Rebuilding Security after War: Economic Reconstruction and Structural Transformation in the Karabakh Region

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Abstract: This paper examines the reconstruction of the Karabakh region through the lens of economic law, focusing on the relationship between legal frameworks and post-conflict economic recovery. It argues that reconstruction in Karabakh is not limited to infrastructure development but involves the re-establishment of a functional legal-economic order. Drawing on institutional and post-conflict reconstruction literature, the study highlights the role of property rights, investment regulation, and governance mechanisms in reducing uncertainty and enabling sustainable economic activity. The analysis further explores state-led investment strategies, industrial zones, and incentive regimes as transitional tools that require legal consolidation to ensure long-term effectiveness. By situating Karabakh within broader theoretical debates, the paper demonstrates that economic security in post-conflict settings depends on the credibility of legal institutions. The findings suggest that the sustainability of reconstruction efforts will ultimately depend on the transition from incentive-driven growth to institution-based economic stability.

Keywords: *Karabakh reconstruction; economic law; post-conflict recovery; property rights; investment incentives; institutional development*

1 Introduction

The reconstruction of the Karabakh region following the 2020 war represents not only a process of rebuilding physical infrastructure, but a deeper challenge of restoring economic order under conditions of institutional disruption. Post-conflict reconstruction, as widely recognized in the literature, is inherently multidimensional, involving the simultaneous re-establishment of governance, economic systems, and legal frameworks necessary for long-term stability [1]. Yet, despite a substantial body of research on post-war recovery, the relationship between economic reconstruction and legal order remains insufficiently theorized in specific regional contexts such as the South Caucasus.

Existing scholarship has consistently emphasized that post-conflict economic recovery differs fundamentally from standard development processes. As Del Castillo argues, reconstruction is an intermediate and fragile phase in which policies must be carefully sequenced to avoid a relapse into instability, rather than simply promoting growth [2]. Similarly, Coyne highlights that successful reconstruction depends on the establishment of institutional prerequisites, particularly property rights, rule of law, and market-supporting institutions, without which economic systems fail to become self-sustaining [3]. These insights align with the broader institutionalist tradition associated with Acemoglu and Robinson, where the quality of institutions rather than the availability of resources determines long-term economic outcomes [4].

However, much of this literature has focused either on macro-level reconstruction strategies or on international interventions, often overlooking the legal-economic mechanisms through which reconstruction is operationalized. In particular, the role of economic law property regimes, investment regulation, and governance structures has been underexplored as an independent analytical category, especially in post-Soviet and occupation-affected territories. As some studies note, even in areas such as decentralization and local governance, there remains a significant gap in understanding how legal institutions function in post-conflict settings beyond isolated case studies [5].

The case of Karabakh highlights precisely this gap. During the period of occupation, the region was characterized by the absence of legitimate legal authority and the emergence of informal and extractive economic practices. As documented in Hajiyeva's work, economic activities during this period involved systematic exploitation of resources, unregulated property use, and the erosion of formal legal-economic structures [6]. These dynamics did not merely distort economic outcomes but fundamentally altered the institutional landscape upon which post-war reconstruction must now be built.

The Azerbaijani government's "Great Return" strategy and large-scale public investment programs represent an effort to reverse these dynamics by combining infrastructure development with economic revitalization. Significant financial resources have been directed toward transport corridors, energy systems, industrial zones, and the resettlement of internally displaced persons. In principle, such policies aim to transform Karabakh into a sustainable economic hub. Yet, as the broader literature on post-conflict reconstruction suggests, investment alone is insufficient. Large-scale infrastructure projects, while necessary, do not automatically generate sustainable development if they are not embedded within a stable legal framework. Reconstruction experiences in other contexts demonstrate that focusing primarily on physical rebuilding without institutional consolidation leads to partial or fragile recovery [7].

