: Own elaboration

CHAPTER III. POST-CONFLICT RECOVERY PERIOD, ITS ESSENCE AND IMPLEMENTATION PRIORITIES

3.1. Assessing the investment and cooperation potential of the Karabakh region

Research will be conducted to manage potential external and internal risks that may arise in the post-conflict rehabilitation process.

The Great Return to the Liberated Territories is reflected in the Azerbaijan 2030: National Priorities for Socio-Economic Development” approved by the President of the Republic of Azerbaijan on February 2, 2021, and this issue is one of the five national priorities for socio-economic development in the next decade.

The fact that he is one of them is a clear example of how much the Azerbaijani state attaches great importance to this work.

As the President of the Republic of Azerbaijan Ilham Aliyev said at the meeting in the form of a video conference dedicated to the results of 2020: “Our plans are big. The war is over.

Restoration work has already begun, and this shows that there is no difference between our words and our deeds this time as well. We have said that we will restore these lands soon after they are liberated from occupation. I recently said that we will create a paradise in the Karabakh region, and I keep my word. It is up to all of us to fulfill these words.

Therefore, 2021 should be very significant in this regard. It is in 2021 that the people of Azerbaijan and the whole world will see that our intentions are reflected in life, our plans come true. I wish the former IDPs to return to their native lands soon. In any case, the Azerbaijani state will do its best to get closer today. The united states of Azerbaijan will continue to develop successfully and with confidence

Ensuring the territorial integrity of Azerbaijan has a great place in the centuries-old history of our people. By restoring state borders, the people of

Azerbaijan have achieved the greatest military and diplomatic victory in the last century.

In order to perpetuate the victory, the return of people displaced from their native lands must be ensured. This Great Return will be a bridge for the sustainable settlement of our citizens in the liberated territories and for the integration of these territories into the economic activity of the country.

As in the past, the safe return of people returning to the liberated territories must be ensured, and the region must become one of the most prosperous parts of the country. In order to restore a decent life, which is the basis of modern life, construction must be achieved in all areas.

This should be done on the basis of incentives and the development of public-private partnerships. Only in this way is it possible to ensure the full integration of the liberated territories into the great future of Azerbaijan. For the successful implementation of this priority, the following two goals must be achieved:

- sustainable settlement;
- reintegration into economic activity.

The end of the 44-day war with a great victory allowed IDPs to return to their native lands and live there. Sustainable settlement must be ensured in the liberated areas.

To this end, these areas must become the healthiest, most modern and prosperous living environment in society, creating a comfortable living environment based on modern principles for sustainable settlement.

The creation of comprehensive safe and favorable living conditions will be of great importance for the permanent settlement of citizens. To do this, decent housing must be provided in new areas, modern infrastructure must be built, a comfortable lifestyle and access to modern services must be provided. Efficient use of the economic potential of the region should ensure the level of settlement of the population before the occupation.

The historical position of the liberated territories in the economic and social image of the country must be restored. The new region must become one of the

leading links in economic activity and have the same level of development as other regions of the country.

The sustainable development of the region will depend on meeting the needs of the economy with the right resources, the abundance of natural resources and the historical image gained will allow to attract investment in these areas.

By providing a solid foundation for life, we can bring the region's share of the country's economic activity to pre-occupation levels and sustainably increase it. In this process, it is important to comprehensively promote private initiatives based on the necessary incentives, as well as the development of public-private partnerships.

The restoration of a new international and regional transport and logistics corridor in the region will not only increase the country's access to global markets, but also give a significant impetus to the development of liberated territories.

As you know, the Coordination Headquarters for the centralized settlement of issues in the liberated territories of the Republic of Azerbaijan, the Interdepartmental Center was established under it to perform the function of secretariat and communication and to provide the necessary analytical and organizational support. The center has 17 working groups in different directions.

