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Tourism in the South Caucasus region during the post-pandemic period

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Abstract

This article explores the tourism sector of the South Caucasus region in the post-pandemic period. In general, due to the pandemic, the share of the tourism sector in the global GDP has decreased by more than 2 times. In the post-pandemic period, although the share of the sector in the global GDP has increased again, it lags behind the statistics of the pre-pandemic period. Surrounded by the Black Sea from the west and the Caspian Sea from the east, the South Caucasus region has a unique nature, rich historical and cultural heritage, unique gastronomy, traditions and riches that transcend national borders. The region has been heavily visited by tourists in the pre-pandemic period. During the pandemic, the number of tourists visiting the region decreased by more than 5 times, and as a result, the region's income from the tourism sector dwindled by more than 5 times. In the post-pandemic period, there is a re-increasing trend in the volume of tourists coming to the region and income from the sector. One of the main destinations of Russian tourists, who lost access to Europe, was regional countries, and as a result, there was a significant increase in the number of Russian tourists in particular. However,

the main competitor of the region, especially in summer tourism, was Turkey. The number of Russian tourists who visited Turkey in the first 5 months of 2023 was twice as large as the number of Russian tourists who visited the South Caucasus region in the same period. The importance of the tourism sector is high for the countries of the region. The tourism sector is the most profitable sector for Azerbaijan after the oil sector. Georgia's income from the tourism sector makes up 1/5 of its GDP, Georgia is the country that receives the most income from this sector in the region and achieves the highest number of tourists. Although Armenia is the country with the least number of tourists in the region, in accordance with the percentage of the tourism sector in the GDP, it ranks second after Georgia. The pandemic has seriously affected the tourism sector of all 3 countries and the amount of income from this sector has decreased drastically. After the pandemic period, as a result of the relative or complete removal of the bans, the tourism sector of the countries of the region began to revive again, and the statistical indicators are already approaching the pre-pandemic indicators. Along with the easing of quarantine rules, the Russia-Ukraine war has also created changes in the region's tourism sector, and an increase in the number of tourists from Russia has been recorded compared to previous years. In addition, with the conclusion of a potential peace treaty, the tourism sector will enter a new stage and will make a significant contribution to the development of tourism in the region. With the restoration of communications and the establishment of permanent peace, the region will achieve more tourist flows.

1. Introduction

Tourism has a great role in the economy of countries, especially developing countries. During the pandemic, this sector has been one of the most affected areas, which has seriously affected the economy of countries whose economy depends on tourism, and the income from the tourism sector in general has decreased sharply. In the post-pandemic era, the lifting of restrictions led to a resurgence. In 2022, France (82.6 million), the United States and Spain (75.6 million) were the 3 countries with the largest influx of tourists. The tourism sector, which has revived after the pandemic period, has again undergone changes against the background of the Russia-Ukraine war and sanctions against Russia. This means that Russian tourists, who are deprived of the opportunity to travel to Europe, had to direct their travel destinations to other countries. In 2019, Russian tourists spent 36 billion dollars on foreign trips, and Ukrainian tourists spent 8.5 billion dollars. Only these 2 countries brought 44.5 billion dollars to the tourism sector. This statistic decreased during the pandemic to 13.8 billion dollars (Russia 9.1 billion dollars, Ukraine 4.7

billion dollars). The number of tourism sector employees was 319 million in 2018 and 333 million in 2019. The tourism sector has been one of the most affected sectors due to the pandemic. The share of the sector in the global GDP in 2020 decreased by 50.4% to 5.3%, and the number of workers in this sector dwindled by 18.6% compared to 2019 to 271 million people. In 2021, the number of tourism sector employees rose by 6.7% to 289 million, and the share of the tourism sector in the global GDP grew to 6.1%. In the post-pandemic period, statistics of the tourism sector have already relatively recovered despite economic and political difficulties, and in 2022 the share of this sector in the global GDP increased to 7.6%, which is 22% more than the statistics of 2021, 23% less compared to the 2019 statistics. Also, the number of jobs created in this field increased by 22 million to 311 million employees in 2022, which is only 6.6% less than the statistics of 2019. The tourism sector, recovering after the pandemic, again underwent a change during the Russia-Ukraine war, however this time the change was not in statistics, but in directions. Thus, the European Union and its partners imposed restrictions on Russian citizens, and Russian citizens were deprived of access to these countries. As a result, they changed their travel direction to other countries. In 2022, 22.5 million Russian tourists visited foreign countries, which is 17.2% more than in 2021. However the direction of travel has changed to Turkey, United Arab Emirates, Thailand, Egypt, South Caucasus countries and other countries. Between January and June 2023, 791,574 Russian tourists visited Thailand. The number of Russian tourists who visited Turkey in the first 5 months of this year increased by 90.3% compared to the same period last year and reached 1.8 million people, and it became the country most visited by Russian tourists. Another place where Russian tourists flocked to was South Caucasus countries. In parts 3.1, 3.2 and 3.3 of the article, the indicators of the tourism sector of Azerbaijan, Georgia and Armenia are mentioned, respectively.

2. Possible impact of a potential peace treaty on the region's tourism sector

The peace treaty is a necessary factor for the cessation of conflicts not only for the parties to the treaty, but also for the establishment of stability and economic development in the region as a whole. The South Caucasus region has suffered from political tensions throughout history. These political problems have affected the countries of all 3 regions. Political instability in the region, insufficient infrastructure, shortage of skilled personnel, visa problems and some remaining quarantine restrictions are clouding the prospects of the tourism sector. Tourism development is possible only where there is peace and stability, and tensions are a serious obstacle to development. The borders, which are closed due to the relations between Azerbaijan and Armenia, are a serious obstacle to the development of the sector on behalf of both countries. After the liberation of the lands, many negotiations were held, including the Prague meetings, and both sides confirmed their commitment to the inviolability of the 86.8 thousand square kilometers of Azerbaijan and 29.8 thousand square kilometers of Armenia, respectively, according to the "Alma-Ata Declaration" dated 1991. However, considering that almost 3 years have passed since the declaration of November 10, 2020, despite the positive progress of the processes in the recent period, the progress of the negotiations did not give the desired result and