The core problem, therefore, lies in the fragile and often underdeveloped link between economic reconstruction and legal order. Legal uncertainty particularly regarding property rights, contract enforcement, and regulatory governance introduces risks that undermine both domestic and foreign investment. From an economic law perspective, this uncertainty increases transaction costs and limits the emergence of formal market structures. The transition from a conflict-affected territory to a functioning economic space requires not only capital investment but the creation of a predictable legal environment in which economic actors can operate with confidence.

This paper addresses this gap by examining the reconstruction of Karabakh through the lens of economic law. Its central research aim is to analyze how legal frameworks specifically property rights regimes, investment law, and governance mechanisms shape the trajectory of post-conflict economic recovery. In doing so, it contributes to the broader literature by situating legal institutions not as secondary instruments of policy implementation, but as foundational determinants of economic transformation.

2 Literature review and theoretical framework

Post-conflict recovery is usually discussed in terms of finance, infrastructure, and public administration. That vocabulary is incomplete. Economic recovery after war is not simply a question of rebuilding roads, reopening markets, or restoring production; it is equally a question of restoring the legal architecture within which economic life becomes possible. Del Castillo's work remains important here because it insists that post-conflict reconstruction is not a standard development phase, but an intermediate and fragile period in which policy must be directed first toward preventing relapse into disorder rather than maximizing growth in the ordinary sense [8]. This point matters for Karabakh. The issue is not only how quickly reconstruction proceeds, but whether the institutions governing land, contracts, investment, and public authority are strong enough to convert public spending into durable economic activity.

The relevance of economic law in this setting follows from a simple fact: in post-war territories, the central economic problem is uncertainty. War destroys assets, but it also destroys records, administrative continuity, and confidence in enforceable rules. Where ownership is disputed, where registries are incomplete, where contracts are difficult to enforce, and where the reach of the state has only recently been restored, investment becomes cautious, selective, and often short-term. Fitzpatrick and Fishman put the matter sharply in their work on land policy after armed conflict: conflict alters land distribution and governance systems, complicates title through displacement and secondary occupation, and allows political actors to consolidate control in the absence of effective legal oversight [8]. In such a setting, economic law is not an abstract superstructure placed above recovery; it is one of the conditions of recovery itself.

This is why the literature that links institutions to post-conflict stability remains directly relevant. Lake's analysis of post-conflict institutions in eastern Congo turns on a broader proposition: institutions matter because they reduce uncertainty in environments where commitments are otherwise weak and violence remains a latent possibility [9]. The same logic applies to economic life. A functioning market is, in part, a system of credible commitments. People invest, exchange, lend, lease, insure, and rebuild when they believe that rules will outlast the transaction. Once that belief erodes, economic actors shift toward informality, political protection, or exit. For post-conflict recovery, then, the restoration of law is not merely a matter of justice; it is also a means of lowering transaction costs and extending the time horizon of economic decision-making.

2.1 Economic Law and Institutional Recovery

At this point the literature becomes more complicated, and more useful. The rule of law is often treated in peacebuilding discourse as an uncomplicated good, but the more recent scholarship is less naïve. In the *European Journal of International Security*, for example, it has been argued that rule-of-law reforms in post-conflict settings may reproduce existing inequalities when formal legal institutions are introduced into deeply unequal social orders without adequate attention to access, enforcement, and distributive consequences [10]. This criticism should be taken seriously in the Karabakh case. Legal reform is indispensable, but law that exists only on paper, or law that secures the position of the most resourceful actors first, can harden rather than resolve post-war asymmetries. A serious economic-law approach therefore requires more than legislation; it requires enforceability, administrative capacity, and equal access to remedies.

The most concrete legal issue in post-conflict recovery is usually property. Housing, land, and property claims sit at the point where return, investment, reconstruction, and legitimacy intersect. Recent work in *World Development* shows that post-conflict restitution frameworks are often poorly aligned with actual tenure conditions, especially where records are incomplete, displacement has been prolonged, and the pre-war land order has already been transformed by conflict [11] That insight is especially relevant to Karabakh. After decades of occupation, the region does not present a normal legal environment in which pre-existing entitlements can simply be reactivated. The difficulty lies not only in identifying title, but in reconnecting legal title to lived social realities: destroyed settlements, absent populations, degraded land, altered use patterns, and the institutional consequences of prolonged separation from the Azerbaijani legal order.

