DAUGAVPILS UNIVERSITY
DEPARTMENT OF ECONOMICS

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Doctoral Thesis

DEVELOPMENT OF REGIONAL TOURISM IN AZERBAIJAN

Submitted for the Doctor Degree of Economics
Subfield – Regional Economics

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Dr.sc.ing., professor Irēna Silineviča: __________

Research author: __________

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Scientific publications of the Doctoral Thesis


Abstracts of conferences


And Climbing Sports For Developing Sustainable Tourism In Mountain Regions Of The World Such As Caucasus. " pp 29-30

Participation in conferences with reports

1. Strategies of international economic integration development in the context of the EU. Daugavpils University, 2011.
2. Annual International Scientific Conferences of Faculty of Social Sciences of Daugavpils University. Daugavpils University, 2012
3. The Valuable Role Of Mountaineering And Climbing Sports For Developing Sustainable Tourism In Mountain Regions Of The World Such As Caucasus - International Conference. Baku, Azerbaijan, 2013
4. AGH University of Science and Technology in Krakow. Conference of Young Scientists. Krakow, 2013
5. Annual International Scientific Conferences of Faculty of Social Sciences of Daugavpils University. Daugavpils University, 2015

Participation in projects

Doctoral thesis of Naila Musayeva “Development of Regional Tourism in Azerbaijan” is developed in the Department of Economics of the Social Sciences Faculty of Daugavpils University. Scientific leader: Dr.sc.ing. Irena Silinevicha

The objective of the research – the study of competitiveness of Azerbaijan as a tourist region in the global context, and the impact of the tourism industry on the economy of Azerbaijan and its regions.

Tasks of the research:

- To explore the theoretical and methodological framework for the analysis of regional tourism: identify factors that influence the development of regional tourism in the global and local context; consider the characteristics of statistical accounting in the tourism industry, to analyze methods of regional tourism studies.
- To develop a methodology that allows to allocate tourism competitiveness factors and form a homogeneous clusters in space tourism competitiveness factors on the basis of standardized TTCI indicators. With the help the methodology and M. Porter factors of competitiveness, TTCI components and developed standardized indicators included in them to analyze the competitiveness of Azerbaijani tourism.
- To compare the effectiveness of tourism potential use in the clusters allocated on the basis of competitiveness. To analyze the direct and indirect impact of tourism on the economy of the Republic of Azerbaijan, to evaluate the multiplier effect of tourism with the SWOT analysis.
- To analyze the development of tourism in the inner regions of the Republic of Azerbaijan on the basis of the statistics of the State Statistics committee of the Republic of Azerbaijan. To develop recommendations for the development of regional tourism in Azerbaijan, on the basis of the SWOT-analysis.

The hypothesis of the research: the largest positive impact on the development of regional tourism in Azerbaijan in the global context provide factors of tourist infrastructure, tourist service, the availability of cultural and historical resources. A set of factors that affect the tourism of Azerbaijan in the local context depends on the characteristics of internal regions of the country.

The doctoral thesis is developed according to the tasks of the research and consists of 4 chapters. The first chapter introduces with the definitions related to regional tourism, analyzes the factors that determine the development of regional tourism, provides an overview of the methods for the qualitative and quantitative study of tourism, and describes statistical process in tourism. The second chapter is devoted to the development of methods for analysis of tourism potential and competitiveness of the region in the field of tourism and travel, by using factor analysis, cluster analysis, comparative analysis. This chapter describes tourism potential of Azerbaijan at the level of tourism competitiveness indicators used in the calculation of the index of competitiveness in travel and tourism, and in accordance with Porter factors. The third chapter analyzes quantitative methods for assessing the economic efficiency of the tourism industry: contribution to GDP, balance of payments, employment. The chapter also considers the options of multiplier effect in tourism and provides its evaluation. The fourth chapter is devoted to analysis of tourism in Azerbaijan. According to the results of the SWOT analysis of the tourism potential in Azerbaijan the factors that favor the development of tourism and proposed measures to their most effective use can be highlighted.

Volume of the doctoral thesis contains 35 pictures, 18 tables, bibliography of 285 titles, and 2 appendices.
ANOTĀCIJA

Naila Musayeva promocijas darbs “Reģionālā Tūrisma Attīstība Azerbaidžānā” izstrādāts Daugavpils Universitātes Sociālo zinātņu fakultātes Ekonomikas katedrā. Zinātniskā vadītāja: Dr.sc.ing. Irena Silinevicha

Pētījuma mērķis ir izpētīt Azerbaidžānas kā tūrisma reģiona konkurētspēju globālā kontekstā un tūrisma nozares ietekmi uz Azerbaidžānas un tās reģionu ekonomiku.