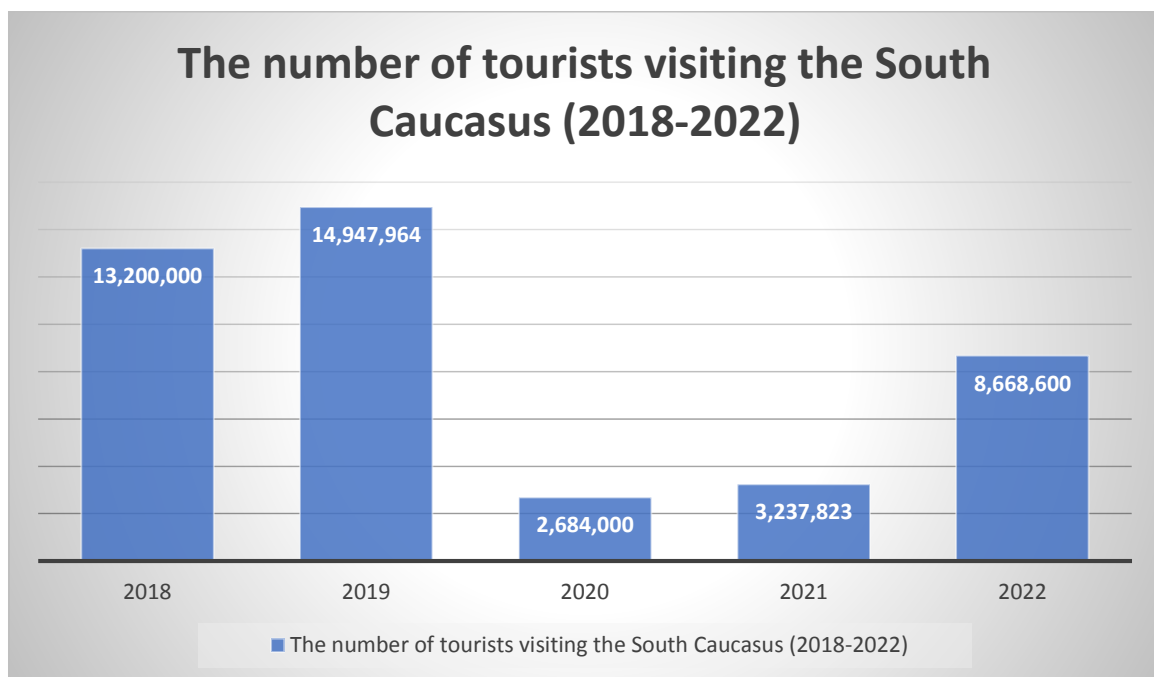
it is still not possible to achieve the signing of the peace treaty. Considering the impact of the peace treaty on the tourism sector, it should be noted that Armenia's border with both Azerbaijan and Turkey is closed, and as a result, citizens cannot travel to each other. Armenian citizens were deprived of access to their western and eastern neighbors, and as a result, they remain deprived of access to the countries of the Middle East and Asia. For Azerbaijan, the negative aspects are that there are still some problems in the liberated areas, and as a result, there is an obstacle related to the development of tourism and stability in the regions. In the liberated areas, a lot of infrastructure work has been done and is ongoing. Two international airports that meet modern requirements have already been built, and the third, Lachin International Airport, is about to be completed. Thanks to these ports, tourists will be able to visit the region more comfortably. In terms of the number of tourists visiting Azerbaijan, Turkey is on the 2nd place, and under the current conditions, citizens of both countries face difficulties when traveling and the amount of time and expenses increases. Since there is no connection with Armenia, other countries are used as transit, and as a result, an increase in the amount of time and expenses is inevitable. Together with the peace treaty, it can be the beginning of a new era in the region's tourism. According to paragraph 9 of the November 10 declaration, the opening of all economic and transport relations between the countries is envisaged, this is also valid for the peace treaty. The most important of these corridors is the Zangezur corridor. Through this corridor, Azerbaijan will be able to get a direct route to Nakhchivan and from there to Turkey and other western countries. As a result, there may be an increase in the number of both Azerbaijani tourists and tourists visiting Azerbaijan. Because cheaper transport opportunities will be created through this corridor and will increase the attractiveness of travel. The peace treaty is important not only for Azerbaijan, but also for Armenia, as with the opening of communication links envisaged by the treaty, Armenia will have access to wider territories and those who want to visit Armenia will be able to access the country in more convenient ways. At present, Armenia has lost access to 2 sides, east and west, and the peace treaty means a kind of exit from the siege for Armenia. Currently, Armenia has access to Europe and Russia through Georgia, but this border has become vulnerable to the geopolitical crisis. In addition to the geopolitical situation, the Upper Lars crossing, which is used for crossing, is very sensitive to weather conditions and has problems with overcrowding at this point, which makes commuting difficult. Thanks to the potential treaty, Armenia will have land and air access not only to Azerbaijan and Turkey, but also to eastern and western countries through these countries. Through these communication channels and ensuring stability, the region as a whole will become more attractive for tourists. According to statistics, more than half of the tourists visiting Armenia are from Russia, and against the background of the planned peace treaty and the opening of the Zangezur Corridor, Armenian

citizens will have access to Russia, and Russian citizens will have access to Armenia by land. Through Azerbaijan, Armenia will have access not only to Russia, but also to other eastern countries. Transportation is one of the most important factors in trips for tourists, and the impact of transportation costs and distance on tourists' decisions is considerable. Thanks to the communication links opened on the background of the peace treaty, there will be a significant increase in the volume of tourist circulation between the countries of the region and the flow of tourists to the region in general. The current situation in the region makes tourists hesitate to visit the region. The conclusion of the peace treaty will bring serious benefits and tourist flow not only for Azerbaijan and Armenia, but also for all three countries of the region. Against the background of communications that will be restored within the framework of the peace treaty, the potential for the creation of joint tourism routes between the 3 countries and, as a result, the attraction of more tourists to the region increases. As 3 travel routes are planned between Azerbaijan and Georgia (Ali and Nino, Silk Road and Soviet Heritage), within the framework of these projects, tourists from different parts of the world will be able to travel to both countries. In the future, the number of these routes may be increased and Armenia may also join these joint tourism routes depending on the situation.

3. South Caucasus region

Located at the intersection of Europe and Asia, on the shores of the Caspian Sea in the East, and the Black Sea in the West, the South Caucasus region, with its unique climate, has a very high tourism potential. The countries of the South Caucasus are one of the preferred destinations for tourists from different parts of the world, mainly from post-Soviet countries. **Graph 1** illustrates the number of tourists who visited the South Caucasus region in 2018-2022.