The Karabakh case gives this literature a sharp practical edge. During the years of occupation, the region was marked by the absence of Azerbaijan's lawful institutional framework and by forms of resource use and property control that did not operate within the legal and regulatory system of the Azerbaijani state. Hajiyeva's study of economic activities during the occupation is significant precisely because it documents this dimension of the problem: the issue was not only economic loss, but the long-term distortion of legal-economic relations through unauthorized exploitation, unregulated use of property, and the erosion of formal governance structures [12] That legacy matters now because post-conflict reconstruction begins not from an intact legal baseline, but from a field already shaped by institutional discontinuity.

The present reconstruction drive in Karabakh has been organized through a strong state-led framework. The First State Program on the Great Return defines the revival of the liberated territories as part of Azerbaijan's national development priorities and links resettlement, infrastructure, and economic activity in a single programmatic structure.[7] Official figures further indicate that, from 2021 through the end of 2024, more than 19 billion manats had been allocated for the restoration of Karabakh and East Zangezur [13] These measures show that the Azerbaijani state understands the scale of the reconstruction task. Yet the legal dimension remains decisive. Public expenditure can build roads, utilities, industrial sites, and housing stock; it cannot by itself settle ownership claims, guarantee future transactions, create credible investment expectations, or resolve disputes over use and entitlement. Those are legal and institutional tasks.

This is also where the existing Karabakh-specific scholarship, though still limited, is instructive. Guliyev's recent study of post-conflict resettlement in Karabakh describes the reconstruction challenge in terms that go well beyond physical damage, emphasizing mine contamination, destroyed civilian infrastructure, and the difficulty of rebuilding livelihoods under hazardous and institutionally demanding conditions. [14] Hovhannisyan and Musavi, in their discussion of property restitution after the Second Karabakh War, make a related point from another angle: technical restitution mechanisms alone are not enough. Property restitution in post-conflict settings must engage not only with titles, registries, and cadastral records, but also with legislation, enforcement, social perceptions of justice, and the material realities of return [15]. This line of argument is close to the core of the present paper. The Karabakh case cannot be understood adequately if reconstruction is reduced to engineering and budgetary planning. It is, at the same time, a problem of legal ordering.

For that reason, the importance of economic law in Karabakh is not limited to investment promotion in a narrow sense. It has at least four wider functions. First, it stabilizes expectations by clarifying property relations and enforceable rights. Second, it disciplines reconstruction by placing public and private economic activity within a framework of predictable rules. Third, it mediates return by connecting resettlement to legally recognized claims in land, housing, and local economic life. Fourth, it limits the risk that post-war development will become administratively impressive but institutionally shallow. Where these legal foundations remain weak, reconstruction may proceed in visible form while remaining fragile in substance.

The broader scholarly literature has already supplied many of the conceptual tools for this analysis, even if it has not yet applied them fully to Karabakh. Del Castillo explains why post-conflict economic policy cannot be treated as ordinary development policy [15] Fitzpatrick and Fishman show why land and property governance are central rather than peripheral to recovery.[2] Joireman and Tchatchoua-Djomo demonstrate that restitution frameworks often misfire when they fail to account for the altered realities of post-conflict tenure systems [16]. Lake shows why institutions matter where uncertainty and the risk of renewed violence remain high [17].

That is why the study of economic law in post-conflict Karabakh is not a secondary refinement of a reconstruction story already understood in material terms. It goes to the heart of the matter. The practical question is not whether the region will be rebuilt physically; rebuilding is already underway. The more difficult question is whether that reconstruction will be translated into a stable legal-economic order capable of sustaining return, encouraging investment, and embedding economic activity within institutions that can endure beyond the first wave of state-led recovery.