Lai sasniegtu mērķi, tika izvirzīti šadi uzdevumi:

- Izpētīt teorētiski metodisko bāzi reģionālā tūrisma analīzei: noteikt faktorus, kas ietekmē reģionālā tūrisma attīstību globālā un vietējā kontekstā, izpētīt tūrisma nozares statistiskās bāzes ipatnības, analizēt reģionālā tūrisma pētniecības metodes.
- Uz TTCI standartizēto rādītāju bāzes izstrādāt metodiku, kas ļauj izdalīt tūrisma konkurētspējas faktoru un tūrisma konkurētspējas faktoru plaknē izdalīt viendabīgus klāsterus. Analizēt Azerbaidžānas tūrisma konkurētspēju pēc TTCI un tajā esošajiem standartizētajiem rādītājiem, izmantojot izstrādāto metodiku un M.Portera konkurētspējas faktoru.
- Salīdzināt tūrisma potenciāla izmantošanas efektivitāti klāsteros, kas izdalīti uz konkurētspējas faktoru bāzes. Analizēt tiešo un pastarpināto tūrisma ietekmi ar Azerbaidžānas Republikas ekonomiku, ar SVID analīzes palīdzību novērtēt tūrisma nozares multiplikatīvo efektu.
- Analizēt tūrisma attīstību Azerbaidžānas Republikas iekšējos reģionos, izmantojot valsts Statistikas komitejas apkopotos datus. Izmantojot SVID analīzi, istrādāt ieteikumus reģionālā tūrisma attīstībai Azerbaidžānā.

Pētījuma hipotēze: Lielāko pozitīvo ietekmi uz Azerbaidžānas reģionālā tūrisma attīstību globālā kontekstā uzrāda tādi attīstības faktori kā tūrisma infrastruktūra, tūrisma pakalpojumi, kultūrvēstures resursu esamība. Faktori, kas ietekmē tūrismu Azerbaidžānā vietējā kontekstā, ir atkarīgi no iekšējo valsts reģionu ipatnībām.

Promocijas darbs struktūrēts četri dajās: Pirmajā nodalā ir iekļautas definīcijas, kas saistītas ar reģionālo tūrismu, analizēti faktori, kas nosaka reģionālā tūrisma attīstību, sniegts pārskats par metodēm, kas palīdz veikt tūrisma kvalitatīvo un kvantitatīvo analīzi, aprakstīts statistiskās uzskaites process tūrismā. Otrā nodalā ir velēta tūrisma potenciāla un reģiona konkurētspējas analīzes metožu izstrādei ceļojušajām un tūrisma jomām. Ir izvēlētas valstis, kurās ir iespējams salīdzināt ar Azerbaidžānu. Izmantojot faktoru analīzi, 14 tūrisma konkurētspējas komponentu kopums ir samazināts līdz diviem faktoriem. Klāsteru analīze šo faktoru plaknē palīdzēja izveidot trīs valstu klasterus, ņemot vērā tūrisma industrijas attīstību. Šo klasteru salīdzinošā analīze tika veikta, izmantojot konkurētspējas rādītājus. Šajā nodalā Azerbaidžānas tūrisma potenciāls aprakstīts tūrisma konkurētspējas faktori attīstību līmenī, ko izmanto, aprēķinot konkurētspējas rādītājus ceļojušanas un tūrisma jomām. Faktori, kas ietekmē tūrisma Azerbaidžānā vietējā kontekstā, ir atkarīgi no iekšējo valsts reģionu ipatnībām.


Promocijas darba apjoms ir pētījums ietver 35 attēlus, 18 tabulas, 285 bibliogrāfijas avotus un 2 pielikumus.
АННОТАЦИЯ
Докторская диссертация Наили Мусаевой «Развитие регионального туризма в Азербайджане» подготовлена на кафедре экономики факультета социальных наук Даугавпилсского университета. Научный руководитель: Dr.sc.ing. Иrena Силиневича.

Цель исследования - исследование конкурентоспособности Азербайджана как туристического региона в глобальном контексте, и влияние туристической индустрии на экономику Азербайджана и его регионов.

Задачи исследования:
• Исследовать теоретико-методологические основы анализа регионального туризма: установить факторы, влияющие на развитие регионального туризма в глобальном и локальном контексте; рассмотреть особенности статистического учета в туристической отрасли, проанализировать методы исследования регионального туризма.
• На базе стандартизованных индикаторов TTCI разработать методику, позволяющую выделить факторы конкурентоспособности туризма и сформировать в пространстве факторов конкурентоспособности туризма однородные кластеры. Проанализировать конкурентоспособность туризма Азербайджана по компонентам TTCI и входящим в них стандартизованным индикаторам, используя разработанную методику и факторы конкурентоспособности М. Портера.
• Сравнить эффективность использования туристического потенциала в кластерах, выделенных на базе факторов конкурентоспособности. Проанализировать прямое и косвенное влияние туризма на экономику Азербайджанской Республики, оценить SWOT анализа мультипликативный эффект туризма.
• Проанализировать развитие туризма по внутренним регионам Азербайджанской республики на основе статистики Государственного Комитета Статистики АР. Разработать рекомендации для развития регионального туризма в Азербайджане, на базе SWOT-анализа.