Graph 1. Number of tourists visiting the South Caucasus region (2018-2022)

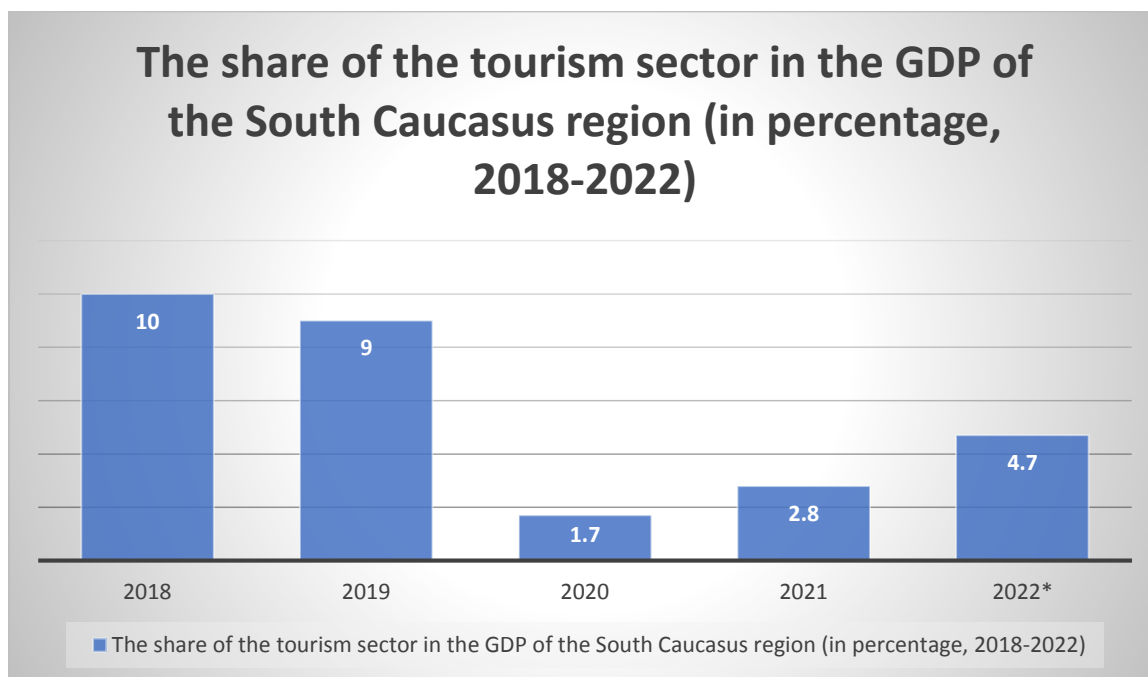


Source: State Tourism Agency of the Republic of Azerbaijan, <https://tourism.gov.az/page/statistics>, Georgian National Tourism Administration, <https://gnta.ge/statistics/>, *Development and importance of tourism for Armenia. (n.d.-c). Worlddata.info. https://www.worlddata.info/asia/armenia/tourism.php#google_vignette, Armenia, R. (2022b, November 7). About 1.4 million tourists visited Armenia in 2022. Radar.am. <https://radar.am/en/news/social-2535628807/>, 2018-2022*

In 2019, the number of tourists to the region increased by 13.2% compared to 2018. In 2020, there was a 5.6 times decrease in the number of tourists arriving due to the pandemic, and the number of tourists dropped to 2,684,000 people. In 2021, compared to the previous year, the number of tourists visiting the countries of the region increased by 1.2 times compared to the previous year. In 2022, with the relatively easing of quarantine rules and the removal of restrictions, the tourism sector of the region's countries revived, and the number of incoming tourists increased by 167.7% compared to 2021, and the income from the sector increased.

Graph 2 shows the share of income from the tourism sector in the GDP of the South Caucasus region in the period 2018-2022.

Graph 2. The share of the tourism sector in the GDP of the South Caucasus region (in percentage, 2018-2022)



Source: Azerbaijan GDP 1990-2023. (n.d.). MacroTrends. <https://www.macrotrends.net/countries/AZE/azerbaijan/gdp-gross-domestic-product> , Georgia GDP – Worldometer. (n.d.). <https://www.worldometers.info/gdp/georgia-gdp/> , Armenia GDP 1990-2023. (n.d.). Macro Trends. <https://www.macrotrends.net/countries/ARM/armenia/gdp-gross-domestic-product> , * Statistics of Armenia's income from the tourism sector in 2022 are not included, 2018-2022

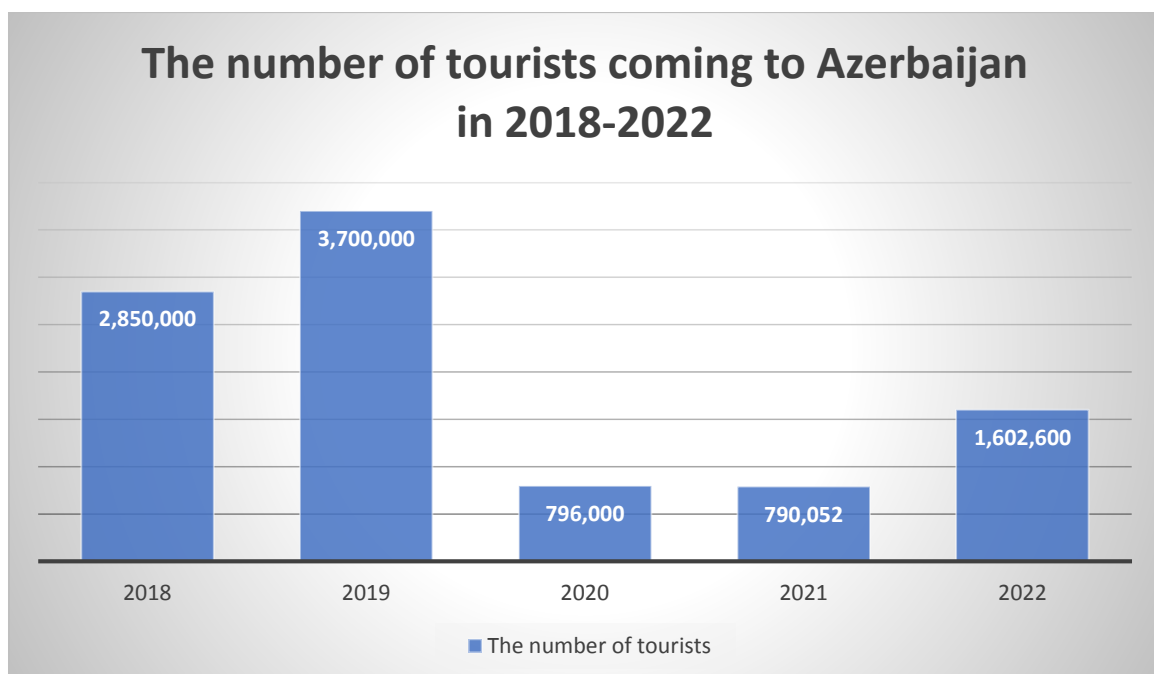
Although there was an increase in the number of tourists visiting the region in 2019 compared to 2018, there was a 7.9% decrease in revenue from the tourism sector, from \$7.708 billion to \$7.101 billion, and the share of the sector in GDP decreased from 10% to 9%. In 2020, due to the pandemic, there was a sharp decrease in both the number of incoming tourists and the amount of income from the sector. In 2020, income from the sector decreased by 82.7% compared to last year to 1.229 billion dollars, and the share of income in GDP decreased by 81.1% to 1.7%. In 2023, as a result of the removal of almost all quarantine restrictions and the ongoing Russia-Ukraine war, a sharp increase in the number of tourists visiting the countries of the region was observed, so that in the first 5 months of 2023, the number of tourists visiting Azerbaijan and Armenia was 713,386 and 806,000 respectively. The South Caucasus region was one of the main

