

THE MAIN FIELDS OF REFORM FOR THE DEVELOPMENT OF MARITIME TOURISM IN AZERBAIJAN

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SUMMARY

This policy document focuses on the reasons why the potential of maritime tourism is not fully used in Azerbaijan, the consequences of the problem, and proposals for legal and economic regulations required for development.

The policy paper proposes two alternatives for efficient use of maritime tourism potential in our country: 1. Reforms for more efficient use of the potential of regions actively engaged in maritime tourism. 2. Active use of territories that have maritime tourism potential, but do not use it and more intensive tourism activities.

For the next five years, reforms based on the first alternative are preferable in terms of availability of finances and infrastructure, while the implementation of the reforms mentioned in the second alternative can be considered at a later period.

1. INTRODUCTION

One of the main issues facing the country's economy in recent years is the development of the tourism sector. Tourism is a specific area that has the ability to generate income for the country without any need for costly investment. As a result of tourist activity, hotels, public catering facilities, and other facilities - museums, historical cultural, art facilities and shopping centres - generate high revenues.

The policy paper outlines the inadequate use of the country's maritime tourism potential, its causes, consequences and alternatives to address the problem.

The study is based on different sources of information - reports from international economic and tourism organizations, the experience of different countries, local and international statistical data and expert findings.

The document consists of three main parts. The first part entitled "**Problem Description**" speaks about the current state of maritime tourism in Azerbaijan, the inadequate use of maritime tourism potential, its causes, the factors that create these causes, the consequences of the problem, and the need to address the problem. The part called "**Alternatives**" proposes two alternative options for the full use of maritime tourism potential in Azerbaijan. The part entitled "**Conclusions and Recommendations**" provides alternatives, their advantages and drawbacks and which alternatives are preferred and why.

2. PROBLEM DESCRIPTION

The main objective of countries of the world in the modern period is to obtain maximum revenues by making effective use of the country's potential resources. If we look at the issue from the perspective of sustainable economic development, the potential of maritime tourism in Azerbaijan should be used so that environmental damage is minimized and we can hand over this reserve to future generations.

The problem is the inadequate use of Azerbaijan's maritime tourism potential.

According to the World Tourism Organization's 2017 report, 2.454 million tourists visited Azerbaijan. It is 0.4% more than in 2016. According to the same report, the country's tourism revenues have reached \$ 3.012 billion, or 0.6% more than in 2016.

The Strategic Road Map on the development of specialized tourism industry in the Republic of Azerbaijan, approved by the President of the Republic of Azerbaijan on 6 December 2016, once again proves that the development of tourism is one of the main priorities for the country's economy.

Independence is a key factor for each country in terms of deciding its political, economic, and social self-determination. Of course, it was important for Azerbaijan to gain its independence, but this independence also gave us some "losses" along with what we gained. These losses were also experienced in the field of maritime tourism. For example, the severance of interstate relations after the collapse of the USSR damaged tourism as well. Specifically, the number of tourists coming to Azerbaijan for maritime tourism dropped dramatically.

Although Azerbaijan's maritime tourism potential is large, it is not being used sufficiently. Although the length of our coastline is over 800 km, we are not fully benefiting from our coastal position. About 40 km of the coastline is currently being used for beach tourism. If we compare Azerbaijan with post-socialist countries with a similar historical fate (for example, Bulgaria) and countries with a similar geographical position (Turkey, Georgia), we can see that these countries are making sufficient use of their potential and attracting millions of tourists.

At the same time, the political aspects of the problem should not be overlooked. The fact that the country has been at war since the 1990s and the ongoing cease-fire violations have seriously affected our tourism facilities. Although we have been trying to resolve the issue peacefully for many years, the fact that there are still no results causes a problem for us. This has caused not only the war zone and its adjacent regions, but the country as a whole to get on the list of "dangerous countries for tourists" in the rating table of many organizations.