The research will play a key role in the planning and effective organization of post-conflict rehabilitation, as the main task facing all rehabilitation work, including the reconstruction of life support systems and physical infrastructure, is to ensure a comfortable, prosperous and permanent life and employment for returnees.

Restoration work has already begun on the liberated lands. 2.2 billion manat has been allocated in the 2021 state budget for construction work in Karabakh.

At the same time, by the Decree of the President of the Republic of Azerbaijan Ilham Aliyev dated January 4, 2021, to ensure modern and decent life for sustainable settlement in the liberated territories, to carry out construction and rehabilitation work in all areas, as well as sustainable living, efficient operation and welfare. This fund provides financial support and investment in the

rehabilitation and reconstruction of the liberated territories of the Republic of Azerbaijan.

A number of friendly countries - Turkey, Pakistan, Israel, Hungary, Iran, Italy, Great Britain, USA and others. expressed his desire to take part in the process of restoration of our liberated territories. The Azerbaijani government has also announced its intention to cooperate with friendly countries in this area.

Speaking at a meeting of the CIS Council of Heads of State, President Ilham Aliyev expressed his opinion on this: "We attract and will attract friendly countries to Azerbaijan. The first contract was signed with a Turkish company, and the second contract is planned to be signed with a company from Italy.

I would like to take this opportunity to appeal to the heads of states and countries with which Azerbaijan has friendly relations, so that their companies also take an active part in these projects as contractors. We will finance the restoration work ourselves, at our own expense.

However, we want companies from friendly countries to be involved in the reconstruction of our cities and villages. Let them also implement these projects and show solidarity, because we will undoubtedly restore all cities, revive Karabakh and make it one of the most developed regions in the world."

Concrete cooperation has already begun with foreign companies in the field of construction work in Karabakh. Thus, in order to create electricity infrastructure in the liberated territories of Azerbaijan, a supply agreement was signed between Azerenergy and the Italian company Ansaldo Energia in the field of mutual cooperation. According to the agreement, the Italian company will equip 4 110-kilovolt s / s to be built in Agdam, Fizuli, Kalbajar and Gubadli regions.

According to the Memorandum of Cultural and Scientific Cooperation signed between GOSB Technopark, which supports 130 technology companies in Turkey, and the Azerbaijan Innovation Agency, a High Technology Park will be established in Karabakh. The park plans to conduct the latest "soft" and "hard" scientific research, as well as the production of high-tech devices.

Azerbaijani and Hungarian companies discussed participation of Hungarian companies in the restoration of territories in Karabakh. Hungary's Exim Bank has opened a \$ 100 million credit line for Hungarian companies intending to participate in the reconstruction program. As part of the war, Hungary has offered a 25,000-euro grant to clear mines. The United Kingdom said it could assist Azerbaijan in clearing the liberated territories of Karabakh of mines and unexploded ordnance.

If we look at the international experience, Japan, Western European countries, especially Germany, in the recent past, Iraq, Lebanon and so on. In the post-war years, various types of assistance were provided to countries to meet their financial, food and other needs. As early as World War II, many cities were destroyed, including some of the leading industrial and cultural centers of Great Britain, France, Germany, Italy, and Belgium.

Based on the world experience we have considered, we can say that the first goal set after the end of military operations is to meet the basic needs of the population of the war-torn country, to ensure the development of the region with a weak economy.

Various assistance from foreign countries, international organizations and organizations plays an important role in this and subsequent stages of reconstruction. We can summarize the assistance provided to different countries at different times as follows: donations; investments; loans; grants; debt write-off; making deposits in local banks; increasing the value of the local currency.

In the liberated Karabakh, systematic restoration and reconstruction of territories will be carried out, resettlement will begin, and the economy of the region with great potential will be developed.

It may be useful for our country to use international experience in financing these events, which will require large sums of money and will turn our Karabakh into a paradise again. As a result, restoration and reconstruction work will be successfully carried out with the participation of the Azerbaijani state and society, as well as foreign partners.