Гипотеза исследования: Наибольшее положительное влияние на развитие регионального туризма Азербайджана в глобальном контексте оказывают факторы развития туристической инфраструктуры, туристического сервиса, наличие культурно-исторических ресурсов. Набор факторов, влияющих на туризм Азербайджана в локальном контексте, зависит от особенностей внутренних регионов республики.

Структура диссертации. Диссертация состоит из четырех глав. В первой главе введены определения понятий, связанных с региональным туризмом, проанализированы факторы, определяющие развитие регионального туризма, определен обзор методов, позволяющих проводить качественные и количественные исследования туризма, описан процесс статистического учета в туризме. Вторая глава посвящена разработке методики анализа туристического потенциала и конкурентоспособности региона в сфере путешествий и туризма. В этой главе туристический потенциал Азербайджана описан на уровне индикаторов конкурентоспособности туризма, используемых при расчете индекса конкурентоспособности в сфере путешествий и туризма, и в соответствии с факторами Портера. В третьей главе проанализированы количественные методы оценки экономической эффективности индустрии туризма: вклад в ВВП, платежный баланс, занятость. Рассмотрен мультипликативный эффект туризма и варианты его оценки. Проанализирована связь между туристическим потенциалом и экономической эффективностью туризма, путем сравнения соответствующих показателей в выделенных кластерах. Проанализирована эффективность использования туристического потенциала в Азербайджане. Четвертая глава посвящена анализу туризма в Азербайджане. По результатам проведенного SWOT - анализа туристического потенциала Азербайджана выделены факторы, благоприятствующие развитию туризма, и предложения мероприятия по наиболее эффективному их использованию.

Объем диссертации состоит из 35 рисунков, 18 таблиц, библиографический список из 285 наименований, а также 2 приложения.
INTRODUCTION

The trend in recent decades has been the transformation of leisure and tourism in one of the most profitable and fastest growing industries of the world economy, one of the sources of well-being of both developed and developing countries as well. Tourism is one of the largest, high-yielding and most dynamic sectors of the global economy. Its successful development has a positive impact on different economic sectors (transport, communications, trade, agriculture, construction, consumer goods, etc.). Tourism is one of the most labor-intensive sectors of the global economy. Tourism industry provides working-places for millions of people around the world. There are more working places created for each unit of capital investments than many other sectors of the economy.

According to the World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC), tourism accounts for 9% of world GDP (taking into account the multiplier effect), 30% of the world exports of services, 5-6% of total world exports, around 5% of global investments; tourism also provides 3.3% of employment in the world, and 8.7% (almost 255 million working places), if related industries are taken into consideration (UNWTO, 2012).

Tourism in Azerbaijan is seen as a catalyst for regional economics, allowing to use not only the entire range of recreational resources, but also providing the most efficient use of the combined production and socio-cultural potential of the territory, while maintaining ecological and cultural diversity.

The tourism revenues in Azerbaijan economy do not exceed 4.5%. Analysis of competitiveness in travel and tourism on the basis of objective international assessments will allow identification of both positive and problematic aspects of the development of this field in the country. Identification of trends in this area and the transformation of the tourism industry into one of the leading sectors of the economy in the post-oil period are the main challenges that require effective solutions.

The term ‘Regional tourism’ means the tourism in some certain region. In the present research this term is used in double means. In the second and third part of the present research the term ‘region’ relates to the whole territory of Azerbaijan. The term 'Regional tourism of Azerbaijan' was selected because it underlines the regional specifics of Azerbaijan in the global context. The local context of regional tourism is used in the fourth part of the present research, where the term ‘region’ relates to some part of country’s territory, since Azerbaijan is divided into 10 administrative territorial units – regions.

In the present research regional tourism in local aspect is defined as follows: tourism which operates by use tourism resources (natural, cultural, and historical) and tourism infrastructure in the territory which is defined as an administrative unit ‘region’ into country.

New trends in socio-economic development of the country predetermine a more responsible attitude to the possibilities of regional tourism. This, in turn, requires a preliminary assessment of the tourist potential in each region. Lack of assessment of tourism resource potential in each region of Azerbaijan does not allow to develop sustainable tourism strategy. Differences in economic, natural, geographical, socio-demographic and other conditions in the regions of Azerbaijan require more flexible tourism policy that is based on the characteristics of each region. There are differences between regions. Research of current state tourism industry, identifying key trends, study the features of the development of tourism, as well as the development of proposals and recommendations to improve the growth rate in the country, is a very topical area of economic research for the Republic of Azerbaijan, as well as for other countries, facing similar problems.
In general, tourism - a complex multi-faceted phenomenon of social life. As a complex phenomenon, tourism has become the object of interdisciplinary studies. Currently, the formation process of a new science – tourismology has been provided, the development of which is made primarily by such disciplines as geography, economics, sociology, psychology, medicine, law, architecture and urban planning, regional planning, as well as other natural and technical sciences.

