

Competitiveness of Azerbaijan's T&T industry and its impact on the regional economy

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Abstract: In the last few years, the World Tourism Organization (UNWTO) has reported that the tourism industry has expanded significantly. According to the annual survey of economic impact, despite a very complex and turbulent economic situation in 2023-2024, the travel and tourism sector recorded significant growth in global GDP last year, and this is forecast to repeat in 2025. Overall, tourism will remain a promising engine for greater economic development and sustainable growth across a wide geographic spectrum, with a particular focus on strengthening the position of the developing world as a sector of the economy. This global trend has a positive effect on the tourism profile of Azerbaijan, whose tourism industry has achieved significant development in recent years. Against the background of the new realities created by the post-pandemic era, the noticeable increase in tourism indicators in Azerbaijan brings the regional perspectives of its economic competitiveness to the fore. This article describes how competitive is Azerbaijan's T&T industry in today's global economic challenges. The possibilities of the tourism system of Azerbaijan to influence the South Caucasus are also analyzed.

Keywords: *Competitiveness, Economy, Global challenges, Industry, Post-pandemic period, Tourism.*

1. Introduction

Tourism has a great impact on the economy of the region in which it develops. Three main areas of tourism's influence on society can be distinguished: economic, social and humanitarian. The state must take this into account and formulate development programs that will take into account the high degree of influence of tourism activities on society. The largest number of foreign tourists are received by European countries. At the end of the 20th century, the number of tourists arriving in Europe was approximately 400 million people, and the monetary receipts from international tourism increased twofold. However, Europe's share in world tourism is falling. This decline in Europe's dominant position in tourism is caused by: – the aging of the tourist product of southern European countries; – high prices for tourist products in northern European countries; – socio-economic and ethnic problems in Eastern European countries; – the growing popularity of Southeast Asian, Arabic and other countries. The global coronavirus crisis has made us more aware than ever of the importance of human connections, intercultural understanding and global problem solving (Lusby, 2021).

Azerbaijan has immense potential to become a top tourist destination. By focusing on niche markets, developing sustainable tourism practices, and enhancing marketing efforts, the country can further strengthen its position in the global tourism industry. Key factors contributing to competitiveness are: Government support and educated tourism staff: The government has recognized tourism's potential and has invested heavily in infrastructure, marketing, and visa facilitation. On April 20, 2018, the State Tourism Agency was established on the basis of the Ministry of Culture and Tourism of the Republic of Azerbaijan, which is a state body regulating tourism development in the country. On February 18, 2022, the updated Law "On Tourism" was adopted, which included many additions related to the need to diversify the domestic tourism industry, improve its regulatory mechanisms, determine the principles of public administration in the field of tourism, create new tourist destinations, etc. From this point of view, the activities of the Azerbaijan University of Tourism and Management, the Baku Professional School of Tourism and the Mingachevir Tourism College under the State Tourism Agency are especially important. The establishment of the Azerbaijan Hotel Association, the Guides Association, the Association of Travel Agencies of Azerbaijan and similar public associations is an important incentive for uniting the tourism industry around a common goal. Rich cultural heritage: Azerbaijan boasts a unique blend of Eastern and Western cultures, offering historical sites, ancient traditions, and modern attractions. On July 1, 2019, at the 43rd session of the UNESCO World Heritage Committee held in Baku, the historical part of the city of Sheki and the Palace of Sheki Khans were included in the UNESCO World Heritage List. Natural beauty: The country's diverse landscapes, including mountains, Caspian Sea coast, and mud volcanoes, attract nature enthusiasts. Infrastructure development: Investments in transportation, hospitality, and event venues have enhanced the overall tourist experience. E-Visa system: The introduction of an online e-visa system has simplified travel procedures for visitors. The adoption of the "Strategic Roadmap for the Development of the Specialized Tourism Industry in the Republic of Azerbaijan" in 2016, simplification of the procedure for issuing electronic visas and the creation of the "ASAN Visa" system are among the multi-vector works in the field of tourism development. While Azerbaijan has made significant progress, there are areas where it can still improve: *Seasonality*: Tourism is heavily concentrated in certain periods, leading to fluctuations in revenue. *Human capital development*: The industry needs skilled professionals in various tourism-related fields. *Sustainable tourism*: Balancing economic growth with environmental protection is essential.