The action plan of the Post-Conflict Territorial Rehabilitation Scientific Center for 2022-2025 of the Institute of Economics of ANAS, compiled in accordance with the "Azerbaijan 2030: National Priorities for Socio-Economic Development" approved by the Order of the President of the Republic of Azerbaijan dated February 2, 2021 determined in accordance with the direction of scientific research. The center plans to implement the plan "Effective forms of public-private cooperation in the recovery of the economy in post-conflict areas" on the problem of economic recovery in the liberated territories of the Republic of Azerbaijan for 2022-2025.

One of the most important issues for economic development in the liberated territories is the identification of potential comparative advantages of the region. The economic resources of the liberated territories, traditional pre-occupation employment, and the level of habit and professionalism of the repatriates must be taken into account when determining both domestic and international preferences.

Also, the framework of interaction in the production-processing-sales chain between post-conflict areas and other regions of the country should be assessed. In general, it is planned to identify areas of comparative advantage for the region on the basis of scientific research using the latest digital methodologies.

Karabakh is mainly a mountainous area, and it should be mentioned mountaineering tourism. Karabakh can develop as a zone of ecotourism and ethnotourism due to the richness of nature, antiquity, and historical and cultural monuments. It can be one of the most beautiful tourist destinations in the world. Along with the development of tourism in Karabakh, the inclusion of monuments falsified by Armenians in their history is one of the important issues awaiting resolution (<https://vergiler.az/news/economy/10815.html>).

It would be essential to restore the museums looted due to the Armenian occupation, create new museums, and organize a museum complex in Shusha. The restoration of these areas can create many new jobs. Thus, the implementation of new infrastructure projects will positively impact the employment of the citizens.

3.2. Implementation of new technologies and rehabilitation of the regional cities

In modern times, the growing economic importance of innovation has been one of the main factors contributing to structural changes in the world economy. The success of an innovation is primarily determined by its organizational forms and methods of financial support. The application and expansion of innovations in economic entities' financial and economic activities undoubtedly have a beneficial effect on the country's economic growth rate, the level of productivity of factors of production, the intensification of export activities of enterprises, and individual entrepreneurs. This makes it necessary to assess innovation activity properly. The main criterion for evaluating innovation activity is a cluster of interconnected firms located in the same region at a relatively small distance from each other, operating in the same industry, located in the same production chain, and combining labor resources and communication flows. A cluster is an integrated structure with many interactions and dependencies. An essential element of the cluster is a set of economic agents and mechanisms that ensure effective interaction in their creation and distribution between producers and consumers of cluster products. Cluster is a strong factor in innovation activity and a source of synergistic impact. Such effects occur during direct interaction between employees of cluster enterprises and act as a source of competitive advantage. Therefore, the innovative sustainable development of the regional economy is closely linked with the practical application of the cluster. Innovative clusters are an effective form of developing the country's innovative potential and its regions. The role of innovation clusters in the national and regional economy can be determined by:

- Labor productivity increases due to various effects arising from the joint activities of different economic entities. These effects may include division of labor, cost savings, free information exchange, and technology transfer;
- Clusters ensure the coordination of the interests of producers, consumers, and regional authorities;

- Due to the integration of various enterprises and organizations, a favorable environment is created for the development and implementation of new ideas, the creation of new innovative enterprises;

- Consolidation of resources of cluster members allows to solve innovative development problems beyond the capabilities of individual economic entities;

- Favorable conditions are created to create and develop new enterprises and implement new joint projects within the clusters.

The cluster structure includes producers and consumers, investors, information infrastructure, government agencies. The set of elements and relationships between subjects can be considered a source of influence on the external environment. Changes in the external environment, in turn, lead to changes in the economic interests of cluster entities. Therefore, changes need to be directed towards innovative development to increase the cluster's competitiveness and the region as a whole. It should be noted that business angels are private venture investors who provide financial and expert support in the early stages of development. The following principles can be considered the main principles of the formation of innovative clusters:

- The need to establish technological links between industries and use more advanced technology;

- The emergence of a synergistic effect on the production value chain;

- Significant changes in the structure of the regional economy;

- Availability of certain advantages;

- Existence of domestic or foreign market.