The object of research is regional tourism as a specific form of economic activity of the Azerbaijan Republic in global and local context.

Subject of research – the state, trends, factors of tourism development, the problems of regional tourism development as a form of economic activity in the Republic of Azerbaijan and its regions.

The aim of the research – the study of competitiveness of Azerbaijan as a tourist region in the global context, and the impact of the tourism industry on the economy of Azerbaijan and its regions.

To achieve the abovementioned aim the following tasks were provided:

- Explore the theoretical and methodological framework for the analysis of regional tourism: identify factors that influence the development of regional tourism in the global and local context; consider the characteristics of statistical accounting in the tourism industry, to analyze methods of regional tourism studies.
- To develop a methodology that allows to allocate tourism competitiveness factors and form a homogeneous clusters in space tourism competitiveness factors on the basis of standardized TTCI indicators. With the help the methodology and M. Porter factors of competitiveness, TTCI components and developed standardized indicators included in them to analyze the competitiveness of Azerbaijani tourism.
- Compare the effectiveness of tourism potential use in the clusters allocated on the basis of competitiveness. To analyze the direct and indirect impact of tourism on the economy of the Republic of Azerbaijan, to evaluate the multiplier effect of tourism with the SWOT analysis.
- To analyze the development of tourism in the inner regions of the Republic of Azerbaijan on the basis of the statistics of the State Statistics committee of the Republic of Azerbaijan. To develop recommendations for the development of regional tourism in Azerbaijan, on the basis of the SWOT-analysis.

The hypothesis of the research: The largest positive impact on the development of regional tourism in Azerbaijan in the global context provide factors of tourist infrastructure, tourist service, the availability of cultural and historical resources. A set of factors that affect the tourism of Azerbaijan in the local context depends on the characteristics of internal regions of the country.

Theoretical and methodological basis of the research was made by concepts, hypotheses, theoretical models of regional tourism development and development of the countries and regions of the world that was analyzed in the articles of researchers from different

Swiss and West German researchers Krippendorf (Krippendorf J., 1975), Weiss (Weiss H., 1981), and Junk, (Junk R., 1980) have given a great contribution to the development of tourism research methods.

Topical issues of regional tourism development are reflected in the works of authors such as: Azar V.I., Ananieva M., Afanasieva A.E., Borisova K.G., Karpova G.A., Katz A. (Годфри


In 2001 Kasumov R.M. published a monograph, dedicated to international tourism. The book highlights the issues on theory of the international tourism market economy, the problems of development, particularly the implementation of the tourism product, actual problems for improvement of market processes in the field of international tourism (Касумов Р.М., 2001).

Researches of Eganly S.G. and Hajiyev E.M. are also devoted to issues of international tourism (Еганлы С.Т., Гаджиев Э.М., 2003). The monography summarizes theoretical knowledge about tourism on the basis of statistical and practical materials using examples of international and national tourism practices. It also reflects the possibility of introducing the latest achievements of world tourism in the development of tourism in Azerbaijan in a free market conditions. The authors revise development trends for such types of tourism that correspond to the recreational profile of the region, explore the reasons hampering the development of small and medium-sized businesses and tourism industry as such, as well as analyze the impact on the development of the tourism tax policy, credit and investment issues of tourism enterprises.

J. A. Mammadov and B.A. Bilalov in their researches consider both theoretical and practical components of the tourism development in the Republic of Azerbaijan (Мамедов Дж.А., Билалов Б.А., 2003). Research of Alirzaev A.G. and Sultanli S.I. considered indicators of tourist potential, the possibility of tourism services use, as well as material and technical base of tourism and financial resources for the organization of all tourism activities in the regions of Azerbaijan (Алирзаев А.Г., Султанлы С.И., 2007).

However, the problem of regional tourism development in Azerbaijan as a source of economic growth is almost not developed and in need of further conceptual development and complex of fundamental researches (Б. Билалов, 2009).

The used scientific methods:

For the implementation of the present research modern scientific studies for analysis, including a variety of economic research methods are being used:

- monographic method – for the development of theoretically methodological base of the research,
- logical analysis and synthesis method,
- monographic, analysis and synthesis method
- analytical, didactic, content and comparative analysis,
- graphic interpretation method of the identified trends and processes,
- methods of descriptive statistics, correlation and regression analysis, factor, cluster analysis.
Information and empirical base of research is presented with:

- official statistics of international organizations and the Republic of Azerbaijan;
- materials from individual and collective monographs of domestic and foreign researchers,
- information, published in special editions, as well as internet providers.

