



A Russian peacekeeper guards the Lachin corridor on December 27, 2022, as demonstrators stage a protest.  
● TOFIK BABAYEV/AFP

# Blockade Closed 'Arteries of Artsakh's Economy

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**PERSPECTIVE  
EXCLUSIVE**

Since December 12, 2022, Azerbaijan has blocked the "life road" to Nagorno-Karabakh (Armenian: Artsakh) known as the Lachin Corridor, isolating its 120,000-strong population and placing them on a siege. Until June 15, 2023, only Russian peacekeeping troops and the International Committee of the Red Cross had limited access to enter Artsakh. However, their movement was also restricted, worsening the ongoing humanitarian disaster. The crisis is affecting all aspects of life and undermining the pillars of Artsakh's economy.

Today, Artsakh is facing its most serious self-sufficiency challenges. The region relies heavily on importing a number of essential goods. Prior to the blockade, around 400 tons of vital commodities such as grain, flour, vegetables, fruits, household items, etc. were transported from Armenia to Artsakh on a daily basis. However, due to the ongoing blockade, the regular supply of food, medical supplies, and energy resources has been completely halted. As a result of this 8-month-long blockade, the necessary vital goods have been imported about 17 times less compared to what would have been imported without the blockade, and since Aug 8, 2023, until the moment of writing this piece, vital goods have not been imported at all.

This dire humanitarian crisis is progressively causing irreversible losses, leading to loss of life, and constraining the constitutional and fundamental rights of the people. Therefore, the organizations that were established with the purpose of addressing human rights issues must take immediate and effective measures. Otherwise, the selective activity of these structures should be called into question. Because of the blockade, the population has encountered significant challenges related to food self-sufficiency, leading individuals to rely on their savings and adopt restrictive measures. As of January 20, a special coupon system has been implemented in Artsakh. Within the coupon system, limited volumes of pasta, buckwheat, rice, sugar, oil, fruits, vegetables, eggs, and non-food products like washing

powder are sold. However, since June 15, none of the aforementioned products have been supplied in the slightest. This situation further exacerbates the ongoing humanitarian crisis. To further isolate and worsen the crisis resulting from its blockade, Azerbaijan has launched attacks on Artsakh's critical civilian infrastructure. The Azerbaijanis have completely cut off the electricity supply since January 9, with periodic disruptions occurring from the start of the blockade. Additionally, starting from March 21, they have successfully disrupted the only gas supply from Armenia. As a consequence of these actions, the republic has been forced to implement a schedule of rolling 6-hour blackouts since January 10. This has led to daily power outages and additional emergency shutdowns, causing many facilities to either close or significantly reduce their operations. The Artsakh Water and Sewerage CJSC is alerting that a drinking water problem is brewing due to wind power outages. If the blockade persists, there will be serious challenges in maintaining a stable water supply. Meanwhile, the limited fuel reserves in Artsakh have been exhausted, resulting in a complete halt of public transport throughout the republic starting from July 25. Earlier, on July 18, public transport within Stepanakert was significantly reduced. However, interregional routes were maintained until July 25. The current situation resulting from the blockade of Artsakh is presented. These problems also affect all sec-



The photo shows various coupons that were distributed to the people of Nagorno-Karabakh following the food shortage caused by the Azerbaijani blockade on the Lachin Corridor.  
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tors of the country's economy with a chain effect. Prior to the blockade, Artsakh's economy was experiencing significant activity. According to the National Statistical Service of Artsakh, a growth rate of 12.2% was recorded in 2022 compared to the same period of the previous year. Further economic growth was anticipated, but due to the blockade, Artsakh's economy incurred a loss of around \$456 million, leading to the decline of the predicted annual GDP index (\$903 million) by more than 50 percent. Many companies have halted their operations in the current situation, while some organizations that primarily rely on local raw materials continue to function despite the acute shortage of imported auxiliary materials. Consequently, since the onset of the blockade, 1468 businesses (accounting for 34.3% of the total) have suspended their activities

due to operational challenges. An estimated 17,000 people including those in state-supported temporary work placements and more than 80% of private sector employees have lost their jobs and sources of income as a result of the blockade and its disruptions to Artsakh's vital infrastructure. Unemployment rates have been rapidly rising, accompanied by a significant decrease in state budget revenues. The budget targets for January–July 2023 were not met. Tax revenues and duties totaling 16.4 billion Armenian Dram (AMD) (\$42.69 million) were collected for the state budget, which was 63.1 percent compared to the planned target of 26.0 billion AMD (\$67.68 million). In July, the revenues collected were 54.6 percent below the target, resulting in a shortfall of 2.5 billion AMD (\$6.5 million). The blockade of Artsakh has also led

to negative consequences for the republic's real estate market. During the first semester of 2023, only 1,572 real estate transactions were conducted in Artsakh, marking a decrease of 61.2% compared to the first semester of 2022 and a 53.7% decrease compared to the second semester of 2022.

The construction sector has also encountered significant challenges. The blockade has resulted in the suspension of construction activities, halting the progress of projects including the construction of 32.6 kilometers of roads, tens of kilometers of water lines, irrigation systems covering thousands of hectares of land, 3,717 apartments, and more than 40 social and industrial infrastructure projects.

The decline across all sectors of the Artsakh economy is evident. Normal operations in trade, services, agriculture, construction, tourism, restaurant and hotel management, communications, and the mining industry have been disrupted. This is starkly reflected in the comparison between the first half of 2023 and the same period of the previous year. According to data released by the Artsakh State Revenue Committee, sales turnover in the mining sector dropped by 94%, the construction sector by 89%, the production sector by 60.6%, the trade sector by 54.5%, and the energy sector by 41.8%. In July, nearly all indicators reached zero due to the import blockade of various goods. Overall, it can safely be said that the blockade has closed the blood vessels of the Artsakh economy and is gradually suffocating it.