These principles are the basis for developing a strategy for forming innovative clusters in the regions of the country. The development of the cluster strategy allows for the region's innovative development. In the context of innovation development, high-level innovative activities of cluster members are needed to achieve common strategic goals. To ensure the innovative development of the cluster, a mechanism should be created to guide the interaction of cluster members. The stages of its life cycle determine the innovative development of the cluster. At

each stage of the life cycle, depending on the degree of involvement of the participants, a certain mechanism is activated to ensure the effectiveness of the cluster. The economic interests of cluster enterprises are determined in the following areas: - limited resources; - attracting business investment; - the impact of specialization (savings arising from the concentration of material and labor resources on a particular type of activity); - distribution of risks; - tax benefits; - stability or development of economic activity (ROUT & OMIKO, 2007) The main conditions for the formation of the overall mission of the cluster and the further development of the strategy by the cluster participants are: - joint activities of industrial and scientific organizations within the overall management structure; - close connection of perspective marketing researches; - availability of unified innovation and investment programs; - computerization and informing of management procedures for the joint activity of science and industry; - use of means to stimulate the creative activity of staff; - ensuring economic and technological security. Thus, the advantages of the cluster approach at the regional level are the following aspects of the regional economy: First, regional innovation and industry groups are based on a stable system for the dissemination of new technologies, knowledge, and products based on a common scientific base. Second, cluster enterprises have additional competitive advantages due to their ability to conduct internal specialization and standardization, minimizing the cost of implementing innovations. Third, an important feature of innovation-industrial clusters is the presence of flexible business structures - small enterprises, which create innovative growth points of the regional economy. Fourth, regional industrial groups are significant for the development of small businesses: they provide a high degree of specialization in small enterprises, which facilitates access to the capital of an industrial enterprise and the exchange of ideas and knowledge transfer from specialists (Lichbach & Gurr, 1981). Thus, it can be seen that the innovation cluster is a system of interconnected technological and territorial integration of enterprises, organizations, infrastructure facilities, financial institutions, research, development, and investment firms based on all innovative

products and technologies, ensuring the optimal operation of all structural elements. The formation of innovative clusters contributes to the effective integration of intellectual and financial resources both within and abroad. The success of an innovation cluster depends largely on financial support. Sources of funding for innovation clusters include enterprises, financial and industrial groups, small innovative enterprises, investment and innovation funds, local governments, individuals (Institute of Control Systems of Azerbaijan National Academy of Science & Aliyev, 2021). In Azerbaijan, innovations are financed mainly from the state budget. Based on the above, we can say that the creation of clusters in the regional economic system has the following advantages: - Effective interaction of government agencies with business: management participates in the coordinating council and acts as an equal partner to influence organizational and economic decisions in the cluster; - The activities of enterprises help to identify the problems and strengths of the relevant sector of the economy with the help of reliable information about sales markets and labor resources; - Increases the efficiency of small enterprises, which leads to an increase in the tax base and tax revenues to the regional budget; - Reduces barriers to entry into the labor market for small and medium enterprises; - Increases the overall economic stability of enterprises, both within the clusters and abroad, and provides access to previously non-existent sources of funding for small and medium-sized businesses; - Entrepreneurs are able to systematize the problems that arise and ways to solve them together; - Helps to improve the staffing of enterprises; - Production costs are reduced; - There are opportunities for more successful entry into foreign markets. Thus, the creation of clusters contributes to the development of competition between regions, attracting additional investment to developing regions from all over the country. In addition, clusters allow regions to develop based on new technologies. When creating clusters, it is necessary to use new fundamental scientific solutions that will help bring the region's economy to a new level of development - an innovative situation. Properly adopted policies that support clusters in the region are an effective tool for the region's competitiveness, innovation potential, and economic

growth rates. At the same time, it is an important condition for ensuring the stability and economic independence of the region in the context of globalization.