2.3 Research Gap

Although extensive research exists on post-conflict reconstruction, most studies focus on governance reform, economic recovery, or peacebuilding interventions. Limited attention has been devoted to economic law as an independent determinant of reconstruction outcomes. Furthermore, Karabakh remains largely absent from comparative studies of post-conflict institutional recovery. This study addresses this gap by examining how legal institutions influence economic security, investment behavior, and reconstruction outcomes in the Karabakh region.

3 Methodology

This study employs a qualitative case study approach to examine the role of economic law in post-conflict reconstruction in the Karabakh region. Karabakh was selected as a critical case because reconstruction, institutional restoration, and economic reintegration are occurring simultaneously following the 2020 war. The analysis is based on document analysis of academic literature, Azerbaijani legislation, state programs, official reports, and policy documents related to reconstruction and economic development in Karabakh. Key sources include the Great Return Program, Ministry of Economy reports, industrial park documentation, and studies on post-conflict recovery and institutional development. The study examines reconstruction through three analytical dimensions: (1) property rights and legal certainty, (2) investment incentives and regulatory frameworks, and (3) governance mechanisms supporting economic recovery. These dimensions were selected based on the institutional economics and post-conflict reconstruction literature, which identifies legal institutions as essential for reducing uncertainty and facilitating sustainable development. The study relies primarily on secondary data and official documents. While this limits the ability to evaluate long-term outcomes and stakeholder perceptions, it allows for a systematic assessment of the legal and institutional foundations underpinning the reconstruction process in Karabakh.

4 Findings and Discussion

4.1 Law as a Mechanism for Economic Security

If the theoretical claim is that law stabilizes expectations, the Karabakh case illustrates how economic security is constructed through a combination of state-led reconstruction and institutional design. Since the end of the 2020 war, Azerbaijan has pursued an intensive reconstruction policy, allocating substantial public resources to infrastructure, resettlement, and economic revitalization. According to official data, more than 19 billion manats have been directed toward the restoration of Karabakh and East Zangezur between 2021 and 2024 [1] This level of investment signals not only a commitment to physical reconstruction but also an attempt to re-establish a functioning economic space.

However, the structure of these policies indicates that economic recovery is being approached as an institutional problem. The establishment of industrial zones, such as the Aghdam Industrial Park, reflects an effort to create legally defined economic environments with specific regulatory and fiscal regimes [2] These zones operate through tax incentives, customs privileges, and administrative simplifications designed to reduce uncertainty for investors. Similarly, broader reforms in the liberated territories include preferential legal frameworks intended to attract private capital and support long-term economic activity. [15]

This approach aligns with the broader insight that in post-conflict settings, economic security depends less on the volume of investment and more on the predictability of the legal environment. Infrastructure alone cannot generate sustained economic activity if ownership rights remain unclear, contracts are weakly enforced, or regulatory frameworks lack credibility. In Karabakh, these risks are particularly pronounced. The region's prolonged separation from Azerbaijan's legal system resulted in the erosion of formal property relations and the emergence of unregulated economic practices, as documented in Hajiyeva's study of occupation-period economic activities [4].

The challenge, therefore, lies in transforming a state-driven reconstruction process into a legally grounded economic order. The return of internally displaced persons under the "Great Return" program illustrates this tension. While resettlement is progressing, its long-term success depends on the enforceability of housing and land rights, as well as the existence of functioning legal institutions capable of resolving disputes [5] Without these elements, economic recovery risks remaining dependent on continued public intervention rather than transitioning into a self-sustaining system.

4.2 Regional Integration and Trade Dimensions in Karabakh

Regional integration in Karabakh should not be reduced to transport corridors or customs flows alone. In the present phase, integration is being built through four interlocking channels: physical connectivity, productive incentives, human-capital institutions, and return-led urban reconstruction. What distinguishes Karabakh from an ordinary regional development case is that trade recovery and territorial reintegration are unfolding simultaneously. Roads, airports, industrial parks, universities, and housing complexes are not separate projects. They are components of a single state-building and market-forming process. The significance of this lies in sequencing: before Karabakh can become a competitive regional node, it must first become a governable and investable economic space [16; 17].