destinations for Russian tourists after the restriction of access to Europe. In general, 9.1% (64,800) of those who visited Azerbaijan and 52% (419,120) of those who visited Armenia were tourists from Russia. In the first quarter of 2023, 1.2 million tourists visited Georgia, of which 25.3% or 303,600 were tourists from Russia. As can be seen from the statistics, in the first 5 months of 2023, a total of 483,920 Russian tourists visited Azerbaijan and Armenia, which means more than 2 times increase compared to the same period of 2022. The number of Russian tourists visiting Georgia in the first quarter of 2023 was 303,600. Despite the increase in the number of Russian tourists, Turkey has become the main competitor in the tourism sector for the South Caucasus region, as the number of Russian tourists who visited Turkey in the first 5 months of 2023 increased by 110.9% compared to the corresponding period of 2022 and reached 1.8 million people.

3.1 Azerbaijan

Azerbaijan's rich flora and fauna, climate, location on the shores of the Caspian Sea and at the crossroads of Europe and Asia, rich historical and cultural heritage, favorable natural and geographical conditions, etc. made it attractive for tourists. According to the total number of flora species, Azerbaijan is the richest country in the South Caucasus, which plant species found in Azerbaijan make up 66% of the plant species growing in the region. Azerbaijan has 2 climate zones (65% subtropical and 35% temperate), 9 climate types. In addition to its rich climate and favorable geographical location, there are more than 6000 historical monuments in Azerbaijan. Strong reforms have been carried out by the government in the field of tourism, since independence, 31 agreements, 27 of which are intergovernmental, 12 memorandums of understanding and 2 cooperation programs in this field for 2020-2022 have been signed, and the State Tourism Agency was established in 2018. All these natural and governmental factors have created conditions for the development of the tourism sector. The growing growth rate of the tourism sector over the years has slowed down due to the COVID-19 pandemic. All sectors have been affected by COVID-19 pandemic. The tourism sector was the sector most seriously affected by the pandemic. **Graph 3** depicts the statistics of Azerbaijan's tourism sector in 2018-2022.

Graph 3. Tourism sector statistics of Azerbaijan in 2018-2022

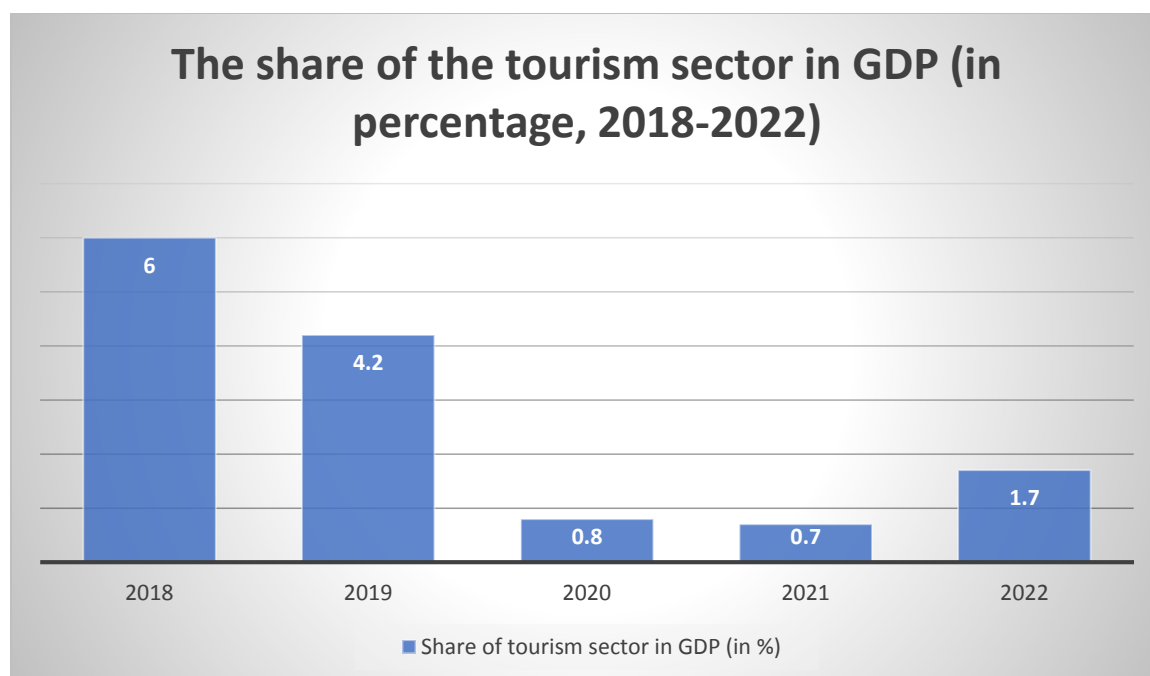


Source: State Tourism Agency of the Republic of Azerbaijan, 2018-2022, <https://tourism.gov.az/page/statistics>

In 2019, the number of tourists visiting Azerbaijan increased by 29.8% compared to 2018 and reached 3.7 million people. In 2020, the COVID-19 pandemic and the resulting closure of

borders and the imposed quarantine regime had a serious impact on the tourism sector in the whole world, and it also had a serious impact on the tourism sector of Azerbaijan. Thus, the number of tourists in 2020 decreased by 78.5% compared to 2019 to 796,000 people. The number of tourists in 2021 decreased by 0.75% compared to the previous year to 790,052 people in the conditions of the ongoing pandemic. In 2022, a 102.8% increase in the number of tourists compared to 2021 was recorded as a result of the easing of pandemic bans and the removal of restrictions (excluding land). In the first 5 months of 2023, 713,386 tourists visited Azerbaijan, which means a 1.6 times increase compared to the same period last year. Tourists coming to Azerbaijan are mainly citizens of Russia, Turkey and Iran. **Graph 4** illustrates the share of the tourism sector in the GDP of Azerbaijan in the period of 2018-2022.

