

TOURISM AS THE MAIN FACTOR OF SOCIO-ECONOMIC DEVELOPMENT OF REGIONS IN AZERBAIJAN

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Abstract

After World War II tourism industry grew rapidly. First attempts were centralized on mass tourism but as the industry developed the profits grew rapidly. New forms of tourism occurred. In this respect, the economic and social effects of tourism showed that this industry is one of the main industries after oil sector. Because from the socio-economic point of view the development of tourism in the country leads to reduction of unemployment, improvement of infrastructure, development of communication technologies, increase in nation's welfare, interaction of cultural values. Together with those benefits thanks to tourism industry the positive image of the country is formulated in the world. Under this positive image it lies political and economical stability.

Taking into consideration all these factors, Azerbaijan Government is also developing in this respect. In general, Azerbaijan is one of rare countries in the world possessing 9 climatic zones out of 11, at the same time, her tourism industry grew 22% in 2012 in comparison with the previous year. All these factors give the opportunity to develop tourism and receive benefits from it.

It is not by chance Azerbaijan took effective policy in tourism. The regions in Azerbaijan have great opportunities for the development of ecotourism, mountainous tourism, religious tourism, sport tourism, medical tourism, recreational tourism, winter tourism, and sea, sand, sun tourism.

The purpose of this article is to show the importance of tourism industry, indicate the current situation of tourism in Azerbaijan, show the current situation in the regions, the current policies and strategies for tourism, and in the conclusion to give proposals for future development of tourism. For this purpose, world literature in tourism will be analyzed, statistical information of Azerbaijan and World Tourism Organization will be used.

Key words: Azerbaijan, regions, tourism, socio-economic development, tourism types

JEL code: L83 - Sports; Gambling; Recreation; Tourism

1.1 INTRODUCTION

When we look at the dynamics of tourism, we may witness growing trend. According to the statistics of World Tourism Organization international tourist arrivals rose to 1 billion with 4 % growth in 2012 (see table 1) and international receipts reached to US\$ 1,075 billion worldwide (see table 2) which was a new record. This increase is explained with the growth in international tourist arrivals.

At the same time, Azerbaijan also takes place in sharing the tourism market. According to the statistics of World Tourism Organization, Azerbaijan accepted more than 1.9 million tourists which generated US\$ 2,433 million in revenue. But the figures are not satisfied. When comparing with neighboring countries it is visible that we are ahead of Georgia, Armenia but behind Russia and Turkiye. When comes to Iran, the international tourist arrivals of Iran overpasses Azerbaijan but in international tourist receipts our country comes forward.

The tourism dynamics show that there is always growth in tourism arrivals. There are many factors for explaining the reason for the growth. But in the article the main aim is not to show these factors, but is to show the role of tourism in the development of countries and their regions.

Table 1. International tourist arrivals

	International Tourist Arrivals (million)							Market share (%)	Change (%)		Average annual growth (%)
	1990	1995	2000	2005	2010	2011	2012*	2012*	11/10	12*/11	'05-'12*
World	436	529	677	807	949	995	1,035	100	4.8	4.0	3.6
Advanced economies ¹	297	336	420	459	506	530	551	53.2	4.8	3.8	2.6
Emerging economies ¹	139	193	256	348	443	465	484	46.8	4.9	4.3	4.8
By UNWTO regions:											
Europe	262.7	305.9	388.0	448.9	485.5	516.4	534.2	51.6	6.4	3.4	2.5
Northern Europe	29.8	37.7	46.4	60.4	62.8	64.0	64.9	6.3	2.0	1.4	1.0
Western Europe	108.6	112.2	139.7	141.7	154.3	161.5	166.6	16.1	4.6	3.2	2.3
Central/Eastern Europe	33.9	58.1	69.3	90.4	95.0	103.9	111.6	10.8	9.4	7.4	3.1
Southern/Mediterr. Eu.	90.3	98.0	132.6	156.4	173.5	187.0	191.1	18.5	7.8	2.2	2.9
- of which EU-27	231.3	267.7	326.8	356.1	371.0	390.9	400.2	38.7	5.4	2.4	1.7
Asia and the Pacific	55.8	82.0	110.1	153.6	205.1	218.2	233.6	22.6	6.4	7.0	6.2
North-East Asia	26.4	41.3	58.3	85.9	111.5	115.8	122.8	11.9	3.8	6.0	5.2
South-East Asia	21.2	28.4	36.1	48.5	70.0	77.3	84.6	8.2	10.4	9.4	8.3
Oceania	5.2	8.1	9.6	11.0	11.6	11.7	12.1	1.2	0.9	4.1	1.4
South Asia	3.1	4.2	6.1	8.1	12.0	13.5	14.1	1.4	12.6	4.4	8.2
Americas	92.8	109.0	128.2	133.3	150.4	156.0	163.1	15.8	3.7	4.6	2.9
North America	71.7	80.7	91.5	89.9	99.3	102.1	106.7	10.3	2.8	4.5	2.5
Caribbean	11.4	14.0	17.1	18.8	19.5	20.1	20.9	2.0	3.0	3.8	1.5
Central America	1.9	2.6	4.3	6.3	7.9	8.3	8.9	0.9	4.4	7.5	5.0
South America	7.7	11.7	15.3	18.3	23.6	25.5	26.7	2.6	7.8	4.8	5.5
Africa	14.8	18.8	26.2	34.8	49.9	49.4	52.4	5.1	-0.8	5.9	6.0
North Africa	8.4	7.3	10.2	13.9	18.8	17.1	18.5	1.8	-9.1	8.7	4.2
Subsaharan Africa	6.4	11.5	16.0	20.9	31.1	32.4	33.8	3.3	4.1	4.4	7.1
Middle East	9.6	13.7	24.1	36.3	58.2	54.9	52.0	5.0	-5.6	-5.4	5.2