In 2015, the devaluation of the country's national currency had a strong impact on the economy. The primary issue for overcoming the crisis was the elimination of budget dependency on oil revenues. The development of tourism is one of the simplest ways to turn devaluation in our own favour, according to the experience of many countries. We can benefit from Turkey's experience of overcoming the turbulent times of the 1990s and creating a turning point in the early 2000s.

It is known that many scholars call tourism "an industry without chimney", because its revenues do not belong to just one field. Hotels, public catering facilities, and various service areas gain from it. At the same time, foreign tourists coming to the country spend more manats as their currency is more "valuable" due to the devaluation. At this point, Azerbaijan becomes a more attractive country for tourists, and this causes a flow of currency into the country. It is precisely because of these economic factors that there was a need to develop tourism in the country.

We noted that the development of the tourism sector in the country has become necessary. But one of the important nuances is the social sphere, which should not be overlooked. When we talk about the social aspect, we have to highlight the interests of our society and the people of the country. We can address the issue in two ways: 1. Tourism is very effective in terms of increasing the population's income, employment (seasonal, permanent) in the country, and preventing income inequality. Since the development of tourism does not necessarily require accommodation in the city centre and a large infrastructure network like other economic areas, it affects the employment of the population in our regions and their development. For example, if we ensure the development of maritime tourism in the country, we can achieve improvements in the well-being of the population not just in Baku and the Absheron peninsula, but also in the coastal regions. 2. Our local population travels abroad for maritime tourism. We can attain the development of maritime tourism in the country, meet the domestic demand, reduce the population's expenses and prevent the outflow of foreign currency abroad.

We noted that the philosophical essence of the sustainable economic development concept is to use the planet's natural resources efficiently and economically, preserve the environment, and improve the quality of life for the present and future generations. Along with this, sustainable development envisages socio-economic and environmental development aimed at meeting the needs of the people wisely and maintaining peace on the planet.

With this approach, we see that the development of maritime tourism has become necessary in Azerbaijan. The focus on the development of the non-oil sector in the current period, the flow of foreign currency into the country and the improvement of the economic, social and economic well-being of the population make it necessary to develop tourism, as well as maritime tourism.

In order to assess the inadequate use of maritime potential in the country as a problem, it is important to note its consequences:

- Fewer tourists are visiting;
- Local people travel abroad;
- Foreign currency outflow;
- This area has a very small share in the employment of the country's population;
- Tourism revenues in GDP are less than expected;

Of course, we face such complications in maritime tourism for certain reasons. Let's divide these reasons into five main groups:

1. *Poor promotion of the country's maritime tourism.* If we make a comparison with post-Soviet countries and countries with a similar geographical position, we can see that these countries have successfully implemented their marketing policies and

attract millions of tourists every year. We can indicate the example of Bulgaria or the Baltic states, as well as neighbouring Georgia and Turkey. Our country is not being promoted very well around the world and in the digital world.

2. *Visa and transport problems for tourists who want to come to the country.* Foreign tourists coming to our country face some difficulties in getting visas. Also, the high cost of air transport services, as well as the lack of alternatives and the inadequate development of sea transport in the country cause some problems.
3. *Beach tourism, which is one of the main branches of maritime tourism, does not satisfy tourists from an ecological point of view.* Coastal waters that are not clean, contain waste and sewage have a negative impact on constant visits by tourists. Although there are decrees and programmes on waste disposal and waste water treatment in the Caspian, no appropriate measures are being taken.
4. *Inconsistency between prices and service quality in key maritime tourism facilities.* Since the emerging tourism sector is not fully systematized yet, the prices are high and the quality of the service and product is low.

Contributing factors are:

- Lack of competitiveness;
- Improper application of international standards in our country;
- Shortage of skilled staff, etc.

The results affect the number of tourists visiting our country, the number of days they spend in the country and the number of visits in subsequent years.