Graph 4. The share of the tourism sector in the GDP of Azerbaijan in the period 2018-2022



Source: *Development and importance of tourism for Azerbaijan. (n.d.-b). Worlddata.info.*

<https://www.worlddata.info/asia/azerbaijan/tourism.php>, 2018-2022

In general, Azerbaijan received \$2.83 billion in 2018, \$2 billion in 2019, \$340 million in 2020, \$368 million in 2021, and \$1.34 billion in 2022 from the tourism sector. Although there was an increase in the number of tourists in 2019 compared to 2018, the income from the sector decreased by 29.3%, and the share of the sector in GDP decreased by 1.4 times. In 2020, due to the pandemic, the income from the tourism sector decreased by 5.9 times compared to 2019, and the share of the sector in the GDP decreased by 5.3 times. In 2021, the income from the sector increased by 8.2% compared to 2020, but the sector's percentage of GDP decreased to 0.7%. In 2022, as a result of the relative removal of pandemic restrictions, the income from the sector

increased by 3.6 times compared to 2021. In 2022, the percentage indicator of income from the sector in GDP increased by 2.4 times to 1.7. The war between Russia and Ukraine and the imposed sanctions also affect the tourism sector, as Russian citizens, whose access to Europe and its allied countries is blocked, turn to other countries as an alternative, including the countries of the South Caucasus. In the first 5 months of 2023, the number of tourists from Russia, Turkey and Iran was 64.8 thousand, 33 thousand and 13.9 thousand, respectively. In the same period of 2022, these statistics were 28.3 thousand, 32.7 thousand and 16.1 thousand people, respectively. As can be seen from the statistics, the number of tourists from Russia increased by 129%, the number of tourists from Turkey increased by 0.9%, and the number of tourists from Iran decreased by 15.8%. The closure of Russian citizens' access to Europe and its allied countries due to sanctions has increased the interest in South Caucasus countries, and as a result, the number of tourists arriving in the first 5 months of 2023 has increased more than 2 times. The number of tourists from Iran has decreased. In general, the number of tourists who came to Azerbaijan between January and May 2023 increased to 713,386 people compared to the same period of 2022. The removal of quarantine rules, except for the opening of land borders, has created conditions for the development of the tourism sector. The tourism sector was the most profitable sector for Azerbaijan after the oil sector in the period before the pandemic. This sector, which is significant from the point of view of the development of the non-oil sector, creates very serious opportunities for the continuation of the development of the tourism sector against the background of the establishment of stability in the region, the acceleration of reconstruction works in the liberated areas, and the potential for the further increase of the number of tourists from Russia as a result of the Russia-Ukraine war. After the opening of Lachin International Airport, the number of airports in Azerbaijan will be increased to 9, and the further improvement of the transport infrastructure will make the arrival of tourists more comfortable. Despite all these positive factors, the fact that the land borders remain closed, a very large part of the tourism structure is concentrated in Baku, the prices are high for the services provided, the level of usability of the Caspian Sea for tourism is low, and visa requirements for a large part of the countries of the world create an obstacle for the potential development of the tourism sector. As a result of the main focus on Baku, the tourism potential of the regions is overshadowed and the regions lag behind in terms of infrastructure. Also, trips to the regions are mainly possible by road (lack of interregional rail, water and air connections). Keeping the land borders closed is currently the most serious factor hindering the tourism sector. As the land borders are closed, the arriving tourists have to travel by air, and the relatively high prices of the tickets are a hindrance to travel. The number of Russian tourists traveling to Azerbaijan in the first 5 months of 2023 was 64,800,000 after the travel restrictions for Russian citizens against Europe and its allied

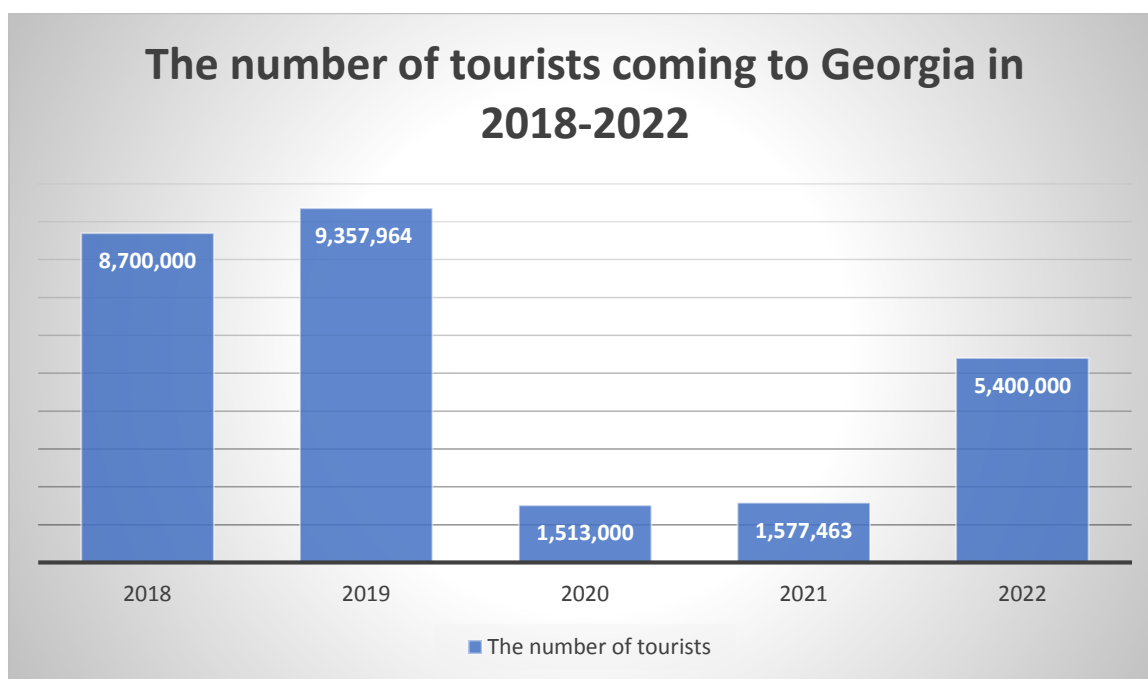
countries. These statistics were 419,120 people in Armenia in the same period and 303,600 people in Georgia in the first quarter of the same year. Although the above-mentioned shortcomings affect the low number of these statistics in Azerbaijan, the most serious factor is the closure of land borders. Due to the difficulty of transportation, tourists visiting the countries of the South Caucasus give priority to the other 2 countries of the region.

3.2 Georgia

Its location on the shores of the Black Sea, wonderful nature, relief, mineral springs, historical architectural monuments, customs, rich flora and fauna, etc. make Georgia attractive for tourists. As a result of this, tourists' interest in Georgia increases every year, except for the pandemic period. Georgia is the country with the largest flow of tourists every year among the countries of the South Caucasus. The tourism sector has a significant share in the economy of Georgia.

Graph 5 illustrates the statistics of the tourism sector of Georgia for the period of 2018-2022.