Source: World Tourism Organization, 2013

Table 2. International tourism receipts

	International Tourism Receipts Local currencies, constant prices change (%)				Market share (%)	US\$ Receipts		
	09/08	10/09	11/10	12/11		(billion)	per arrival	
World	-5.5	5.5	4.7	4.0	100	1,042	1,075	1,040
Advanced economies¹	-6.4	5.8	5.9	4.3	64.1	672	689	1,250
Emerging economies¹	-3.8	4.9	2.8	3.6	35.9	371	386	800
By UNWTO regions:								
Europe	-6.3	0.1	5.2	2.3	42.6	466.7	457.8	860
Northern Europe	-3.6	3.3	3.4	5.2	6.7	69.8	72.4	1,120
Western Europe	-6.6	1.3	4.3	3.0	14.6	161.6	157.0	940
Central/Eastern Europe	-8.0	-2.9	7.8	5.2	5.3	56.0	57.0	510
Southern/Mediter. Eu.	-6.4	-1.3	6.0	-0.3	15.9	179.3	171.4	900
- of which EU-27	-7.0	0.9	4.3	1.9	34.2	378.3	367.7	920
Asia and the Pacific	-0.7	15.4	8.0	6.2	30.1	298.6	323.9	1,390
North-East Asia	1.9	21.4	8.8	8.3	15.5	149.6	166.8	1,360
South-East Asia	-7.0	15.1	12.8	6.6	8.5	84.4	91.7	1,080
Oceania	4.2	-2.9	-5.7	-1.5	3.8	40.8	41.2	3,390
South Asia	-3.2	16.3	12.1	5.2	2.2	23.7	24.2	1,710
Americas	-10.2	4.4	5.0	5.9	19.8	197.9	212.6	1,300
North America	-12.2	6.0	5.9	6.7	14.5	144.2	156.4	1,470
Caribbean	-8.0	1.3	-0.5	2.0	2.3	23.5	24.5	1,170
Central America	-6.5	1.1	0.7	8.9	0.7	7.1	8.0	900
South America	0.0	-1.6	6.7	3.6	2.2	23.1	23.7	890
Africa	-5.5	2.3	1.6	5.8	3.1	32.7	33.6	640
North Africa	-4.7	0.2	-5.5	2.4	0.9	9.6	9.4	510
Subsaharan Africa	-5.9	3.5	4.9	7.2	2.3	23.1	24.2	720
Middle East	1.2	17.2	-14.1	-2.0	4.4	46.4	47.0	900

Source: World Tourism Organization, 2013

1.2 TOURISM AS THE MAIN FACTOR OF SOCIO-ECONOMIC DEVELOPMENT

Many scientists have underlined the importance of tourism for the development of the country and its regions. The development of tourism in regions is the part of country's socio-economic development and is based on local and country wide resources.