The novelty of the research:

- The author studied influence of various factors on the development of regional tourism both in local and in the global context. The author developed a new approach for the analysis of the competitiveness in the tourism industry on the basis of factor and cluster analysis of standardized TTCI index indicators.
- Global tourist regions (countries) grouped in clusters in the area of tourism competitiveness factors were identified by the application of factor analysis to standardized components TTCI index.
- The competitiveness of Azerbaijan as a tourist destination in comparison with the countries of the cluster in which it is included and in comparison with clusters of other countries was analyzed. For the analysis the author used own methodology, as well as M.Porter factors of competitiveness that were calculated on the basis of TTCI indicators.
- A comparative analysis of the impact of tourism on the economies of countries in the clusters identified in the area of competitiveness factors was provided. Estimated direct and indirect impact of tourism on the economy of Azerbaijan was evaluated.

The practical significance of the research – the research will serve as a basis for developing a regional strategy for the development of tourism in Azerbaijan as a whole and to develop a regional development program for each region.

The structure and scope of the doctoral dissertation. The doctoral dissertation consists of an introduction, four chapters, conclusions, bibliography and appendices. Research content includes 37 pictures, 17 tables, bibliography of 281 titles, and 2 appendices.

The introduction provides the topicality of the chosen theme of the dissertation, formulates the aim and objectives of the study, reflects scientific novelty, practical and theoretical significance of the work, as well as summarizes the composition and content of the dissertation by chapters.

The first chapter introduces with the definitions related to regional tourism, analyzes the factors that determine the development of regional tourism, provides an overview of the methods for the qualitative and quantitative study of tourism, and describes statistical process in tourism.

The second chapter is devoted to the development of methods for analysis of tourism potential and competitiveness of the region in the field of tourism and travel. Chapter provides sample of states that comparable with Azerbaijan. By using factor analysis, the dimension of the 14-dimensional tourism competitiveness components is reduced to two factors. Cluster analysis of these factors allows form three cluster states that are homogeneous in terms of the development of the tourism industry. Comparative analysis of these clusters is carried out by using a competitive indicators. This chapter describes tourism potential of Azerbaijan at the level of tourism competitiveness indicators used in the calculation of the index of competitiveness in travel and tourism, and in accordance with Porter factors.

The third chapter analyzes quantitative methods for assessing the economic efficiency of the tourism industry: contribution to GDP, balance of payments, employment. The chapter also considers the options of multiplier effect in tourism and provides its evaluation. The relationship between the tourist and economic potential of tourism performance by comparing appropriate
indicators in the selected clusters, as well as the efficiency of tourism potential use in Azerbaijan has been analyzed.

The fourth chapter is devoted to analysis of tourism in Azerbaijan. According to the results of the SWOT analysis of the tourism potential in Azerbaijan the factors that favor the development of tourism and proposed measures to their most effective use can be highlighted. It describes the relationship between the economic and tourist regions of Azerbaijan. In this chapter the cluster analysis for regions of Azerbaijan in the plane of tourist flows and elements of tourism infrastructure is established and highlighted the areas that are most suitable for the development of tourism.

The conclusion gives the findings and proposals for further development of the research object and methods to be used.

**Thesis to be defended:**

1. Regional tourism is influenced by different factors in global and local level. Regional tourism must be analyzed in global and local context.

2. TTCI (Tourism and Travel Competitiveness Index) is a main characteristic that allows to compare tourism development of many countries around the world. M. Porter’s methodology allows to provide analysis of tourism competitiveness in local context. Usage of global TTCI and M. Porter’s methodology determined that most positive impact on the development of regional tourism in Azerbaijan in global context show development factors of tourism infrastructure, tourist service, the availability of cultural and historical resources.

3. Regional tourism is very significant (important) in regional economy by its contribution to employment and establishment of national income. The effectiveness of tourism potential can be calculated by use multiplier effect, tourism contribution to creation of national income and employment.

4. Regional tourism in local context is very important for countries that territories are divided into regions. A set of factors affecting tourism of Azerbaijan in local context depends on the internal characteristics of regions in the country. It allows to develop regional strategy and policy, which allows to stimulate tourism development in each region taking into account disparities among regions.
1. THEORETICALLY-METHODOLOGICAL ASPECTS OF REGIONAL TOURISM ANALYSIS

The concept of a tourist region and regional tourism

There are several approaches to the definition of tourist region, associated with the response to the following questions: how to define the territory, chosen for tourist travel and what size of territory can be perceived as the purpose of travel by different market segments (Бессонова В.Б., 2006).