Note that these countries are in the lead for the number of tourists coming to our country: 1) UAE (5,009 people), 2) Russia (1,985), 3) Saudi Arabia (1,964), 4) Iran (1,780), 5) Israel (584). The following countries are in the lead for the number of days: 1) UAE (28,521 days); 2) Iran (21,952 days); 3) Russia (7,229 days); 4) Saudi Arabia (5,897 days); 5) Israel (2,568 days). Looking at statistics, the number of tourists from these countries has increased several times over compared to 2014.

5. If we approach the issue from a psychological point of view, the desire of tourists who are tired of 3S tourism (sea, sand, sun) to discover new places and new entertainments creates the impression that the next visit here will be "uninteresting". The absence of exciting, alternative areas for attracting tourists causes them to give up constant visits in subsequent years.

3. POLICY ALTERNATIVES

Both of the proposed alternatives are based on the results of the study, survey and statistics.

Alternative 1. Reforms for the efficient use of the potential of maritime tourism zones

This alternative suggests four reform areas within the framework of existing policies.

First area: Carrying out work to introduce and promote Azerbaijan as a country of maritime tourism.

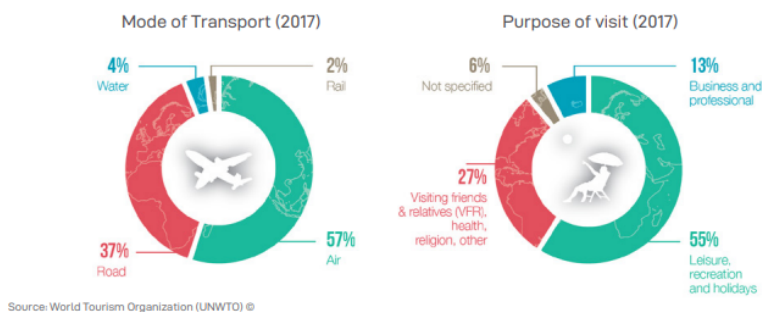
When we looked at history, we noted that until the 1990s, Azerbaijan was known as a country of maritime tourism in the Soviet Union. However, the severance of inter-state relations after Azerbaijan gained independence removed the country from the list of tourist destinations. Also, the country had just gained its independence, was at war and had poor relations with Turkic states as well as European countries. Although both legal and economic work has been carried out since the early 2000s, our country has yet to gain fame for maritime tourism in the region and worldwide. Of course, promotion and propaganda play a great role here. In order to promote Azerbaijan as a country of maritime tourism, it is necessary to use traditional marketing and digital marketing methods and try to attract more tourists to the country.

- Although our country has a large number of active and potential recreational and resort facilities, it is little known. In the digital world, we should try to introduce ourselves under the brand "Made in Azerbaijan" and the newly-adopted "Take another look" slogan. When we search the Internet and social networks for "Tourism in Azerbaijan" and "Tourism in Turkey and Georgia", the results for Azerbaijan are very poor. And our tourist facilities and places are not keen to keep up with the modern world and adapt to trends. However, the reality is that we can reach out to a very large audience at a small cost by means of the Internet, which crosses the borders and delivers information to us virtually regardless of time and space. It is precisely for this reason that maritime tourism should be focused on marketing, market research and marketing strategy.
- To start with, we need to work on promoting coastal areas that create opportunities for maritime tourism, especially beach tourism: preparing video clips, inviting influencers, organizing festivals with some of the most famous performers who have an army of fans and preparing information materials that answer the question of why people should visit our beaches (ecological situation, cleanliness, service, price, etc.). Along with that, we can invite employees of foreign travel agencies for info tours in both Baku and other beach areas.
- We can also attract tourists by posting informational leaflets and flyers at border crossing points with neighbouring countries and at airports. It should be noted that these information materials were put on display on the Turkish-Georgian border to promote Batumi beaches, botanical gardens, museums and so on, as well as on stands with maps. We can apply this experience on roads and at airports.
- Promotional activities should cover not only coastlines, but also tourist, entertainment, historical and health-resort areas at a distance of 1-3 hours from the coast. Such promotional campaigns should be carried out in hotels, hostels and restaurants visited by tourists. Access roads to those areas, maps and other information should be available in different languages.
- In our promotional work, we need to use guides who can provide tourists who visit the country for the first time with the most accurate information about the country, who have in-depth information about our country and can present it to tourists in foreign languages fully and in detail. During the tour, tourists should be fully informed and leave with a good impression so that they have a reason to visit again and explore more places.