At present, the economies of developed countries are based on innovation. Innovations are used in various areas of human activity. As a basis for the modernization of society, innovation policy is one of the directions of socio-economic policy of the regions. In addition to being applied in production, the main feature of innovation is meeting consumers' needs. The growing role of innovations is due, firstly, to the nature of market relations, and secondly, to the need for profound qualitative changes in the country's economy to enter the trajectory of sustainable growth. In modern times, the problem of assessing and using the innovation potential of the country and its regions come to the fore. Assessing the region's innovative potential is vital for developing regional development programs, considering the rationale for regional innovation policy and the effective use of regional innovation sources. One of the factors in the region's development is the formation and effective use of regional innovation potential. The effectiveness of using the region's innovative potential depends on the efficiency of using resources included in this potential. The region's innovation potential can be seen as production, labor, financial, organizational, managerial, and intellectual potential. At the same time, these potentials are not entirely innovative but only a means of creating conditions for innovation. Therefore, the region's innovation potential must be considered both at the stage of formation and use. This approach allows identifying the main results obtained in forming and using innovation potential. As a result, the innovative potential will produce various types of new technologies new types of goods and services. In the medium and long term, the effective functioning of the regional innovation system following specific tasks in the region can be ensured by the implementation of the following areas:

- 1) monitoring of innovation infrastructure, training for scientific and innovative activities, support of innovative infrastructure facilities, infrastructure centres creation;

2) establishment of professional organizations specializing in the development and implementation of innovative projects in the region, including export-oriented projects;

3) establishment of coordinating councils and particular institutions uniting enterprises in the industry, government agencies, and scientific-educational complex to achieve specific goals of innovative development;

4) involvement of national and international companies capable of accelerating the technological re-equipment of enterprises in the region as residents of technopolises, technoparks, and industrial parks in the region;

5) providing access to sources of financing of innovative activities of enterprises and organizations by facilitating the activities of venture funds and private capital funds in the region. The primary condition for developing the region's innovation potential is creating an innovative environment. Therefore, it is necessary to create conditions for the effective functioning of the innovation environment in the regions. In particular, the impact of factors hindering its development should be minimized. The following table shows the factors that contribute to the development of the innovation environment in the region and limit this development. Sources of funding for innovative activities in the regions are enterprises, financial and industrial groups, small innovative enterprises, investment and innovation funds, local governments, individuals. All these institutions are involved in the regional economic process and, in one way or another, contribute to the development of innovative activities in the region.

Karabakh is becoming a "green energy" zone. In fact, the development of a "green zone" or "green space" concept in the region, which will cover the use of renewable energy sources, energy efficiency, environmentally friendly technologies, including the use of vehicles and other issues, began shortly after our glorious victory in the Great Patriotic War.

At the meeting dedicated to the results of 2020, President Ilham Aliyev set important tasks to establish a "green energy" zone in the liberated territories. This

issue is reflected in the "Azerbaijan 2030: National Priorities for Socio-Economic Development".

On May 3 this year, the President signed a decree "On measures to establish a" green energy "zone in the liberated territories of the Republic of Azerbaijan." In order to attract an international consulting company specializing in the development of the relevant concept and master plan for the establishment of a "green energy" zone in these areas, the President allocated funds from the President's Reserve Fund to the Ministry of Energy in the amount of 1 million 391 thousand 40 US dollars. decided.

"The Karabakh region will be an example for the world as a 'green energy' zone." This is the determination of President Ilham Aliyev.

As is known, Karabakh has great potential for renewable energy production.

