

"The Socioeconomic Consequences of Prolonged Closure of Azerbaijan's Land and Sea Borders"

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Abstract

Since March 2020, Azerbaijan has maintained the closure of its land borders with Russia, Iran, and Georgia. While initially framed as a response to the global pandemic, this decision carries profound and lasting implications. Although the government may perceive political benefits, the broader public continues to bear the economic costs. The direct and indirect consequences of these closures are substantial and warrant thorough examination.

This article aims to explore the complex social and economic repercussions—both immediate and long-term—resulting from the prolonged closure of Azerbaijan's land and sea borders.

Keywords: Azerbaijan-Georgia border, Azerbaijan-Russia border, Azerbaijan-Iran border, regional economy, cross-border trade, cross-border regional economy, transportation, tourism, unemployment, immigration, inflation

Introduction

Every three months, the special quarantine regime has been extended, and the borders have not reopened so far. The most recent extension occurred on September 25, 2024, when the Cabinet of Ministers of Azerbaijan issued Decree No. 440¹, extending the special quarantine regime until January 1, 2025, to prevent the spread of COVID-19 and its potential consequences, despite the World Health Organization (WHO) announcing the end of the pandemic on May 5, 2023, after the virus claimed 69 million lives globally².

At the first session of the newly convened VII National Assembly, Azerbaijan's President Ilham Aliyev linked the closure of land borders to national security: "I can say with full confidence that the closure of our land borders has saved us from great disasters in recent years. Even today, while the borders are closed, dangerous activities are being conducted, and we are preventing them. This security is a primary condition for attracting foreign investment"³.

To begin with, it is important to note that the WHO, after evaluating the situation, declared a Public Health Emergency of International Concern (PHEIC) on January 30, 2020, and on March 11, 2020, declared the spread of the novel coronavirus (COVID-19) ⁴. The Cabinet of Ministers of Azerbaijan issued Decree No. 73-1 on February 28, 2020⁵, approving "Rules for the Implementation of Quarantine and Other Necessary Measures for the Prevention of Infectious and Parasitic Diseases," and from March 2020, restrictions were imposed, and Azerbaijan's land and sea borders were closed.

According to Decision No. 127 of the Cabinet of Ministers of the Republic of Azerbaijan dated April 7, 2020, titled "On the application of a special quarantine regime during the Coronavirus (COVID-19) pandemic," conditions and procedures⁶ were established for providing one-time payments to individuals registered as unemployed. Individuals registered as unemployed in the "Employment" subsystem began receiving a one-time payment of 190 (one hundred ninety) manats per month during the period of the special quarantine regime introduced due to the Coronavirus (COVID-19) pandemic.

¹ <https://e-qanun.az/framework/45911>

² <https://news.un.org/en/story/2023/05/1136367>

³ <https://az.trend.az/azerbaijan/politics/3948335.html>

⁴ <https://www.who.int/europe/emergencies/situations/covid-19>

⁵ <https://e-qanun.az/framework/45816>

⁶ <https://nk.gov.az/uploads/doc/docs/old/b0cd034edcf844c2e1e553d1426a0643.pdf>

On April 22, 2022, the Cabinet of Ministers of the Republic of Azerbaijan issued a decision⁷ titled "On additional measures regarding the extension of the special quarantine regime and the removal of certain restrictions."

Although the decision to extend the special quarantine regime and remove some restrictions was made on March 27, 2023, through Decree No. 93⁸, the land borders have remained closed.

A review of international practices shows that while most countries temporarily closed their borders due to COVID-19 in 2020-2021 years, these restrictions were gradually lifted, and free movement of people was restored in many countries. The foreign experience shows that countries keep borders closed not only during pandemics but also in cases of war and criminal threats, though these are temporary. For instance, North Korea⁹ keeps its southern borders closed due to the threat of war, and Nigeria¹⁰ closes its northern borders to prevent Boko Haram's terrorist acts and arms smuggling. In the United States¹¹ and the European Union¹², borders have been temporarily closed or restrictions tightened due to migrants. Some African and Middle Eastern countries have also temporarily closed borders due to war and transnational crimes.