1.1. The South Caucasus: A Region with Tourism Potential

The South Caucasus, comprising Azerbaijan, Georgia and Armenia is a region rich in cultural heritage, natural beauty, and historical significance. However, its economic development has been uneven, largely influenced by geopolitical factors, internal conflicts, and resource dependence. From the snow-capped Caucasus Mountains to the Caspian Sea coastline, the region offers a variety of natural wonders. Ancient monasteries, mosques, historical cities and vibrant local traditions provide a deep cultural immersion. A fusion of Eastern and Western influences creates a distinctive culinary experience. Hiking, skiing, and other outdoor activities cater to adrenaline seekers. In many countries, tourism acts as a kind of accelerator of socio-economic development, thereby ensuring the infusion of additional investments into the country's economy, reducing unemployment, and helping to develop infrastructure. At present, tourism is actively developing in the Caucasus and brings the state quite a high profit. Tourism is not only an important inter-industry economic complex, but also an important part of society. It covers the relationship of a person with the external environment around him. Currently, the South Caucasus is not the most peaceful region in the world, but this does not prevent it from attracting a lot of attention from a large number of domestic tourists. There are a number of problems in the tourism sector that are specific to the South Caucasus. Informing domestic and international tourists only about already known attractions. To solve this problem, it is necessary to engage in competent propaganda, for example, to create convenient Internet sites and guides about less popular tourist attractions. Currently, tired city dwellers are looking for places to take a break from the bustle of the city. But this type of tourism in the South Caucasus is significantly behind others.

Provincial tourism has great prospects and is the most accessible for individual entrepreneurs who develop their activities in the periphery. How can the Caucasus attract new tourists? In addition to unique views and landscapes, the Caucasus is popular for its traditions and beautiful legends, which are reflected in the daily life of the local population - from cuisine to folklore. And these are important components of attracting tourists. Tourists are, to some extent, explorers. And explorers are more attracted to exoticism. No matter what part of the world a tourist is in, he will always be very interested in getting to know the peculiarities of a particular area: culture, life, traditions and history. There are not many places on our planet where there is such a concentration of different peoples as in the South Caucasus. Caucasian culture, traditions, cuisine, music, dances will be in demand and appreciated by millions of international tourists.

Tourism development in Azerbaijan, having become an integral part of state policy, is considered as an important factor of economic progress and prosperity. As a result of the strategy of the socio-economic policy of the Azerbaijani state, based on a solid foundation, the improvement of Azerbaijan's financial capabilities from year to year made it possible to carry out successful reforms in the field of tourism. Among the countries of the South Caucasus, tourism in Azerbaijan is developing most as an important attribute of the modern way of life and culture, as one of the forms of international relations. Azerbaijan's tourism system has the potential to significantly influence the regional economy of the South Caucasus. This influence can be both direct and indirect, with positive impacts on various sectors. thriving tourism sector in Azerbaijan can attract more international tourists to the region. This can lead to increased visitor numbers in neighboring countries like Armenia and Georgia, boosting their tourism revenues. Azerbaijan's investments in tourism infrastructure, such as airports, roads, and hotels, can benefit neighboring countries by improving regional connectivity and accessibility. For example, the international airports built in Fuzuli and Zangilan can have a great impact on the overall development of the regional economy. The growth of Azerbaijan's tourism industry can create job opportunities in related sectors, such as transportation, hospitality, and retail, which can also benefit neighboring countries. Collaboration in tourism marketing and promotion can lead to joint tourism packages and increased visitor numbers for the entire region. The demand for goods and services from the tourism sector in Azerbaijan can stimulate the growth of regional industries, such as food production, handicrafts, and souvenirs. Increased tourism can foster cultural exchange and understanding among the people of the region, leading to stronger economic ties and cooperation. A successful tourism industry can attract foreign investment to the region, benefiting all countries in the South Caucasus.

1.2. Protection of Cultural Heritage During the Development of the Tourism Industry

The protection of cultural heritage is one of the most pressing issues in Azerbaijan, especially in the context of the rapid development of the tourism industry. On the one hand, tourism promotes the popularization of historical and cultural values of the country, and on the other hand, an uncontrolled tourist flow can cause irreparable damage to architectural and archaeological monuments. A large number of tourists can lead to the deterioration of monuments, their pollution and even vandalism. The lack of necessary infrastructure for receiving tourists (parking, toilets, information boards) can lead to unauthorized access to protected areas. The lack of a sufficient number of specialists in the restoration and protection of monuments can slow down the process of restoring and preserving cultural heritage. In search of artifacts, unscrupulous people can organize illegal excavations, which leads to the loss of the historical value of objects. Measures for the protection of cultural heritage: Creation of protected areas: Defining the boundaries of historical city centers and other monuments, establishing a protection regime and restricting access to certain areas. Restoration and conservation: Carrying out regular work to restore and preserve architectural and archaeological monuments. Development of educational programs: Conducting educational work among the local population and tourists on the importance of preserving cultural heritage. Creating tourist routes: Developing and promoting tourist routes that will allow tourists to get acquainted with the country's cultural heritage without damaging it. Control over tourist flow: Introducing restrictions on the number of visitors in the most vulnerable places, creating a