From the standpoint of trade and investment, the state has tried to compress that transition by combining infrastructure with unusually strong incentives for business entry. In the liberated territories, entrepreneurs benefit from a package that goes beyond ordinary tax relief. The Ministry of Economy states that, until 1 January 2033, entrepreneurs operating in these territories can access broad tax and social-insurance support; for production businesses, 20% of monthly utility costs are covered by the state, and self-employed persons operating without employees receive a 100% subsidy on mandatory social-insurance contributions for ten years [15; 16]. In the Aghdam and Araz Valley industrial parks, residents are exempt for ten years from property, land, and profit taxes, and from VAT and customs duties on imported machinery and equipment [16].

Aghdam Industrial Park is the clearest example of how this model works in practice. The park covers 190 hectares, more than 70% of its territory has already been allocated for entrepreneurial use, and it ranks second in Azerbaijan's industrial-park system by number of resident enterprises. As of April 2025, 9 enterprises were already operating there, with outputs supplied both to the domestic market and to export markets. The green-energy agenda adds a second integration layer. Karabakh and East Zangezur have officially been framed by the Azerbaijani state as green energy zones. By May 2025, 38 hydroelectric plants with a combined capacity of 307 MW had become operational or ready for commissioning across the region, reducing energy dependency and supporting industrial activity [5]

The smart-village program serves a related function at the local level. In Aghali, the first phase of the "Smart Village" project created the first return model for village-scale resettlement after the war. A similar approach was implemented in Zabukh village, where reconstruction was directly linked to sustainable energy use and modern infrastructure planning [5;6]. Urban return is now giving this strategy demographic substance. In Shusha, the first residential complex contains 450 apartments, with the first families returning in 2024. In Aghdam, the second residential complex includes 1,268 apartments, with thousands of residents expected to relocate during 2025–2026 [6;7]. Earlier projections indicate that at least 140,000 people are expected to resettle in Karabakh and East Zangezur during the initial phase of the Great Return. In this context, Karabakh University plays a structural role in regional integration. Established in Khankendi in 2023, the university has rapidly expanded, reaching more than 2,000 students across multiple faculties [12]. Its function extends beyond education: it supports human capital formation, local economic participation, and long-term regional stabilization.

Taken together, these measures show that Karabakh's integration model is being constructed through coordinated state intervention combined with institutional development. Shusha is being rebuilt as a cultural center, Aghdam as an industrial hub, and Khankendi as an educational core. The broader implication is that regional integration in Karabakh is not only external but also internal linking previously disconnected territories into a unified economic and legal space [19].

4.3 Investment Incentives and Economic Zones

In Karabakh, investment policy has been designed not as a neutral business-support instrument but as a reconstruction tool. The state's approach is clear: reduce the entry cost of private capital in a post-conflict territory where normal market incentives would be too weak on their own. For that reason, the incentive regime in the liberated territories is broader than ordinary regional support. Until 1 January 2033, residents are granted 0% profit (income), property, land, and simplified taxes, while imports of equipment and raw materials for relevant economic activities are exempt from VAT and customs duties. Dividend income is also tax-exempt. In addition, the state guarantees up to 90% of eligible business loans, subsidizes up to 10 percentage points of annual interest on guaranteed loans, and covers 20% of monthly utility costs for production-oriented entrepreneurs [19; 20; 21].