⁷ <https://e-qanun.az/framework/49463>

⁸ <https://nk.gov.az/az/senedler/qerarlar/xususi-karantin-rejiminda-bazi-mahdudiyatlarin-aradan-qaldirilmasi-ila-bagli-alava-tadbirlar-barada-6893>

⁹ <https://link.springer.com/article/10.1186/s12992-023-01013-9>

¹⁰ <https://www.zjpd.com.ng/index.php/zjpd/article/view/253>

¹¹ <https://cyberleninka.ru/article/n/the-us-mexico-border-cross-border-interaction-in-historic-perspective>

¹² https://home-affairs.ec.europa.eu/policies/schengen-borders-and-visa/schengen-area/temporary-reintroduction-border-control_en

Data and methodology

It is important to note that comprehensive assessment of social and economic impacts requires regional data that is currently unavailable. Therefore, this article is based on limited data released by the State Statistics Committee regarding regional economies. Moreover, the author's limited capacity to conduct empirical research adds to the challenge. Additionally, the author's research in open sources did not find any surveys or interviews reflecting the views of the population in border areas. Inquiries sent to central and local authorities on this matter have also gone unanswered. Therefore, this article is the first study based on limited information and data and can serve as a primary source for future research.

Our research has not identified any other country that, like Azerbaijan, has kept all its land and sea borders closed due to COVID-19 for such an extended period, more than 4 years and half.

Although the prolonged closure of land and sea borders in Azerbaijan may contribute to the current regime's security, there are undoubtedly economic costs associated with this decision. While the government may benefit from the political dividends of this decision, the public bears the economic burden. These costs can be classified into primary and secondary impacts, with direct and indirect effects further divided into general and specific impacts.

Primary impacts are felt in the border regions, affecting their economies, communities, and local residents. Secondary impacts affect the economies, communities, and populations of neighboring regions.

Direct impacts relate to the gross domestic product (GDP) generated in border regions, unemployment and migration rates, as well as education and healthcare indicators in these areas. Indirect impacts are seen in the prices of goods and services.

General impacts are felt at the national level, affecting GDP and foreign trade. Specific impacts are related to border trade and business activities.

In this study, the social and economic impacts are assessed using indicators from seven border regions: Qusar and Khachmaz in the north, Gazakh and Agstafa in the west, Balakan in the northwest, and Astara and Bilasuvar in the south. Since Azerbaijan does not calculate the GDP of individual administrative or economic regions, the social and economic impacts are assessed based on indicators of unemployment, migration, inflation, and access to education, and healthcare.

Azerbaijan is divided into 14 economic regions, including the capital city of Baku¹³, 67 administrative districts, 11 towns subordinate to the republic, six district-subordinate cities, 12 city districts, 262 settlements, 190 town territorial units, 40 sector territorial units, 1,724 village

¹³ <https://president.az/az/articles/view/52389>

territorial units, and 4,244 villages¹⁴. In Azerbaijan, neither the districts nor the cities are considered independent subjects of the national economy. The economic data provided by the State Statistics Committee (SSC) on districts is abstract and, in some cases, far from reality. This study focuses on districts located along the border and those with border crossing points with neighboring countries.

According to the SSC's "Regions of Azerbaijan" Statistical Bulletin—2023¹⁵, in terms of gross product output per capita across administrative-territorial units of the Republic of Azerbaijan, the selected districts of Astara, Balakan, and Aghstafa had the lowest indicators in 2022, not exceeding 3,000 AZN. In Bilasuvar, Gazakh, and Gusar districts, the figure ranged from 3,000 to 5,000 AZN, while in Khachmaz, it was between 5,000 and 15,000 AZN.

As part of the research, a monitoring of the official websites of the executive authorities of these districts was conducted. The monitoring revealed that the information provided on these websites mainly consists of geographical and historical data and outdated and generalized economic indicators. The brief information found on the websites of the executive authorities of Gusar¹⁶, Khachmaz¹⁷, Astara¹⁸, Bilasuvar¹⁹, Aghstafa²⁰, and Balakan²¹ confirms this. However, the official website of the Gazakh²² district executive authority stands out, providing statistical data on total output, the overall volume of industrial production, and investments in fixed assets. These statistics show that in 2023, compared to 2022, total output in Gazakh decreased by 2.2%, industrial production by 10%, and investments in fixed assets by 0.8%, with a 5.8% decrease in construction and installation work. For comparison, in Azerbaijan, GDP grew by 1.1% in 2023, industrial production decreased by 0.8%, and investments in fixed assets increased by 15.2%²³.

These comparisons highlight the significant economic disparity between Gazakh, located on the Azerbaijan-Georgia border, and the national averages for 2023. The closure of its borders with Georgia since March 2020 has undoubtedly played a major role in the district's economic downturn, as evidenced by the lagging economic indicators.