booking and pre-registration system. Cooperation with international organizations: Attracting international expertise and financial resources to preserve cultural heritage. Successful examples: *Icheri Sheher*: The historic center of Baku, included in the UNESCO World Heritage List, is a shining example of successful protection and popularization of cultural heritage. *Gobustan National Park*: This unique natural and historical site is also included in the UNESCO World Heritage List and is one of the most popular tourist destinations in Azerbaijan. The protection of cultural heritage in Azerbaijan requires an integrated approach combining government regulation, international cooperation and active public participation. Only through joint efforts can we ensure the preservation of the country's historical and cultural wealth for future generations. Law of the Republic of Azerbaijan "On the Protection of Historical and Cultural Monuments" is the main normative act regulating relations in the sphere of protection, study and use of historical and cultural monuments (Law, 1998). Cultural and educational tourism allows tourists to get acquainted with various historical and architectural monuments, museums. This type of tourism involves visiting theatrical productions, musical performances, various exhibitions, lectures and seminars. In recent years (2021-2024), the tourism potential of Karabakh and Eastern Zangezur has been studied, and relevant conceptual documents and projects have been prepared, including in the field of protecting cultural values and restoring historical monuments destroyed by the war.

1.3. *Ways to Escape the Seasonal Tourism System, Promotion and Advantages of Year-Round Tourism*

The following opportunities should be taken into account for the development of international tourism: – economic growth and social progress (traveling abroad not only for business, but also for educational purposes); – improvement of the transport sector (new travel opportunities for people with different income levels); – an increase in the number of hired workers (as a result, interest in international culture, the desire to develop cultural and material levels); – intensification of labor (as a result, receiving longer vacations, during which it is possible to fully and meaningfully rest); – development of interstate relations (cultural exchange, expansion of interpersonal relations); – technological progress (development of the communications sphere). The following types of tourism are potentially profitable to develop in the Azerbaijan: - health tourism is the most developed type of tourism in this region. A variety of mineral water sources, a mild climate, and clean air are the main advantages of the Azerbaijan; – rural tourism (a type of tourism that involves a temporary stay of tourists in rural areas for the purpose of recreation and/or participation in agricultural work): Rural tourism is a fairly new concept for the tourism sector in Azerbaijan. In other countries, this type of tourism is very popular and developed. Since “green” tourism is a new phenomenon in Azerbaijan, there is virtually no competition in this segment of tourism. This type of tourism assumes that agrotourists live in rural areas with all the delights of a village lifestyle. Tourists enjoy nature, take a break from noisy megacities and eat ecologically clean village food; – transport tourism (travel by people to countries or localities other than their permanent place of residence, in which the main means of transportation is a private or rented car); Automobile tourism involves traveling to countries or localities that differ from the tourist’s permanent place of residence. The main means of transportation is a car or a trailer (private or rented); – ecotourism (a form of tourism based on the natural ecological attractiveness of the country). Ecotourism is a journey with responsibility to nature. The routes of such tourism pass through areas untouched by man. In Azerbaijan, nature is very beautiful and rich, which provides prerequisites for the development of ecotourism.

Last year, the sector's contribution to GDP increased by 55% compared to the previous year, making 6.9 bln. of Azerbaijan's economy. Jobs supported by Travel & Tourism grew by almost 13% to 390,000, accounting for almost one in 12 jobs nationwide. Domestic visitor spending rose 37.5% year-on-year to ₼3.3 billion, indicating a full recovery from the impact of the pandemic.

Spending by international visitors increased by a remarkable 102.5% year-on-year to ₼2.7 billion. With the right government support, WTTC predicts that this sector could increase its annual GDP contribution to ₼16.6 billion by 2034, accounting for just over 10% of Azerbaijan's economy, and

potentially employ more than 683,000 people across the country. This is only possible if the government works with the private sector to make Azerbaijan an attractive destination for international visitors and provide long-term employment for Azerbaijani residents. (Azerbaijan's Travel, 2024).