Table 5. Statistics of the tourism sector of Georgia in 2018-2022

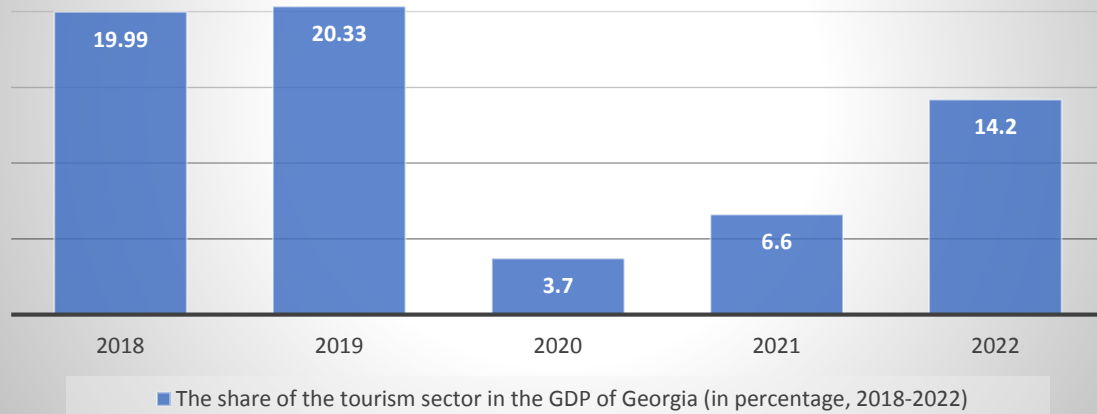


Source: National Tourism Administration of Georgia, 2018-2022, <https://gnta.ge/statistics/>

In 2019, the number of tourists who came to Georgia increased by 7.6% compared to 2018 and reached a historical record. The income from tourism increased by 0.94% compared to 2018 and reached 3.5 billion dollars. In 2018 and 2019, the income from the tourism sector accounted for 19.99% and 20.33% of Georgia's GDP, respectively. Due to the pandemic, the tourism sector suffered a serious blow in 2020 and 2021, and in 2020, the number of tourists decreased more than 6 times to 1,513,000 people, and the income decreased by 83.5% to 586 million dollars. As a result, the share of the tourism sector in the GDP decreased to 3.7%. Taking into account the share of the tourism sector in the GDP in 2018 and 2019 (1/5 of the GDP), we can say that in 2020 and 2021, the pandemic has had a serious impact on the Georgian economy. In 2022, as a result of the lifting of pandemic bans, there was a revival in the tourism sector, and the number of tourists who arrived compared to 2021 increased by 3,822,537 people. **Graph 6** shows the share of the tourism sector in the GDP of Georgia in the period 2018-2022.

Graph 6 Share of the tourism sector in the GDP of Georgia (in percentage, 2018-2022)

The share of the tourism sector in the GDP of Georgia (in percentage, 2018-2022)



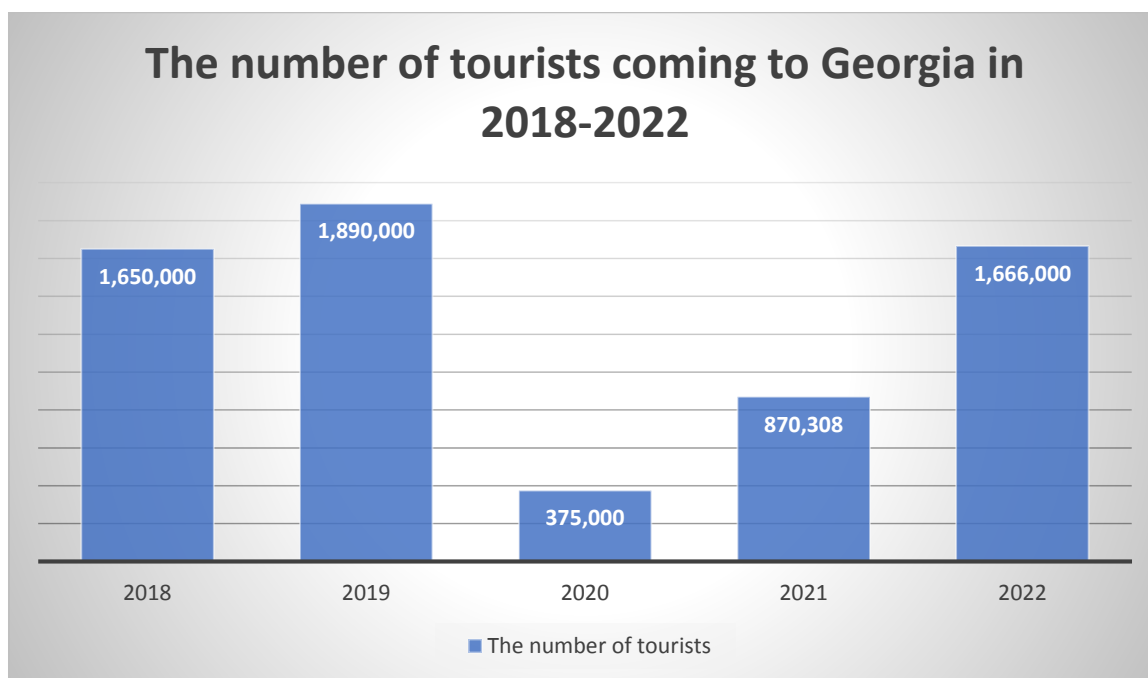
Source: *Georgia Tourism Statistics 1997-2023*. (n.d.). MacroTrends, <https://www.macrotrends.net/countries/GEO/georgia/tourism-statistics>, 2018-2022

Georgia received 3.518 billion dollars in 2018, 3.551 billion dollars in 2019, 586 million dollars in 2020, 1.24 billion dollars in 2021, and 3.5 billion dollars in 2022. In 2019, the share of the tourism sector in GDP increased to 20.33% compared to 2018. In 2020, due to the pandemic, the income from the sector decreased by 6 times compared to 2019, and the share of the sector in GDP decreased by 5.5 times. In 2021, the income from the sector increased by 2.1 times compared to the previous year, and the sector's share in GDP increased by 1.8 times. With the removal of restrictions related to the pandemic, the income from the tourism sector in 2022 increased by 2.8 times compared to 2021, and the share of the sector in the GDP increased by 2.2 times. In the first quarter of 2023, the number of tourists has increased by 2.1 times compared to the same period last year and reached 1.2 million people. In the first quarter of 2023, 25.3% of tourists came from Russia, 17.6% from Turkey and 15% from Armenia. Georgia is the country that receives the most tourists in the region. With the removal of the quarantine regime, the tourism sector is recovering again and approaching the figures of the pre-pandemic period. However, Georgia's tourism sector also faces obstacles due to lack of infrastructure, experienced personnel and high accommodation costs.