¹⁴ https://az.wikipedia.org/wiki/Az%C9%99rbaycan%C4%B1n_inzibati_b%C3%B6lg%C3%BCs%C3%BC

¹⁵ <https://www.stat.gov.az/source/regions/>

¹⁶ <http://qusar-ih.gov.az/az/iqtisadiyyat.html>

¹⁷ <http://xachmaz-ih.gov.az/az/iqtisadiyyat.html>

¹⁸ <http://astara-ih.gov.az/az/iqtisadiyyat.html>

¹⁹ <http://bilesuvar-ih.gov.az/az/rayon-haqqinda.html>

²⁰ <http://agstafa-ih.gov.az/az/iqtisadiyyat.html>

²¹ <http://balaken-ih.gov.az/az/iqtisadiyyat.html>

²² <http://qazax-ih.gov.az/az/iqtisadiyyat.html>

²³ https://www.stat.gov.az/menu/6/statistical_yearbooks/source/stat-yearbook_2024.pdf

Impact assessments

The research also tracked changes in unemployment rates in border districts over the past five years based on tables compiled from the SSC's database. Table 1 presents the number of unemployed people, determined according to the International Labour Organization (ILO) methodology.

Table 1. Number of Unemployed in Border Districts (2018-2023), persons

Border Districts	2018	2019	2020	2021	2022	2023
Gusar	2134	2160	3214	2668	2530	2440
Khachmaz	3491	5482	7950	6543	6187	5971
Astara	2405	1934	2828	2294	2157	2184
Bilasuvar	2194	2379	3578	2944	2787	2688
Gazakh	2533	2500	3713	3064	2900	2796
Aghstafa	2205	2462	3575	2949	2785	2712
Balakan	2512	1893	2846	2364	2239	2232
Total	17474	18810	27704	22826	21585	21023

Source: State Statistics Committee, "Labor Market" Statistical Bulletin – 2024

The data shows that in 2023, the number of unemployed people in all the border districts studied was higher than in 2019, before the COVID-19 pandemic. However, compared to 2018, unemployment rates improved only in Astara and Balakan, indicating a reduction in unemployment. The post-pandemic dynamics show a slight decrease in unemployment in 2023 compared to the previous year in most districts, except for Astara.

Based on the total number of unemployed across the seven selected districts, the economic recovery process in border districts after the pandemic has been slow, with unemployment remaining endemic.

When we compare the unemployment rates of the border districts with those of non-border areas, which have fared better, it becomes clear that the closure of land borders since March 2020 has significantly hampered the economic revival of the border districts. This is further confirmed by the statistics on the creation of new jobs in these districts. **Table 2** presents the data on new job creation in the selected seven districts from 2018 to 2023.

Table 2. Number of Newly Created Jobs in Border Districts (2018-2023)

Border Districts	2018	2019	2020	2021	2022	2023	First Half of 2024
Gusar	1384	618	314	216	497	113	69
Khachmaz	1321	1227	480	537	371	733	190
Astara	1896	1150	272	264	81	123	16
Bilasuvar	1249	903	689	82	122	348	75
Gazakh	753	873	522	36	50	81	62
Aghstafa	990	796	104	74	128	311	14
Balakan	1043	1898	700	209	173	185	61
Total	8636	7465	3081	1418	1422	1894	487

Source: State Statistics Committee, “Labor Market” Statistical Bulletin – 2024

As depicted in the table, the number of newly created jobs in the seven selected border districts has seen a significant and alarming decrease post-pandemic, compared to the pre-pandemic years. The total number of jobs created from 2020 to the first half of 2024 across all seven districts was only 334 fewer than the total number of jobs created in 2018. The most significant declines in job creation were observed in 2021 and 2022, and the indicators for the first half of 2024 suggest that this trend is likely to worsen in 2024. Among the districts, Gazakh saw the fewest new jobs created. Notably, Astara and Gusar experienced the most severe decline in job creation between 2018 and 2023, with job numbers decreasing by 15.41 times in Astara and 12.25 times in Gusar. The closure of land borders is one of the key factors contributing to this decline.

The decline in job creation in border districts has led to a sharp increase in the number of individuals registered as unemployed in local offices of the State Employment Agency. The prolonged closure of land borders has significantly worsened the situation, leading to problems related to job closures, layoffs, and the inability to provide new job opportunities to the workforce entering the labor market.

It's important to note that the State Employment Agency does not have unemployment data for the pandemic years (2020, 2021, and 2022). Therefore, comparisons were made with pre-pandemic years 2018 and 2019. The current situation is presented in Table 3.