The emergence of ecological problems in the development of domestic tourism in Azerbaijan can be considered as one of the most pressing problems in modern times. In recent years, the expansion of the mass tourism movement in the regions, the construction of new recreation centers, the increase in the tourist load in the mountainous and foothills, forested areas make environmental protection urgent. The rapid development of domestic tourism in the country in recent years has increased the impact on the environment. This impact, being different across regions, mainly covered mountainous and foothill regions. Studies show that Guba-Khachmaz, Sheki-Zagatala, and Shirvan regions are more intensively adopted in the domestic tourism market of the country. In addition, the shores of the Caspian Sea are considered to be among the areas used by the country's citizens during the summer season. In Azerbaijan, the recreation burden is more appropriated for forest, forest-steppe, and coastal areas. Forests, climate comfort, seaside position and other natural factors are more preferred in regions that are used more for tourism. In terms of tourism in the country, the Caspian coast, low mountainous areas and forest landscape are the most loaded. Thus, because Nabran and the north of Absheron are traditional tourism and recreation centers of the Caspian Sea, there is a lot of recreation burden.

The field of tourism plays a field and social role in the economy of the region. Both the local region and the country are implemented with specific mechanisms at the centralized level. Thus, sources of formation of local budgets in regions play a role in the creation and distribution of GDP, in the formation of state budget revenues. Therefore, when we say the economic potential of the region, it is possible to assess the potential tourist opportunities in each region in a broad sense, and by determining the ways of using them, it is possible to evaluate the impact on the overall economic development and make predictions. Borders, scales, distribution between regional interests of tourism and state interests are related to the use of resources, but in modern conditions, the principles of self-management of regions are selected and justified by the size obtained from the use of these resources.

In order to determine the competitiveness of the tourism industry of Azerbaijan and the tourism sector in general, it is necessary to look at the statistical indicators of the pre-pandemic and post-pandemic period (State Statistical Committee, 2024).

Table 1.
Number of arrived and departure tourists.

	2018	2019	2020	2021	2022	2023
Number of received and dispatched tourists, person	83 722	99 507	8 205	16 324	31 801	50 345
Including:						
Received	12 777	30 950	2 304	1 848	9 493	11 232
Dispatched	70 945	68 557	5 901	14 476	22 308	39 113
Travel time, tour-day	549 037	565 590	31 904	68 346	177 285	221 851
Including:						
Received	60 645	99 798	5 197	5 121	25 845	37 472
Dispatched	488 392	465 792	26 707	63 225	151 440	184 379

Statistics indicate that between January and August 2023, Azerbaijan welcomed over 1.3 million travelers. Projections suggest that tourist inflow could reach 4 million by 2026, with a notable 50% increase compared to the previous year (Shahin, 2024).

Share of visitors by regions in June 2024 (State Tourism Agency, 2024)



Figure 1.
Visitors.

Creating an entrepreneurial environment to share the existing risks in the development of tourism, the condition that each entrepreneur tries to organize the market for different tourist contingents is the organizational-methodical side of the transformation. Therefore, today, the analysis of tourism segments and the tourism motive, the evaluation of the structural changes occurring in its formation and dynamics, the end result can be an important basis for planning. As tourism efforts are measured by the objective and possible change limit of its demand, population income and physiological demand, prospective efforts are related to civilization, improvement of population's consumption behavior, family and women's (gender) development. Therefore, the analysis methodology should be based not only on the existing statistical materials, but on a constructive evaluation that can open the trend of change according to the goals and criteria. From this point of view, the development characteristics and methodology of tourism should be explained with more constructive indicators and dynamic situation according to behavioral tendencies.

2. Conclusion

For the active development of tourism in Azerbaijan, it is necessary to make changes to the business strategy of the region. The business strategy must be flexible, it must instantly adapt to any (both positive and negative) changes in the economic, political situation of Azerbaijan and the world as a whole. Ensuring sustainable economic development with the rise of non-oil sectors is an important task facing our country in modern times. Due to its perspective, tourism occupies one of the leading positions among non-oil sectors. The tourist accommodation business in Azerbaijan is developing dynamically. The development of tourism and the transformation of the tourism sector into one of the leading sectors of the country's economy is the most important task in Azerbaijan today. The socio-economic progress achieved in Azerbaijan in recent years creates conditions for solving this task at a level adequate to new opportunities. Today, various tourist projects are implemented in the regions along the tourism routes of Azerbaijan, and our regions are promoted at the international level. The mentioned projects serve to increase the number of tourists coming to our country and create a diverse tourism product. Here, the creation of promotional films related to the tourism activities of our country is of great importance (Şule, 2020). One of the important innovations is the organization of electronic services in the field of tourism. Several types of electronic services are provided to citizens on the new website (e-services.mct.gov.az) created for this purpose. At the same time, in order to promote Azerbaijan in the world as a country with favorable conditions for the development of tourism, revitalization of the new

Azerbaijan Tourism trademark (logo) and the advertising-propaganda and information-survey activities of Azerbaijani brands in the field of tourism, creation and development of regional cultural tourism routes within the framework of international programs, and expansion of international cooperation in the field of tourism development is one of the priority directions.

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