Second area: Eliminating visas and transportation problems faced by tourists.

- After introducing the country to guests as a country of maritime tourism, the main issue is to facilitate their visit to the country and take encouraging measures. It is known that visas are required for citizens of many countries who want to come to our country. But we suggest that the visa policy be relatively softened. In general, the visa system is important for the country's security. But there are countries whose passports are valid for many countries and they can easily travel without visas. I propose that Azerbaijan make more visa concessions or abolish visas for such authoritative countries (mainly European countries such as Germany).
- In 2014 and 2017, we observed a sharp rise in the number of tourists coming from the UAE, Iran, Great Britain, Bahrain and Saudi Arabia. Of course, this is the result of the softening of the visa regime. Our country applies this policy mostly to citizens of the Gulf countries. But I think that the introduction of a promotional campaign and an easier visa regime for European countries will have a positive effect.

In the diagram we observe that 57% of tourists use air transport, 37% - roads, 4% - waterways and 2% - rail transport. Speaking about transportation problems, we mean that tourists should be able to travel to our country at less costs, easily and in less time. All types of transport play a role here, but the more problematic thing is the fact that the most preferred air transport is expensive in our country and there are no airlines offering low prices (especially international low cost companies). Although Buta Airways has been offering cheap flights in recent years, we can provide more convenience to tourists by giving them a greater choice in market economy conditions (WizzAir, Pegasus, etc.). In addition, a competitive environment may lead to an increase in the quality of services and relatively lower prices, which can be considered a direct incentive for tourists.



- In addition to air transport, we can also talk about speed trains. The Baku-Ganja speed train has started operating in our country. However, when we look at the correlation of distance and time, we see that it is not an international class speed train. For comparison, speed trains have been operating in many countries for 10-15 years and travel at speeds of at least 180-250 km per hour. However, the speed train that has just started operating in our country does not meet these parameters. That is why I propose that speed trains with higher parameters be used in our country.

Third area: Improving the ecological situation especially for beach tourism.

- It is planned to carry out reforms to clear the beach area and Caspian waters from waste. Although presidential decrees and state programmes have been adopted and launched in different years, sewage is still being discharged on the beaches. There is a need to monitor and assess the measures that have been taken and the amounts that have been allocated. If necessary, a new responsible body (or team) should be created and engaged in this work.
- It must be noted that in international practice, the awarding of a blue flag to the beaches is of great importance for tourists and they are more likely to visit such beaches. An environmental policy and cleanup activities should be implemented in Azerbaijan so that the Baku, Lankaran, and Nabran coastal area can get a blue flag and then legal measures should be taken to get the flag.

Fourth area: Relevance and compatibility of prices and quality of services in maritime tourism. Our main goal is to ensure the regularity of trips by every tourist, which means stable tourism revenue. But in many cases, both the local population and foreign visitors note that the prices are too high and the quality of services is extremely low. As a result, a tourist who visits once does not come back again because he is not satisfied. Looking at Turkey's maritime tourism experience, we can see that people from many countries, especially Russians, have been regularly visiting Turkish beaches for many years. It is possible that 20-25 years ago, Turkey offered a low quality service when it opened its tourism door to foreigners. However, the experience accumulated over the years contributed to the price and quality of tourism services in the country.