Table 3. Number of Individuals Registered as Unemployed in Local Offices of the State Employment Agency in Border Districts (2018-2023)

	2018	2019	2023
Gusar	95	766	2174
Khachmaz	146	541	4580
Astara	85	243	2067
Bilasuvar	122	214	2118
Gazakh	90	814	2652
Aghstafa	74	564	2234
Balakan	124	538	2146
Total	736	3680	17971

Source: State Statistics Committee, “Labor Market” Statistical Bulletin - 2024

The data shows that in 2023, the number of individuals registered as unemployed in local offices of the State Employment Agency sharply increased in the border districts after the pandemic. Almost all districts that previously recorded two- or three-digit unemployment figures before the pandemic now report four-digit numbers, indicating a significant rise. This can be attributed to the one-time monthly payment of 190 AZN provided to individuals registered as unemployed during the pandemic under the 'Employment' sub-system. This has led to an increase in the number of individuals registering as unemployed, not only in border districts but across the entire country. Many who were previously unemployed but had not officially registered as such began formalizing their status during the pandemic. Consequently, the number of individuals with unemployment status surged during and after the pandemic. Due to this, the State Employment Agency has yet to disclose the number of unemployed individuals for 2020-2022, highlighting the need for transparency and accountability in reporting unemployment data.

The negative impacts of Azerbaijan's prolonged border closures, now nearing five years, on the labor market are starkly evident in official statistical figures and data related to self-employment and individual labor activities. A significant portion of the income of residents from border areas was derived from cross-border trade, the sale of goods, transport, public catering, and accommodation services. It is clear from our observations that the closure of the land borders has left those dependent on income from trade and services related to border activities with no choice but to seek alternative jobs and migration to meet their material needs.

The statistical data on the number of new jobs and labor force dynamics paint a concerning picture. In recent years, the jobs offered have been insufficient to fill the gap created by the closure of Azerbaijan's land borders. The data from the State Statistics Committee (SSC) reveals a significant discrepancy between the increasing labor force in border areas and the number of new jobs created,

with the former outpacing the latter. This has led to a significant migration of the working-age population from these regions. In the seven districts selected for this study, the labor force increased by 5,498 people in 2022 and by 5,448 people in 2023 compared to the previous year. However, during the same period, only 1,422 new jobs were created in 2022 and 1,894 in 2023. The labor force exceeded the number of new jobs by 3.86 times in 2022 and by 2.87 times in 2023, highlighting the scale of the problem.

The closure of Azerbaijan's borders has had a severe impact on the labor market, particularly in the districts of Gazakh and Astara. In Gazakh, 733 people entered the labor market in 2023, but the number of new jobs created was nine times lower. In Astara, 874 people joined the labor market in 2023, but only 123 new jobs were created, 7.1 times fewer, many of which were seasonal and later closed. This trend was observed in all border districts included in the study, where permanent jobs make up a small portion of the newly created jobs.

Thus, despite the steady increase in the labor force in border districts between 2018 and 2023, the decline in the creation of new jobs during the same period has led to a significant rise in the number of unemployed and labor migrants. This has further exacerbated the already challenging living conditions of residents in these areas. Year by year, most of the working-age population, facing livelihood challenges, has migrated from border districts to larger cities, especially the capital, Baku, to find employment. This migration continued in the current year, further intensifying the pressure on the labor market in Baku and other major cities. The closure of Azerbaijan's borders with neighboring countries has had a profound impact on the living conditions of the affected population.

Table 4 presents the labor force figures in border districts between 2018 and 2023.

Table 4. Labor Force in Border Districts (end of year, 2018-2023)

Year	2018	2019	2020	2021	2022	2023
Qusar	50,232	51,144	51,365	52,552	53,562	54,423
Khachmaz	86,593	81,623	83,141	83,388	84,268	85,142
Astara	53,291	59,529	59,616	60,673	61,294	62,168
Bilasuvar	49,290	50,642	51,215	52,104	52,881	53,678
Gazakh	56,133	52,324	52,789	53,711	54,458	55,191
Agstafa	46,805	43,973	44,255	44,850	45,398	46,011
Balakan	53,624	58,554	58,958	60,103	61,018	61,714
Total	395,968	397,789	401,339	407,381	412,879	418,327

Source: State Statistics Committee, "Labor Market" Statistical Bulletin - 2024

In addition to the new labor force entering the labor market, only a tiny fraction of those who lost their jobs due to closures or layoffs could find new employment. At the same time, the majority opted for internal and external migration, a trend that significantly impacts the labor market. Internal migration primarily involved moving from rural areas to Baku, while immigration routes led from Azerbaijan to Russia, Turkey, European Union countries, and the United States. Since statistical data on migration from border districts is not publicly available, we should examine nationwide migration indicators to confirm assumptions about foreign migration, as reflected in Table 5.