Such researchers as B. Althof (Althof W., 1996), K. Kaspar (Kaspar C., 1979), А. У. Александрова (Александрова А.Ю., 2002), D. V. Nikolaenko (Николаенко Д.В., 2001), А. А. Romanov (Романов А.А., Саакянц А.Г., 2002), I. V. Zorin (Зорин И. В., Квартальнов В. А., 2003) have given a significant contribution to the development of the research on tourist areas.

The concept of region is ambiguous.

P. S. Cherkasov (Черкасов, 2013) operates with the following definition of region: it is a certain part of national economy of a state, differing with geographical conditions and natural resource specialization, characterized by orientation of productive forces in accordance with the social infrastructure. In other words, a tourist area is a territory of the country with homogeneous (similar) climatic conditions and other natural and recreational resources, human resources, industrial and scientific potential, specialization and cooperation of tourist product, intra-relationships, a certain place in the international division of labor (Черкасов П. С., 2013).

On the other hand, the region is an administrative division unit of the country. In this regard, the region is an area within an administrative division unit and is characterized by the following basic features: complexity, entirety, specialization and handling (i.e., also by the presence of political and administrative authorities (Никитина О.А., 2005).

WTO defines region as a tourist area, which has a large network of special facilities and services required for the rest or recovery organization. From this definition, it can be concluded that the tourist region, in order to be considered independent, must have all the necessary facilities for tourists staying there, i.e., tourist region is defined as a place with all the necessary tourist facilities and services, which are selected by the tourist or group of tourists and that are sold by the manufacturer. Thus, the tourist region is the purpose for travel and tourism product (Квартальнов В.А., Романов А.А., 2004).

The concept "regional tourism" has two closely related aspects: the geographical and socio-economic. The first reflects the spatial distribution of recreational resources, the volume of the recreational needs of the local population and their degree of satisfaction in a particular area, as well as opportunities to attract foreign tourist flows to the territory. The second shows the level of the recreational development of the territory, determining place of the region in domestic and international tourist markets, and socio-economic conditions that can stimulate or inhibit the tourism development. The tourist area is rated from the perspective of the organizers of the recreation, and from the perspective of the local or visiting recreants (Барчуков И.С., 2008).

Based on the needs of establishment and implementation of the development policy in tourist areas two types of regions should be distinguished: a region that can be understood as a basis or instrument for action and the region, defined as the place of implementation of tourist functions. From the point of view of development the tourist region is a certain kind of economic region.

The term ‘Regional tourism’ means the tourism in some certain region. It is possible to look at regional tourism from two aspects – global and local.
If the term ‘region’ relates to the whole territory of a country than ‘regional tourism’ we can see in global context. In this case we can underline the regional specifics of country in the global context.

The local context of regional tourism is used when the term ‘region’ relates to some part of country’s territory, because territories of many countries are divided into an administrative territorial units – regions.

Regional tourism in local aspect in this research the author defined as follows: tourism which operates by use tourism resources (natural, cultural, and historical) and tourism infrastructure in the territory which is defined as an administrative unit ‘region’ into country.

The tourist potential of the region is a combination of natural, historical and cultural sites and events, as well as socio-economic and technological preconditions for the organization of tourist activity in a particular area (Святохо Н. В., 2007).

Determination of the constituent elements for the region's tourism potential from the point of view of the economy and the research of its properties as a system is relevant, since it allows:

- to identify the potentials included in the total tourist potential of the region more thoroughly;
- to calculate its value more accurately;
- to overcome the summative approach that revises tourist potential of the region is considered as a simple sum of the potentials;
- to explore the possibility to integrate potentials that are considered to be parts region's tourism potential (Святохо Н.В., 2007).

The fundamental point in the study on the composition of the total tourist potential of the region is to consider it as a whole system. As it is known, the system is a set of interacting elements that are in relationship and connection with each other and make up a holistic composition.

In structural terms, the tourist potential of the region should be presented as a set of interrelated and interacting potentials: natural resources, historical and cultural, economic and social potentials.

Tourist attraction of the region is the sum of its objective and subjective characteristics, tangible and intangible factors that influence the results of tourism activities and affecting the position of the region for tourists and subjects of tourist activity, including the resource and infrastructural potential of tourism and socio-institutional risks of its implementation at the particular territory (Slavin V.V., 2013).

Tourist attraction unlike tourism potential, which is part of the proposal, connects the supply and demand in the market of tourism products and services (Тетенькина О. Л., 2013).

The article of V. G. Shubaeva and N. V. Burova identifies the ambiguity of the concept "attraction", depending on the subject, which it defines for itself. The attraction can be seen as a tourist point of view, as well as investor and resident of the area. Tourist attraction is determined from the point of view of tourists, and its indicators may be a sufficient amount of tourist resources and tourist infrastructure in the region (Шубаева В.Г., Бурова Н.В., 2012).