2.3 Armenia

Armenia, like the other 2 countries of the South Caucasus region, is distinguished by its nature. **Graph 7** depicts the statistics of the tourism sector of Armenia for the period of 2018-2022.

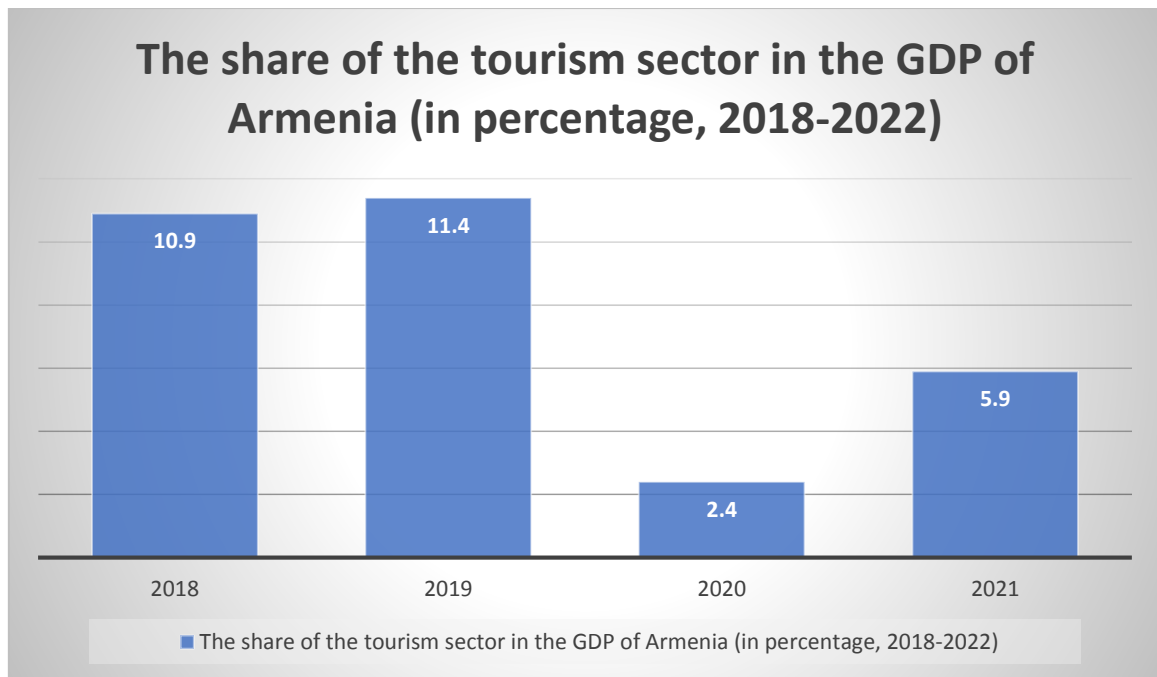
Graph 7. Statistics of the tourism sector of Armenia in 2018-2022



Source: *Development and importance of tourism for Armenia. (n.d.-c). Worlddata.info. https://www.worlddata.info/asia/armenia/tourism.php#google_vignette, Armenia, R. (2022b, November 7). About 1.4 million tourists visited Armenia in 2022. Radar.am. <https://radar.am/en/news/social-2535628807/>, 2018-2022*

In 2019, the number of tourists who came to Armenia increased by 14.45% compared to 2018 to 1.89 million people, and the income from the tourism sector increased by 14.36% to 1.55 billion dollars. In 2018 and 2019, the income from the tourism sector had a share of 10.9% and 11.4% in Armenia's GDP, respectively. Later, due to the pandemic, a sharp decrease in the number of tourists was recorded. The number of tourists arriving in 2020 decreased by 80.2% compared to last year to 375 thousand people, and the income from the tourism sector in 2020 also decreased by 80.49% compared to last year to 303 million dollars. **Graph 8** illustrates the share of the tourism sector in Armenia's GDP for the period 2018-2021.

Graph 8. The share of the tourism sector in GDP (in percentage, 2018-2021)



Source: *Armenia Tourism Statistics 1995-2023. (n.d.). MacroTrends.*
<https://www.macrotrends.net/countries/ARM/armenia/tourism-statistics> ,2018-2021

In 2020, the share of the tourism sector in the GDP decreased sharply to 2.4%. In 2021, compared to 2020, the tourism sector has more than doubled to 870,308 people, and the income from the sector has increased to 813 million dollars. In 2022, the number of tourists has increased significantly and approached the pre-pandemic statistics. The main part of tourists who came to Armenia in 2021 came from 3 countries, so 40.3% of tourists came from Russia, 10.5% from Iran and 8.1% from Georgia. Most of the tourists who came in the first 10 months of 2022 were from Russia (46%), Georgia (8%) and Iran (7%). In the first 5 months of 2023, the number of tourists has increased more than twice compared to the corresponding period of last year and reached 806 thousand people. Most of these tourists came from Russia (52%), Georgia (12%) and Iran (6%). There has been an increase in the number of tourists traveling to Armenia as well as Azerbaijan and Georgia. Armenia became the country that received the most tourists after Georgia in the period of January-May 2023 in the South Caucasus region. With this level of development, it is expected that at the end of 2023, the number of tourists coming to Armenia will surpass the pre-pandemic level. There are enough problems in the tourism sector of Armenia, such as the lack of foreign language skills of most of the sector workers, lack of qualified personnel, low service quality and infrastructure, high airport taxes compared to other 2 regional countries, visa regime, limited air access to travel to the Middle East and Asia, as well as limited land borders due to relations with neighbors are among the factors that hinder the development of the sector. The signing of the peace treaty is of great importance not only for Azerbaijan but also for Armenia. Thanks to this treaty, significant progress can be made in the

development of the tourism sector along with other sectors, as a result of the opening of communication lines and the permanent establishment of peace, tourists will be able to visit Armenia more comfortably. A significant increase in the number of tourists can be observed as a result of the opening of borders not only by air, but also by land. Taking into account the fact that more than half of the tourists visiting Armenia come from Russia and the possibility of this statistic increasing within the framework of ongoing sanctions, this statistic may increase further with the opening of relations as a result of the peace treaty. This will be favorable not only for Russian tourists, but also for tourists from Asia and Europe in general, and significant increases in the number of tourists will be observed.