According to the amount of solar radiation falling on the earth's surface, the southern plain part of Karabakh - Fuzuli, Jabrayil, Zangilan regions are second only to the Nakhchivan Autonomous Republic. Here, one square meter of solar radiation falling on a horizontal surface is 1600-1700 kWh per year. The total solar energy potential of these areas is 3000-4000 megawatts. A more accurate calculation of the potential will be carried out by installing measuring observation stations in the area.

It will also be possible to produce wind energy in Karabakh. Thus, in the mountainous part of the region, at an altitude of 100 meters, there are large areas with an average annual wind speed of 7-8 meters per second. The average annual wind speed in the border areas of Kalbajar and Lachin regions with Armenia reaches 10 meters per second. In general, the potential of wind energy in the mountainous areas of Karabakh is estimated at 300-500 megawatts. The exact potential of this area will be calculated through the installation of observation stations.

In addition, there are thermal water resources in Kalbajar and Shusha. One of the tasks ahead is to study the possibility of using thermal sources for energy purposes.

There are also coal deposits in the Karabakh region. Thus, Chardagli village of Tartar region has 8.5 million tons of coal reserves.

All these sources allow us to implement new energy projects in our liberated regions. Large-scale work is planned in this direction and they are being implemented consistently. Certain practical steps have already been taken to attract foreign investors to green energy projects. The signing of an agreement between the Ministry of Energy of Azerbaijan and the Japanese company Tepsco in May this year is another confirmation of the successful progress of work. According to the ministry, the agreement provides for the efficient use of renewable energy potential in the liberated territories, such as wind, solar, hydro, geothermal and bioenergy, energy efficiency technologies, the creation of a "green energy" zone to implement energy supply in the region. envisages the development of an appropriate concept and master plan. The project will study international experience in the field, and will cover energy demand and energy supply scenarios depending on the economic development and settlement of these areas. Renewable energy integration, energy efficiency, transport, urban planning, waste management, smart grids, green financing and other issues will also be considered.

Founded in 1960, Tepsco has implemented projects in more than 90 countries and has international experience in the field of green energy. The company has offered "green solutions" in the framework of "smart city" projects in Japan, Vietnam, Malaysia, Indonesia, Brazil and Thailand.

This company has also participated in the implementation of a number of projects in Azerbaijan. Among them are consulting services in the project of construction of "Shimal-1" and "Shimal-2" power plants, field analysis of the energy sector of the republic and other works.

The day after the Ministry of Energy and Tepsco signed a new agreement in video format, Azerbaijani Ambassador to Japan Gursel Ismayilzadeh met in Tokyo with Hideo Kocima, director of the company, General Manager of the International Business Development and Promotion Department, and company representatives. The sides exchanged views on cooperation between the Ministry of Energy and

Tepsco in connection with the implementation of the tasks set by President Ilham Aliyev's decree on the establishment of a "green energy" zone in the liberated territories of the country. Kocima said his company was ready to cooperate in the liberated territories.

Ambassador Ismayilzadeh praised the launch of Tepsco in those areas. It was noted that the company's activities here will make a special contribution to Azerbaijan-Japan relations.

The lights of the people returning to Karabakh, their homeland, which we will turn into a paradise together with our friends, will be brighter than before. As our President said, we will live here forever: "From now on, no one will be able to move us from those lands!"

CONCLUSIONS AND RECOMMENDATIONS

Karabakh is one of the most beautiful regions of Azerbaijan. Karabakh, with its charming nature, rich spiritual and cultural traditions, is the birthplace of many prominent Azerbaijani scientists, poets, writers, artists, musicians and singers. Karabakh is the cradle of Azerbaijani music. Hundreds of musical works, one of the oldest and rarest examples of Azerbaijani folklore, were created in Karabakh.

Karabakh is one of the oldest historical regions of Azerbaijan. In 1968, the remains of an ancient man were found in the Azykh cave in Karabakh. Probably, people lived in this area 250-300 thousand years ago. The rich nature and natural resources of these ancient lands have always been in the center of attention.