The experts of the World Economic Forum, held in Davos in 2007, identified the indicators of tourist attraction for the country. These indicators can be a state policy in the field of tourism, national characteristics, infrastructure, recreation price etc. Environmental and safety factors are particularly significant.
The attractiveness of the region for tourists depends on the preferences of tourists on specific countries, but also has a number of general conditions that determine the condition and prospects of development for tourist business in different countries. The new index is called Travel and Tourism Competitiveness Index - TTCI (Cornelius P.K., 2003), it measures the factors that make an attractive tourism and travel development in different countries. The rating reflects characteristics of the tourism product in a country, as well as factors affecting the development of tourism.

Factors affecting the regional tourism development

Many researchers have devoted their work on research of the problems and peculiarities of tourism services market development under the influence of different type factors. In these works, researchers are paying attention to such aspects:

- methodology development and implementation of national and regional tourism policy, which determines the economic and organizational levers of the regulatory development of tourism policy (Саченкова Н.И., 1998), (Ильина Н. И., 2000), (Bramwell В., 2011), (Bramwell В., 2011), (Britton, 1998), (Slocum, S. L. and K. F. Backman, 2011).
- origin and principles for activity of recreational and tourist complex enterprises (Богомолова, Е.С., 2005), (Гидбут А.В., Мезенцев А.Г., 1991), (Bien, 2002), (Tyrrell, T.J. and Johnston, R.J., 2001).
- forecasting the regional market development for tourist services (Kevin Wong, Haiyan Song, 2002), (Haiyan Song, 2010 16(1)), (Douglas C.Frechtling, 2001).
- economic evaluation and regulation of tourist attractiveness of the area (Abdulla Al Mamun, Soumen Mitra, 2012), (Ashouri, P., Faryadi, Sh., 2010).

Factor in tourism – this is the time or the substantial circumstance of tourism practices. Factors affecting the development of tourism are diverse and multifaceted. The presence of favorable factors leads to the leadership of individual regions and countries in the world tourism, and vice versa, undesirable factors reduce the flow of tourists (Judy, L. Randall, and Larry D. Gustke, 2002), (Vetitnev A., Romanova G., 2013), (Макаренко С.Н., Саак А.Э., 2003).

Questions of influence of factors in the tourism industry are studied insufficiently, which negatively affects the tourism development as a whole, therefore the question of solving this problem is very urgent (Гатаулина С., Овчаренко Н., 2014), (Осипова Е.Э., Ширихина Е.Ю., 2011), (Велева С.А., Велев А.И. , 2012).

The development of tourism as a whole depends on set of conditions: natural and geographical, historical, political, socio-economic, demographic, prevailing in the society and factors that determine them. Factors in tourism market development can be divided into external and internal.

External (exogenous) factors affect tourism by demographic and social changes; economic and financial development; changes in the political and legal regulation; technological changes; trade development. The external factors include geographical location of the region, political relations among countries, international division of labor, level of prices on the international market and in different countries (Ramin Asadi, 2011), (Thitthongkam T., Walsh J., 2011), (Zapalska A., Vaidyanathan G., Brozik D., 2012).

Factors of internal development for the market for tourist services are determining. Among them:
• natural and geographical features, climatic conditions of the country, the availability and quality of natural resources, and the possibility of easy their use (Agnew, M. & Palutikof, J., 2006), (Amelung, B. & Viner, D., 2006), (Buerki, R., Elasser, H., Abegg, B., 2003);
• economic situation in the country (Karen El Beyrouty, Andrew Tessler, 2013), (Raimond D Y.C. Tse, 2001), (Wilson S., Fesenmaier D., Fesenmaier J., 2001);
• internal policy of the country, political stability, social order (Zsöfia Papp, Ágnes Raffay, 2010), (Dwyer, L, Mellor, R, Livaic, Z, Edwards, D, & Kim, C, 2004);
• the development level of productive forces, the structure and level of welfare (Brian R.Copeland, 1999), (Bharat R Hazari, Reza Hoshmand, 2011);
• the possibility of obtaining benefits and discounts for tourist services by the state and public organizations, enterprises and institutions,
• the development status of tourism infrastructure, transport networks (Seetanah B., Juwaheer T. D., Lamport M. J., 2011), (Jameel Khadaroo, Boopen Seetanah, 2007);
• the standard of living in society, educational and cultural level of the population (Greg Richards,Julie Wilson, 2007).

In terms of impact on tourism activities all the factors can be divided into attraction factors (that urge to travel – natural, cultural and social conditions in a country where tourist flows are being established) and factors of differentiation of demand (influenced by the choice of travel destinations – tourism resources, infrastructure, the level of socio-economic development in the country) (Пузакова Е.П., Честникова В.А., 1997), (Martin Lohmann, 2004 ), (Shahram Gilaninia, Roya Sharifi, 2013), (Turner, Lindsay W and Witt, Stephen F., 2001).