- The conditions and service level at enterprises catering for tourists in the country should be assessed and certified in accordance with international standards. Also, the current condition of enterprises evaluated before should be checked and assessed again. Organizations involved in this business should act more seriously.
- In addition to major hotels along the coastline, we must definitely reserve space for 2- and 3-star hotels and hostels, because tourists come from every income stratum and the low/middle income stratum will look not for an expensive but for a relatively low price for an "8-hour sleep". Therefore, I propose that work be carried out in two directions: a) In order to involve entrepreneurs, as well as those who want to use their houses as a hostel or hotel in this work, employees of relevant agencies should carry out work to inform and involve them in entrepreneurship. b) Evaluation work can be carried out among such enterprises in order to give certain stimulating support to enterprises that provide better services for better prices (short-term tax breaks or rewards).
- It should also be noted that if previously tourists from around the world preferred hotel booking sites such as <https://www.booking.com>, in recent years, they increasingly prefer platforms such as <https://www.airbnb.com> and <https://www.couchsurfing.com>. Both the population and tourist facilities should actively use modern Internet platforms to attract tourists and encourage them to visit our country and get acquainted with our national, cultural, historical, resort and leisure facilities.
- Of course, if we are talking about improving the quality of our services, we should pay particular attention to the professionalism of our service providers. What kind of qualified personnel are working in tourism enterprises in the country? Does their knowledge keep up with the modern world? What is the level of their communication

and language skills, ability to "please" tourists and awareness of the services they offer tourists? Problems like this continue. In order to address these problems, it is necessary to involve staff at tourist facilities (accommodation, public catering facilities and cultural-historical sites) in training and language courses. Also, consultations should be organized with entrepreneurs in order to prioritize qualified personnel. In addition, tourism agencies can offer their personnel international tourism programmes and refresher and language courses at affordable prices. It is possible to increase the quality of services by means of 2-4-week or 3-month courses.

The availability of more accommodation, catering facilities and more qualified personnel on the market will gradually allow us to achieve quality services at affordable prices based on demand and supply. The main load here is on state tourism agencies and entrepreneurs.

Alternative 2: Making territories and tourist activities that have maritime tourism potential, but are not using it more active.

This alternative provides for the study of the less used or unused areas on our coastline and the development of tourism and the study and intensification of preferred and popular entertaining, exciting, and sometimes dangerous tourist activities.

Economic regions	Number of foreign citizens put up in hotels and hotel-type enterprises in economic regions				
	2013	2014	2015	2016	2017
Total across the country	395461	392,790	495,648	776,784	981,232
Baku	341,839	337,777	422,564	582,592	776,379
Absheron	364	661	641	1,014	2,508
Lankaran	1,105	764	927	875	3,169
Guba-Khachmaz	1,043	1,391,841	3,161	18,379	54,077
Aran	1,175		4,527	2,999	3,283

If we look at developed maritime tourism areas, we will see mostly the development of the Absheron economic region. This region is in the lead by the number of tourists coming to the country and more infrastructure has already been created here. Economic regions favourable for maritime tourism located on the seafront are the Absheron, Guba-Khachmaz, Aran and Lankaran economic regions.

It is clear from statistical data that the number of foreign tourists visiting the Aran and Lankaran regions, which have large potential and cover large coastal areas, is quite small. Advertising and promotion work should be carried out here to explore areas favourable for maritime tourism, explore the types of maritime tourism that can be offered, create

infrastructure, and increase the attractiveness of beach and other tourist activities for both entrepreneurs and foreigners.

- The allocation of a separate beach area for women in Lankaran means a far greater benefit with better publicity through female tourists coming to the country.
- Aran's rugged coastline and the availability of ports makes it even more attractive for tour boats and cruise ships. It would be advisable to build the right infrastructure here and allocate sites not only for commercial vessels, but also for tourism-oriented ships.
- It would be expedient to create hotels, hotel-type facilities and better public catering establishments in these 2 economic regions to offer tourists with different levels of income better services at different rates, conduct educational meetings with entrepreneurs to involve them in this work, and offer enterprises that provide better services concessions on bank interest rates, taxes and rewards as a result of transparent assessment.
- Along with this, with the publication of information and reports about the coastal tourist attractions (such as monuments, museums, entertainment centres, shopping malls, etc.) located in these economic regions, it is possible to make the area memorable not only as a beach tourism destination but also as an entertainment and recreational area.