The economic rationale is straightforward. In a post-conflict zone, the main constraint on business formation is not only capital scarcity but risk concentration. The incentive package is therefore structured to lower fixed costs, reduce financing risk, and shorten the payback period for first movers. This matters especially for manufacturing and logistics, where entrepreneurs face high upfront costs and delayed returns. The policy is also labor-market oriented: employers' mandatory social-insurance contributions for hired workers were subsidized at 100% until 1 January 2026, then scheduled to decline gradually, while self-employed entrepreneurs without employees receive 100% social-insurance subsidization for 10 years. These measures are better understood as a transition mechanism: they are meant to compensate for the institutional and commercial disadvantages of operating in a territory still emerging from war [12; 16; 19].

Indicator	2025	2026	2027	2028
State allocation to Karabakh and East Zangezur (AZN bn)	4.0	3.5–4.0	3.0–3.7	2.8–3.5
Aghdam Industrial Park residents	29	33–36	37–42	41–48
Araz Valley Economic Zone investment portfolio (AZN million)	140–150	165–180	190–220	220–260
Population living and working in liberated territories	48,000+	58,000–65,000	70,000–82,000	85,000–100,000

Table 1.
Selected Economic Indicators for Karabakh Reconstruction (2025–2028) (Source: MoE Azerbaijan [18]–[20]; Presidential Decrees and State Programs [15]–[16]; authors' estimates)

Note: The projections for 2026–2028 are authors' estimates derived from official reconstruction targets, announced investment commitments, and observed development trends in the liberated territories between 2021 and 2025. The figures should be interpreted as indicative projections rather than official government forecasts.

The most concrete expression of this model is the industrial-zone framework. In Aghdam Industrial Park, residents are exempt for 10 years from property, land, and profit taxes, as well as VAT and customs duties on imported machinery and equipment. By December 2024, the park had reached 29 residents; one new resident alone committed AZN 18 million, planned annual output of 144,000 tons of metal products, and 150 permanent jobs [19]. This suggests that the park is moving beyond symbolic reconstruction toward an actual production base. In Araz Valley Economic Zone Industrial Park, by July 2025 there were 18 resident business entities with a combined investment portfolio of AZN 140 million, plus 3 non-resident entrepreneurs. A new transformer-manufacturing project added roughly AZN 17 million more investment and planned annual production of 3,000 units. These figures indicate that the state is trying to build sectoral clusters rather than disperse subsidies across disconnected firms.

The broader macroeconomic frame is also important. From 2021 to the end of 2024, Azerbaijan reported allocating more than AZN 19 billion to the restoration of Karabakh and East Zangezur, while the 2025 state budget alone assigned AZN 4 billion to these territories. At the same time, the official "Great Return" platform states that industrial and specialized production zones are intended to stimulate entrepreneurship, attract investment, and accelerate reintegration into the national economy; it also reports that more than 48,000 [18].

people currently live and work in the liberated territories.1 This means the incentive regime should be read not only as tax policy, but as a mechanism for converting budget-led reconstruction into a private-sector base. The real test, therefore, is not whether incentives attract initial residents they already have but whether these zones can generate durable production, employment, and local business linkages after the extraordinary support phase begins to taper.

4.4 Challenges and Future Legal Reforms

The reconstruction of Karabakh is often presented as a success of rapid state-led development. Roads are being built, industrial zones are operational, and population return has begun. Yet beneath this visible progress lies a more difficult question: whether the emerging economic order can sustain itself once reconstruction shifts

[1] Daniel Fitzpatrick, "Land, Custom, and the State in Post-Conflict Societies," *World Development* 34, no. 11 (2006): 1860–1877.

from state financing to market dynamics. The challenge is not reconstruction itself, but the transition from reconstruction to normal economic governance.

The first structural challenge concerns legal certainty in property relations. Post-conflict territories rarely inherit clean legal records. In Karabakh, decades of institutional discontinuity have produced gaps in land registries, overlapping claims, and the absence of enforceable historical documentation. As Fitzpatrick argues, post-conflict land systems are often characterized by competing claims and weak institutional enforcement, which directly constrain economic recovery [1; 12]. While reconstruction projects proceed under state authority, long-term investment requires legally defensible ownership. Without a consolidated cadastre system and transparent dispute-resolution mechanisms, property remains an asset with limited liquidity.