Table 5. Migration in Azerbaijan from 2018 to 2023

Years	People who emigrated permanently	Migration growth (decline)	Urban areas	Rural areas
2018	1.6	1.6	0.5	1.1
2019	1.6	0.4	0.1	0.3
2020	0.6	1.1	0.2	0.9
2021	0.6	1.8	1.6	0.2
2022	1.1	1.8	0.7	1.1
2023	2.5	1.2	0.9	0.3

Source: State Statistics Committee

As seen from the data in the table, the number of people emigrating from Azerbaijan permanently during 2020-2021, when travel restrictions due to COVID-19 were tightened, was lower compared to the previous and subsequent years. In the most recent year, 2023, there was a sharp increase in the official number of people leaving the country. Regarding the gender and age distribution of migrants in 2023, the majority were women and those of working age.

One of the economic effects of closed borders is inflation. Cross-border trade creates abundance in the commodity market and plays a significant role in stabilizing prices. One of the main reasons some residents of border areas regularly traveled to neighboring countries was to import daily consumer goods at lower comparative prices. This trend was particularly relevant for Azerbaijan's three neighboring countries with closed borders: Iran, Russia, and Georgia. Residents of districts like Khachmaz and Qusar frequently traveled to Russia for this purpose; those in Astara and Bilasuvar went to Iran, and those in Gazakh, Agstafa, and Balakan traveled to Georgia, bringing back inexpensive goods for both personal and commercial use. This was one of the factors preventing a sharp rise in domestic prices, mitigating overall inflation across the country.

The closed borders have also significantly increased the time and transport costs for residents of these regions traveling to neighboring countries. Whereas, before COVID-19, a trip from Agstafa or Gazakh to Tbilisi took just a few hours and cost \$10-15, now such a journey requires at least 5-6 hours by car to Baku, followed by a flight to Tbilisi, requiring much more time and money. The same issue affects those traveling from Astara and Lankaran to Tabriz or Khachmaz and Qusar to Derbent.

The closure of borders has also created problems for residents of border districts in meeting healthcare and education needs. For example, in 2014, Iran's ambassador to Azerbaijan, Mohsen Pakayin, mentioned in a local media interview that about 1 million Azerbaijani citizens traveled to Iran annually for medical treatment and check-ups²⁴. At that time, most of those traveling to Iran for healthcare and education crossed through the border checkpoint in Astara, using road transport to reach Tehran, Tabriz, and the provinces of East Azerbaijan, West Azerbaijan, and Ardabil.

Finally, it should be noted that the long-term closure of Azerbaijan's land and sea borders has negatively impacted not only the number of people leaving Azerbaijan but also the number of tourists coming into the country. For comparison, while 6-7 million tourists visit Georgia annually, only 2-3 million visit Azerbaijan. 2022 Georgia was visited by 6.2 million tourists, and in 2023, by 7.1 million. According to the State Border Service of Azerbaijan, more than 1.6 million tourists visited Azerbaijan in 2022 and around 2.1 million in 2023²⁵. The number of tourists visiting Azerbaijan was 3.9 times lower than those visiting Georgia in 2022 and 3.4 times lower in 2023. If the land borders between Georgia and Azerbaijan were open, some tourists visiting Georgia could also travel to Azerbaijan via road and rail transport. However, the current border closure limits the opportunities for tourists visiting the South Caucasus to extend their visits to Azerbaijan.

²⁴ <https://axar.az/news/saghliq/1124.html>

²⁵ <https://www.stat.gov.az/news/index.php?lang=az&id=5763>

Conclusion

One of the key findings of this research is that the continued closure of Azerbaijan's land borders serves to enhance control over financial flows, particularly the movement of currency. By restricting land-based entry points, the government aims to prevent the smuggling of currency into the country and the outflow of foreign capital. As a result, air transport remains the only available channel for the movement of cash, currency, and valuable goods—transport that is closely monitored by modern technological systems. Additionally, cashless financial transactions are under strict oversight by the Central Bank, politically affiliated commercial banks, and the State Financial Monitoring Center.

The study further reveals that the closure of Azerbaijan's land and sea borders with neighboring states has had adverse effects on the national economy, particularly on the social welfare of populations in border regions. The decline in production and the slowdown in economic growth in these districts have contributed to a reduction in the country's GDP. Meanwhile, the rising prices of cross-border trade goods have fueled inflation. Social issues such as unemployment and increased migration have further deteriorated the living conditions of border populations. Moreover, the restriction of land and sea access for tourists has significantly hindered the country's ability to fully capitalize on its tourism potential.

The sharp decline in the number of citizens traveling abroad for healthcare and education has also negatively impacted the quality of these sectors within the country. Despite these challenges, the prospects for reopening Azerbaijan's land and sea borders with neighboring countries remain historically uncertain.