Better use of these areas can lead to the development of these regions, which is one of the priorities for the country. For this reason, the involvement of qualified personnel in this area and the conduct of research and evaluation work by professionals are important.

Along with these, we should point to the promotion of alternative tourism activities, which have great potential but are little used in our country.

What is alternative tourism?

- It is a tourism activity that results from the desire of people tired of traditional types of tourism for new places and adventures and includes adventure tourism, animation tourism, agrotourism, ecotourism, religious tourism, sports tourism, landscape tourism, and others. By correctly exploring coastal areas, we can create alternative tourism with more efficient use of our potential resources. But for this purpose, a research team should be set up to study international experience and local resources and make proposals.
- If we are talking about maritime tourism and types of transport, we should also mention cruise tours. Cruise tours are carried out by large cruise ships called "floating camps". These tours are provided directly on cruise ships. Tourists travel for months with little breaks at ports, crossing seas and oceans. During cruises, tourists are provided not only with hotel rooms, but also major sports sites, swimming pools, restaurants, cafes, entertainment and shopping centres, and even landing areas for helicopters. Azerbaijan has access to the world ocean via sea canals. Using this opportunity, we can provide cruising tours to the world ocean through the Caspian Sea. Also, since cruise tours cater for the high-income stratum, this means that the country will get higher revenues. Although it requires a fairly high investment, this field should become a priority in the coming years as it promises a lot of revenues. Since it requires large ports, its application in the Aran and Absheron economic regions will be more successful.

- Another type of travel by road is the caravan, which has been very popular over the last 10 years. Tourists spend their time in caravans - small home-type vehicles with a bed, kitchen, toilet and so on. The cost of the caravan is about 100,000 AZN. But we can attract tourists and promise them European-style travel by renting caravans to them. Caravan tourism will be effective because in recent years, tourists prefer to go on individual tours and choose their time, destination and so on independently instead of ready-made packages offered by travel agencies. However, high prices require them to spend large amounts of money on the enterprise that provides rental services and travel agencies.
- We should make maximum efforts to create new types of tourism through our existing resources, equipment imported from abroad and foreign experts. This includes issues ranging from 3D technology to show tourists the cooking process in restaurants to the importation of air balloons for adventure tourism.

CONCLUSION

Even though attention to tourism has increased in the country in the last five years, we still are not well-recognized as a country of maritime tourism. Promotion in neighbouring countries, easing of entry into the country, combining service and price levels, improving the ecological situation in coastal areas, application of new tourism territories and alternative types of tourism will contribute to Azerbaijan's transformation into one of the countries specializing in maritime tourism.

Here are some alternatives I suggest:

Alternative 1 encompasses mostly the improvement of maritime tourism areas and tourism activities. Its realization in the next 5 years is easier both in terms of time and finances. While 60% of these alternative proposals fall on entrepreneurs, 40% cover the activities of government agencies.

Although Alternative 2 covers a longer-term period and is very profitable, it takes longer to make a profit from the investment made, so support from the state - relevant tourism and executive authorities - and concessions for entrepreneurs are necessary. Here, 60% of the load is on the state while the remaining load falls on entrepreneurs.

In the next five years, there is a preference for reforms based on Alternative 1 due to the availability of financing and infrastructure, and the implementation of reforms covering Alternative 2 can be considered at a later period.

Regular monitoring and evaluation of the work that is carried out, regular and comparative analysis of indicators of neighbouring countries that are our rivals in maritime tourism, interventions that need to be made, giving recommendations and guidance on more effective use of potential resources, and transparent appraisals and concessions will have an effect.

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