4. Conclusion

The role of the tourism sector in the world economy is quite high, and the tourism sector has been one of the sectors most affected by the pandemic. In 2020, the number of workers in this sector decreased by 62 million people compared to the previous year, and the share of the sector in the global GDP decreased by 2 times. In the year after the pandemic, the sector revived again and an increase in statistics was recorded. However, the statistics are behind compared to 2019. The tourism sector of South Caucasus countries has also been seriously damaged by the pandemic. Located at the intersection of Europe and Asia, the Black Sea in the West, and the Caspian Sea in the East, the South Caucasus region has a very high tourism potential, with a unique climate, relief, and flora and fauna. The countries of the South Caucasus are one of the preferred destinations for tourists from different parts of the world, mainly from post-Soviet countries. In the year before the pandemic, a total of about 15 million tourists visited the region, and the share of the sector in the region's GDP was 9%. During the pandemic, this statistic was less than 3 million people, and as a result, the share of the sector in the region's GDP fell to 1.7%. In the post-pandemic period, the tourism sector of the countries of the region has revived again, and the number of tourists and income from the sector have increased, and in 2021, the share of the sector in the GDP of the region has increased to 2.8%. With restrictions almost lifted in 2023 and the introduction of travel restrictions for Russian tourists to many countries, there has been a significant increase in the number of tourists visiting the region, especially Russian tourists. In the first 5 months of 2023, the number of Russian tourists visiting Armenia and Azerbaijan has more than doubled to 483,920 people, and the number of Russian tourists visiting Georgia in the first 3 months of the same year has increased to 303,600 people. The main competitor of the South Caucasus region in terms of Russian tourists' travel is Turkey (especially in summer tourism). Thus, the number of tourists visiting Turkey in the first 5 months of 2023 has more than doubled to 1.8 million people compared to the same period last year. This statistic is many times more than the number of Russian tourists visiting the countries of the region. Better infrastructure, removal of restrictions, high quality of service, visa issues and other positive factors make Turkey more attractive for tourists compared to South Caucasus countries. The tourism sector for Azerbaijan is the 2nd highest income generating sector after the oil sector. In 2020, due to the pandemic, the number of tourists has decreased by 4.6 times, the income from the sector by 5.9 times, and the share of the tourism sector in the GDP by 5.25 times. In the post-pandemic period, the sector has revived and the number of tourists has doubled compared to 2021. Also, the number of tourists arriving in the first 5 months of 2023 has more than doubled compared to the same period of 2022. Deficiencies in the tourism sector in Azerbaijan do not

allow the tourism potential to be maximized, as a result of focusing mainly on Baku, there are no conditions for using tourism opportunities in the regions, and as a result, the regions lag far behind Baku in terms of development and infrastructure. Therefore, tourists mainly travel to Baku. In addition, the lack of qualified personnel and the fact that prices are high compared to the quality of the service and the applied visa regime are also factors that hinder the development of tourism. Against the background of the acceleration of construction works in the liberated areas, ample conditions are created for the development of the tourism sector outside of Baku and for the development of the sector in general. At present, one of the most serious factors hindering the development of the tourism sector for Azerbaijan is the closure of land borders. Because the borders are closed, tourists from neighboring countries (mainly Russia) have to travel by air, and as a result of relatively high ticket prices, tourists change their direction to other regional countries. While the number of Russian tourists visiting Azerbaijan in the first 5 months of 2023 was 64,800, this statistic was 419,120 in Armenia. In the first quarter of 2023, 303,600 Russian tourists visited Georgia. Georgia is the country most visited by tourists in the region, and the tourism sector accounted for 1/5 of Georgia's GDP in the year before the pandemic. In 2020, the number of visitors to Georgia decreased by 6.2 times, income from the sector by 6 times, and the share of the sector in GDP by 5.5 times compared to last year. After the pandemic, the number of returning tourists increased 3.4 times. In the first quarter of 2023, the number of visitors increased by 2.1 times compared to the same period last year. Georgia's tourism sector also faces obstacles as a result of lack of infrastructure, experienced personnel, and high accommodation costs. Armenia is the country with the least number of tourists in the region. During the pandemic, the number of tourists has decreased by 5 times compared to 2019, income from the sector by 4.1 times, and the share of the sector in GDP by 4.8 times. In the post-pandemic period, the number of tourists has increased 4.4 times compared to 2020. In the period of January-May 2023, the number of visitors to Armenia has more than doubled compared to the same period last year, and Armenia has become the 2nd country receiving the most tourists in the region. The lack of foreign language skills of the workers of the tourism sector of Armenia, the lack of qualified personnel, the poor quality of service and infrastructure, the visa regime, limited air access to Asian and Middle Eastern countries, limited land connections due to the relations with neighboring countries, and high airport taxes are the factors affecting this sector. In general, the tourism statistics of all 3 regional countries increased in the post-pandemic period and approached the pre-pandemic indicators. In 2023, there was a significant increase in the number of Russian tourists visiting all 3 countries, and these statistics are expected to increase under the ongoing travel ban for Russian citizens. The region has faced problems due to political conflicts for many years, and of course, this has not escaped the tourism sector. As a result of the closed

borders between Azerbaijan and Armenia, citizens of both countries are deprived of cross-country travel, and the borders between Armenia and Turkey are also closed. As a result, Armenia is deprived of access to Azerbaijan and other eastern countries from the east, and to Turkey and other western countries from the west. Both countries held many talks, including the Prague talks, and reaffirmed the inviolability of each other's territorial integrity based on the "Alma-Ata Declaration" dated 1991. However, despite the passage of almost 3 years since the tripartite declaration of November 10, 2020, it has not been possible to conclude a peace treaty between the two countries. As a result, Armenia's access to Asian and Middle Eastern countries has been limited. The importance of the peace treaty for the tourism sector in Azerbaijan is that the construction works carried out in the liberated areas increase the attractiveness of these areas and the interest of tourists increases significantly. Two international airports that meet modern requirements have already been built, and the construction of the third one is expected to be completed soon. Thanks to the airports, tourists will have the opportunity to travel comfortably. However, the lack of a peace treaty and the resulting instability in the region is a factor that will deter tourists from visiting the region. In addition, through the Zangezur corridor, Azerbaijan will have land access to Turkey and other western countries. In terms of the number of tourists visiting Azerbaijan, Turkey is on the 2nd place, and with the availability of a direct and comfortable land route, Azerbaijan will be able to increase the number of tourists. Armenia will have access to both Azerbaijan and Turkey. Armenia will have access not only to the 2 listed countries, but also to a wider arena through these countries. It will also reduce travel costs and distance, which will make Armenia more attractive to tourists. Considering that more than half of the tourists visiting Armenia are Russian tourists, with the opening of communications, Armenia will have easier access to Russia through Azerbaijan, and Russian tourists will be able to visit Armenia in a shorter and more convenient way. This will lead to an increase not only in the number of Russian tourists, but also in the number of tourists visiting the region from the Middle East and Asia. In general, the conclusion of a potential peace treaty will mark the beginning of a new era for the tourism sector of the countries of the region. With the restoration of communications and the opening of corridors, the region will become even more attractive for tourists and convenient for travel.

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