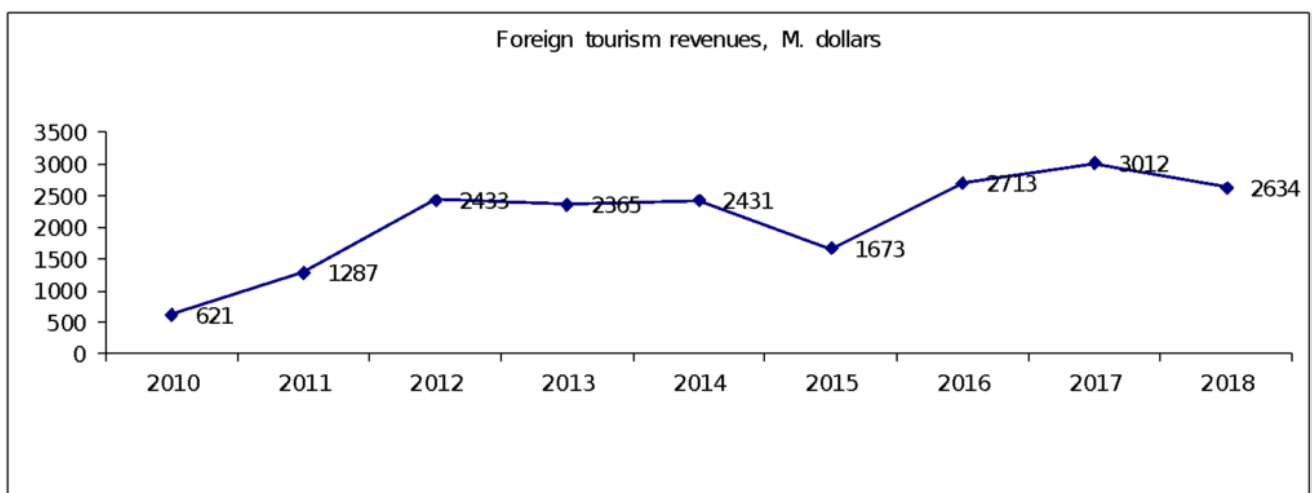


# Azerbaijan's Earnings from Foreign Tourism: Why Was 2018 Unsuccessful?

written by Rovshan Aghayev

Excluding natural resources, tourism is at the top of the list of the priority sectors selected by the Azerbaijani government. Over the last 10 years, holding various international sport, cultural, and art events (such as the Eurovision Song Contest, the European Games, the Formula 1 Grand Prix, etc.) in Azerbaijan was considered an opportunity for the country to present its tourism potential to the world. In any case, when we look at statistics on the balance of payments of the Central Bank, we see that the revenues from Azerbaijan's tourism have significantly increased since 2010, and government officials never miss a chance to present this increase as an achievement of implemented policy.



**Chart: Azerbaijan's foreign tourism [revenues in 2010-2018](#), million USD**

Statistics on capital investments of the State Statistical Committee show that, since 2009, investments in the tourism sector have begun to increase, and the total amount of investments in this sector last year was nearly [\\$2 billion](#).

These funds were mainly used for the construction of mountain-skiing complexes (Gusar and Gabala) as well as hotels and restaurants in different regions. It is enough simply to point out that in the last 10 years the number of hotels has increased by 25% while the number of rooms in those facilities [has increased by 35%](#).

The fact that the tourism sector is one of the top priorities for the government is also confirmed by the adoption of a separate [road map](#) in 2016 for the development of this area. The analytical section of this document states that the current share of tourism sector in GDP (2.8%) is significantly lower than that of the other countries in the region. This figure, for instance, is 7% in Georgia and 5% in Turkey.

Despite all the steps taken, as shown in the diagram above, a sharp decline of about 13% was observed in Azerbaijan's tourism revenues in 2018. While the country received over \$3 billion from international tourism services in 2017, this figure dropped to \$2.63 billion in 2018.

The problem has a very important aspect: Azerbaijan is surrounded by countries with strong potential for tourism. That is, we have strong competitors in our neighborhood and it is very important to be able to compete with them. Especially Georgia, as a regional country, is a serious rival to Azerbaijan. From this point of view, it is interesting to compare Georgia's tourism sector indicators with that of Azerbaijan for the last year. [According to the Central Bank of Georgia](#), in 2018, the country's revenues from tourism amounted to approximately \$3.3 billion, which is about \$600 million or 23% more than Azerbaijan's corresponding indicator. While in 2018, Azerbaijan's tourism revenues decreased by \$350 million, this figure, on the contrary, increased by over \$500 million in Georgia.

According to local media, [4.8 million tourists visited Georgia in 2018](#). The number of tourists who visited Azerbaijan [was 2.9](#)

[million](#), or just over half of the relevant figure for neighboring Georgia. Based on the abovementioned two indicators – the number of tourists visiting these countries and their estimated expenditures, we can calculate that every tourist in Georgia spends on average \$700, while in Azerbaijan they spend \$900.

One interesting fact is that the number of tourists visiting Azerbaijan in 2018 increased by 6% compared to the previous year, while tourism revenues dropped by 13% for the same period. However, Georgia experienced a 10% increase in the number of tourists, which was accompanied by an 18% increase in tourism revenues.

[According to official statistics](#), 63% of tourists visiting Azerbaijan in 2018 were citizens of three countries – Russia, Georgia, and Turkey. Another 20% of tourists come from Iran and Arabic-speaking countries. That is to say, the number of tourists from developed countries, who have high spending capacity, is quite low in Azerbaijan. For example, the number of tourists coming from Germany, the Netherlands, France, and Italy in 2018 was around 40,000 people. During the same period, however, 150,000 tourists from only Poland, Israel, and Germany visited Georgia. The share of the tourist flows to Georgia coming from the top three countries was much lower than the relevant figure for Azerbaijan, and in 2018 it was around 45%. [The top three countries were Azerbaijan, Armenia, and Russia](#). It is clear from the figures that the tourists visiting Georgia are geographically better diversified.

Based on the statistics, it is necessary to pay attention to an important indicator reflecting the development of tourism: while the ratio of tourists to population in Azerbaijan is around 25%, this figure is over 120% in Georgia.

When analyzing the figures of the first quarter of 2019, it seems that the same process is continuing – the number of tourists visiting Azerbaijan is decreasing while the same

figure for Georgia is increasing. According to official statistics, the number of tourists visiting Azerbaijan in the first quarter of this year decreased by 2.9%. The biggest decreases were recorded among citizens of Qatar (48.5%), Iran (43.4%), Israel (41.7%), the United Arab Emirates (28.1%), and Iraq (24.8%). The number of tourists visiting Georgia, however, increased by 2.2% during this period and this increase was mainly accounted for by citizens of China (59%), Saudi Arabia (53%), and Israel (11.5%).

In any case, if Azerbaijan thinks that it will earn money through its tourism potential, it should watch its main competitor in the region carefully and take note of the steps it took to get ahead. For example, the Georgian government has already come to the conclusion that it is difficult to attract mass tourists from developed countries if there are no direct flights. People from Munich, for instance, are unwilling to fly to their destination via Istanbul where they need to wait for a connecting flight to Georgia. Or the visa-free regime for Western countries may be extremely important. In short, the markets should be monitored every minute. Otherwise, Azerbaijan can only be a loser in this competition.