A second challenge lies in the dependence on extraordinary incentive regimes. The current model is built on tax exemptions, subsidized utilities, and state-backed credit guarantees. These instruments are effective in attracting first movers, but they are temporary by design. The literature on post-conflict reconstruction consistently shows that externally driven or incentive-based growth is fragile unless supported by institutional consolidation. Del Castillo emphasizes that reconstruction policies must prioritize institutional stabilization; otherwise, economic gains remain reversible. In Karabakh, the key issue is therefore not the presence of incentives, but their eventual withdrawal and the system's ability to function without them [1].

A third issue concerns institutional asymmetry between the center and the region. Post-conflict governance is often centralized in the early stages, but long-term stability depends on decentralization and local institutional capacity. Lake's work on post-conflict institutions shows that localized governance structures are essential for sustaining order and reducing uncertainty at the micro level. In Karabakh, local administrative and legal institutions are still developing, and without their strengthening, economic governance risks remaining dependent on central coordination.

The labor market introduces another dimension of legal challenge. The return of internally displaced persons is not only a demographic process but a legal-economic one. Secure access to housing, employment, and economic participation depends on enforceable rights and functioning institutions. Joireman's work on post-conflict property restitution highlights that unresolved land and housing issues can undermine both return and economic stability [1; 12; 19]. In this sense, economic recovery is closely tied to the legal integration of returning populations into formal economic structures.

These challenges point toward a set of necessary legal reforms, which are less about creating new laws and more about consolidating enforceability. The first priority is the development of an integrated and transparent land and property registration system. Deininger's work demonstrates that secure property rights and reliable land administration systems are critical for investment and economic growth.

The second reform area concerns investment law stabilization. Rather than relying indefinitely on exemptions, the legal framework should gradually shift toward predictability, clear tax regimes, stable regulatory requirements, and credible enforcement institutions. This aligns with Acemoglu and Johnson's argument that long-term economic performance depends on institutions that protect property rights and limit arbitrary intervention. Third, there is a need to strengthen local legal capacity, including administrative courts and regulatory bodies. Without these, economic activity remains administratively driven rather than institutionally grounded [3;4].

The broader implication is that the future of Karabakh's economy will not be determined by the scale of reconstruction, but by the depth of its legal transformation. Infrastructure can be built rapidly; institutions cannot. The transition from a reconstruction economy to a functioning market economy depends on whether legal frameworks become credible constraints rather than temporary instruments.

Conclusion

The reconstruction of Karabakh demonstrates that post-conflict recovery cannot be understood solely as a process of physical rebuilding or financial allocation. While large-scale public investment, infrastructure development, and incentive mechanisms have accelerated economic activity, these elements remain transitional unless supported by a coherent and enforceable legal framework. The central finding of this study is that economic law is not a secondary component of reconstruction, but a constitutive condition for transforming short-term recovery into sustainable economic development.

The analysis has shown that legal certainty, particularly in property rights, investment regulation, and institutional governance plays a decisive role in reducing uncertainty and enabling economic actors to commit resources over the long term. In the absence of such certainty, even well-funded reconstruction efforts risk producing fragmented or subsidy-dependent outcomes. The case of Karabakh illustrates this dynamic clearly: state-led development has created initial economic momentum, but its durability depends on the consolidation of legal institutions capable of supporting market-based activity.

At the same time, the region reflects broader patterns identified in post-conflict scholarship. The challenges of property restitution, institutional capacity, and the gradual withdrawal of incentives are not unique, but their interaction in Karabakh creates a distinct transitional environment. The effectiveness of future reforms will therefore depend on sequencing ensuring that legal frameworks evolve in parallel with economic transformation. In this sense, the long-term success of Karabakh's reconstruction will not be measured by the scale of investment already achieved, but by the extent to which a stable, predictable, and enforceable legal-economic order can be established.

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