The potential role of tourism as an economic system is widely described and argued in many scientific researches. The thesis of Young (1973), E. De Kadt (1979 and 1992), A. Mathieson and G. Wall (1982), Dicke (1995), S. Britton (1996), A. M. Williams and G. Shaw (1998), these authors mention tourism value added and its impact for regional development (Spiriajevas, 2008:119).

Different scientists argue on the primary and secondary roles of tourism in the economy. But here we will take the primary role of tourism as it is characterized with the increase in GDP,

new vacancies, the efficient use of local resources, the cultural interchange of nations, socio-economic prosperity of regional and country nations, and formation of local budgets.

According to Professor Alirzayev, tourism increases the employment in regions, uses the regional resources in placement of production and service facilities, develops them, and forms the budgets and increases the profits of the regions by meeting the demand of local and foreign tourists (Alirzayev, 2011:165).

The development of tourism in regions is based on several regional characteristics. The regions' geographical position, their resources, financial situation, the marketing activities are the main factors in defining the role of tourism for the regions (Timur and Olali, 1988:245).

As the consequence, reducing the unemployment rate in the region by means of tourism leads to reduction in work force insufficiency and minimizes the population migration. The development of regions in the country results in enhancement of life style and social infrastructure of local people (Gurbanov, 2007:117).

The regions that are developed economically of course will have great opportunities for social development. In this sense tourism plays important role. Because the development of tourism in the regions require much investment in infrastructure, health, education, and culture. Tourists will choose better places for rest that is well infrastructured, with pure natural resources, and local people that accept their culture. The regions with airports, ports, local hospitals, historical places, museums, art galleries, resorts, hotels, and etc. are first choice of tourists. And of course, as the number in international arrivals rise so do the role of tourism in the economy. Each tourist coming to the country will spend his or her money, which means flow of foreign currency to the economy.

Those countries expressing interest in tourism and its role in the economy, develop all the necessary conditions which will bring positive return to the economy in terms of new vacancies, flow of foreign currency, reduction in unemployment level, development of regions and etc.

Taking into consideration all the factors mentioned above the main economic effects of tourism are given below;

- Tourism provides money and income flow to the region,
- Tourism provides new vacancies for the local community,
- Tourism supports small and medium sized enterprises in the region,
- Tourism attracts other sectors of the economy for investment in the region.

But together with positive socio-economic effects it is also vital to mention the negative effects. As tourism develops in the region, it may lead to change local socio-cultural environment and traditions, to loss of cultural personality of the region, excess trade in human relations, negative habits, deterioration of local language (Yilmaz, 2007:189). That is why it is very important to preserve the local culture as they are main attractions for the tourists.

1.3 AZERBAIJAN REGIONS

There are 11 economic regions in Azerbaijan. They are; Baku, Absheron, Nakhchevan, Ganca-Gazakh, Sheki-Zagatala, Lankaran, Guba-Khachmaz, Aran, Mountainous Garabakh, Kalbacar-Lachin, and Mountainous Shirvan. Two of the regions Mountainous Garabakh and Kalbacar-Lachin are still under Armenian occupation and all the industrial activities were stopped (ier.az, 2013).

Being rich with natural resources in all Azerbaijan regions it is possible to develop tourism. Depending on the difference in climatic factors and existence level of natural resources the regions differ among each other. For example, business tourism is developed in Baku and Absheron region, sea-sand-sun tourism is developed in regions which have borders with the Caspian Sea (Baku, Absheron, Guba-Khachmaz, Lankaran), ecotourism is newly developed in the regions with rich of nature like in Guba-Khachmaz, Lankaran, Sheki-Zagatala, and Mountainous Shirvan. Winter tourism in Azerbaijan is developed in Guba-Khachmaz. In 2012 new winter tourism station was opened in Qusar named Shahdagh. The new winter station is considered to compete with neighboring countries like Turkiye and Georgia.

Still now tourism in Azerbaijan regions is being developed because the role of tourism is well understood by the community. Many projects have been realized in this sense. Some projects are of high importance for the development of tourism. As the example the Fairmont Hotel in Baku, Four Seasons Hotels, Hilton Hotel, Flame Towers, Baku Khazar Islands, White City are counted to be best projects for the development of tourism in Azerbaijan.