Unfortunately, as a result of nearly 30 years of occupation, all our resources have been exploited and looted in these areas. The enemy has not left behind his abominable deeds by appropriating everything. The cultural centers, museums and historical monuments here have been destroyed, destroyed and valuable items with ancient history have been removed from our country. Until the last days of the Second Karabakh War, the occupying regime conducted illegal archeological excavations in various regions of Karabakh and the found artifacts were transported to Armenia. Our historical and cultural monuments have been looted, all infrastructure has been destroyed, the mosque and its minarets, which are considered to be ancient architectural monuments, have been savagely destroyed, and shrines have been destroyed.

Despite all this destruction, material and moral damage, our state is engaged in the restoration of our barbaric religious, historical and cultural monuments. The cultural construction work that began in Shusha, the cradle of Karabakh's culture, will continue in other regions. In a short time, Vagif's mausoleum, Vagif's bust were reopened, Uzeyir Hajibeyli's monument was re-erected, Uzeyir Hajibeyli's destroyed house was restored, Bulbul's house museum was opened, Natavan spring was restored. By order of President Ilham Aliyev, busts of our geniuses - Natava, Uzeyir Hajibeyli, Bulbul, who were shot by Armenians, were brought and placed in the central square. Reconstruction work has begun in three mosques, and the

Vagif Poetry Days and the Kharibulbul Festival have been restored. The role of the Heydar Aliyev Foundation in the restoration of all these cultural activities is undeniable. In a short period of time, the Karabakh and Kharibulbul hotels were opened in Shusha. The construction of 3 airports in Karabakh is not accidental. Fuzuli Airport has already started operating, and it is possible that Zangilan and Lachin Airports will start operating in the near future. This will allow both local and foreign tourists who want to come to Shusha, the pearl of Karabakh and the cultural capital of Azerbaijan, to enjoy the charming nature of Kalbajar, ecotourism opportunities, and the resort of Istisu.

The research analyzed the economic potential of the liberated region of Azerbaijan, Karabakh. It defined the opportunities and strengths of the region for rehabilitation and reconstruction at the same time to reveal the potential threats and weaknesses in that path; at the same time, it investigated the ways of reintegration with Azerbaijan after being 30 years separated. The research method was based on the SWOT analysis following the secondary data obtained from the reports, articles and official documents. Since in the literature, the rehabilitation of the liberated conflicted region is not studied in the literature and represents a gap currently researched partially filled. The main findings for rehabilitation of the region revealed the importance of the agricultural sector that can be the main driving locomotive of the development, secondly the role of the logistic potential that can boost the investment project in the region. Last but not least, the role of innovation is a significant factor that can stimulate the rehabilitation and integration process in the Karabakh region of Azerbaijan. The research has limitations that open the door for further comprehensive analysis of the topic using robust primary and secondary data compared with other cases.

Thus, in the near future we will proudly witness the strong development of the newly created economic regions of our independent Azerbaijan, and the thesis have tried to summarize the arguments of this conviction:

1. Azerbaijan is a victorious country and fascist Armenia, which occupied our lands for almost 30 years, was humiliated and forced its leadership to surrender;

2. The revival of the liberated territories and the construction of modern villages and cities on the basis of high technologies, including "smart" technologies, will turn this region into a dynamic and rapidly developing country not only in our country but also in the world;

3. The establishment of the Karabakh and East Zangazur economic regions increases Azerbaijan's strategic role by one-fifth, as there are strategic goals in reviving the two new economic regions, accelerating the integration of Turkic-speaking countries through the Zangazur corridor, increasing the intensity of cargo between West and East, North and South. Due to the expansion of operations, significant development of the transport and logistics sector, a real potential will be formed to increase the competitiveness of our country, as well as its political and economic power, etc.

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