1.4 TOURISM AS THE MAIN FACTOR OF SOCIO-ECONOMIC DEVELOPMENT IN AZERBAIJAN REGIONS

As discussed earlier, tourism has several effects on the economy. First of all, it generates job opportunities, secondly it attracts foreign currency to the economy, it generates revenues, reduces unemployment rate, helps the economy to attain sustainability and etc.

According to the Statistical Committee of Azerbaijan Republic in 2012 Azerbaijan accepted more than 1.5 million foreign travelers whose purpose were tourism (stat.gov.az, 2012).

All the effects mentioned above are generated by tourism but it requires vast investment on infrastructure. At the same time the country or regions must have enough natural resources for tourism. So when comes to Azerbaijan, all the regions have potentials for tourism because Azerbaijan is situated in a very rich climatic zone which contains 9 climatic zone out of 11. This gives the country great opportunity for the development of tourism.

When Shahdagh winter tourism station was opened hundreds of job opportunities were created resulting in contribution to the local community and region. As the complementary to the project new airport is under construction in Guba which will give easy access to the destination.

Another region Gabala today is very popular for its natural resources. The city is redesigned and new hotel and resorts have been built. In this region the local people see the role of tourism. Nowadays Gabala hosts many musical festivals international and local. As the tourist attraction Gabala is on top list of tourists.

Notwithstanding these developments tourism industry takes just 1.2% of total GDP of Azerbaijan. The growth rate of tourism industry is 22%. But still the role of tourism is counted very low. The reasons for this are given below;

- Azerbaijan gained its independency in 1991, after independence all the industries were destroyed. But in 1994 Azerbaijan signed the Contract of the Century, which led to the fast growth of Azerbaijan economy. And starting from 1995 Azerbaijan gained her reputation as secure country where tourists can rest without any hesitation in security. But still today because of Armenian aggression tourism industry is growing very slowly (Abutalibov, 2010:100).
- Another reason is general price level. When compare with neighboring countries to travel and rest in Azerbaijan is expensive.
- Service quality doesn't meet the expectations of foreign and local tourists.

- The regions are not included to the international air transportation network as the direct fly (Mammadov, 2012:386).

Taking into consideration all the factors Azerbaijan's President Ilham Aliyev signed new state program for the development of tourism in Azerbaijan for the years of 2006-2015. And 2011 was announced officially as the tourism year in the country. Besides state programs for the development of regions are being carried out successfully.

As the consequence many international events took place in Azerbaijan. Eurovision song contest, T'de Azerbaijan bicycle tour, women's world football championship, Euro Olympic Games, Economic Forum, and etc. are examples to international events held in Azerbaijan between 2011-2013. These events prove that Azerbaijan is one of the international tourism destinations in the world.

1.5 CONCLUSION

As the conclusion, it is important to note that tourism is said to be the factory without chimney. Even third countries take benefits from tourism which helps their economy to prosper. As we know the returns from tourism will help the country to cover the budget deficit, build its infrastructure, build new hospitals, schools, universities, and help its community to stand on foot, help other sectors to prosper, develop the welfare of its nation and protect its natural resources. In Azerbaijan nowadays the economy is growing thanks to the returns from oil sector. But to get rid of dependency on oil sector non-oil sectors are in much attention in Azerbaijan economy. One of them is tourism sector.

But together with the development there is still much to do in tourism. Because the factors mentioned above are the main reasons for not gaining much return from tourism. But possessing 9 out of 11 climatic zones and rich of natural resources Azerbaijan should get big share in tourism pie.

To sum up, the following actions should be taken in order to increase the role of tourism in the economy and for the development of tourism in Azerbaijan;

- First of all price level should be readjusted, at least the neighboring countries like Turkiye and Georgia practice should be applied

- In order to gain much share from international tourism market the seasonality factor must be taken into consideration and tourism activities should be spread over 4 seasons
- In order to develop internal tourism arrivals local tourists should be given incentives in the meaning of price and extra bonuses like accommodation+3 times meal
- In order to develop the international arrivals in the regions, the airports in regions should be included to the international flies and code sharing
- The service quality must be developed in order to meet the international and local tourists' expectations
- The local people must be educated in order to better keep the traditions
- The natural resources must be protected but not wasted
- The regions' infrastructures must be developed
- To provide the security for the tourists
- In order to prevent misunderstanding and flaws in interrelations between tourists and local community special touristic information centers must be established, and foreign tourists must be informed about the local cultures before visiting the country.

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