From the point of view of the influence mechanism on the tourism development two factor types can determined – the objective factors that have formed due to historical development of society and those, which specifically regulate tourist activities – the first group of factors. The second are the state policy in tourism, the availability and content of tourism legislation, tourism education in society etc. (Irina-Virginia Drăgulănescu, Maricica Druţu, 2012), (Quang Hung Do, Jeng Fung Chen, 2013), (Тарасова О.Ю., 2010).

The following classification of factors highlights static and dynamic factors. Static factors are constant in time (naturally climatic, geographical, cultural and historical factors). This group primarily includes recreational and resource potential of the territory, expressed in the quantity and quality of natural, cultural and historical resources. (Фліт А.Л., 2014), (Денгаев А. М., 2012), (Augustyn, M., 1998).

Dynamic factors include:
• demographics (total population growth, urbanization, changing age structure of the population (increase in life expectancy in many countries leads to the fact that more people have free time and means to enable overseas travel) (Mirela Mazilu, Sabina Mitroi, 2010), (Brougham, J.; Butler, R., 1981);
• social (welfare growth in developed countries, an increase in the duration of paid holidays and a reduction in working hours, increasing number of working women and the increase in income per family, earlier retirement, growing awareness of tourism opportunities) (Yihe Long, 2010), ( Parisa Sedaghati, Ghasem Elyasi, Mir Hamid Salehian, 2012);
• economic (include changing patterns of consumption goods and services in the consumption basket of the population share of the various services, including tourism) (Sinclair, T., 1998), (Lee and C. Chang, 2008), (Zortuk, M., 2009), (E. Çağlayan, N. Şak, K. Karymshakov, 2011);
• cultural (acculturation of the population in many countries and in this regard, the willingness of people to familiarize with foreign cultural values) (Robert Shepherd, 2002), (Максанова Л.Б., Бураева О.В., 2007);
• scientific and technical progress (results in the rapid development of material-technical base of the tourism industry, creates the necessary conditions for the mass tourism) (Dimitrios Buhalis, Rob Law, 2008), (John J. Pigram, Salah Wahab, 2005);
• international factors (softening the international climate, the transition from the confrontation among individual countries to cooperation and mutual understanding, the process of globalization, the solution of international disputes through negotiations) (Боголюбова Н.М., Николаева Ю.В., 2009), (Spiriajevas E., 2013).

The political situation in a country determines all other dynamic factors. The crises, political instability, militarization of the economy, the tightening in tourist formalities, fluctuation of exchange rate, etc. is a consequence of state policy.

Interstate and intergovernmental agreements on cooperation in the field of tourism and other international economic relations is an important political factor in state policy.

A special state policy on tourism is manifested in the establishment of tourist activity standards, planning, advertising, and control of tourism through the administrative authorities.

Policy in the field of tourism is closely linked to the political regime of the country and determines levels of state intervention (Britton, S.G., 1982), (Jeffries, D., 2001), (Гайдукевич, Л. М., 2008):
• full intervention – established by totalitarian countries, where there is no democratic freedom, non-existent private sector initiative, and the country monopolizes all the functions of tourist activity;
• partial interference – identified in the most democratic countries, characterized by active economic activity.

The state through the organizational structure to a greater or lesser extent interferes in the order of the tourist activity and controls it, giving freedom to the private sector in establishment of enterprises in the services sector that based in a market economy and providing small intervention. Such peculiarity is characteristic to such political regimes that practically do not interfere in tourism activities, giving the initiative in this area to the private sector, acting in a competitive market.

Socio-demographic factors are such indicators as age, occupation, the presence of single people, childless couples, the age trends in marriage, the retirement age, extension in social composition of the tourists, the education and culture level, aesthetic requirements of the population, an increase in the duration of paid leave, the ratio of material and spiritual needs of society, urbanization, etc.

Attempts to systematize the socio-economic factors were undertaken by many researchers. Considering the factors of tourism development, especially the planning and forecasting tourism at the regional level, as well as the concept of sustainable tourism development, the author relied on the works of such researchers as B. Kolb (Kolb B., 2006), J. Tribe (Tribe J., 2011), S. A. Sevastyanova (Севастьянова С.А., 2005), Rob Harris (Rob Harris, 2002).

Development of the productive forces of the country, improving the material and cultural level of the population was determined among the leading factors.

Socio-economic factors include cultural and historical factors. Museums and art galleries, exhibitions, architectural monuments and historical sites attract tourists. The interest in history,
culture, daily life and traditions of other people acts as the major catalyst for the development of tourism. In this respect, cultural and historical factors are closely intertwined with ethnic factors.

Financial and economic factors – the economic situation in the country, financial security, income level, the proportion of resources allocated to community for tourism, commodity prices, etc.

Logistical factors characterize the condition and the possibility of the tourist industry base – accommodation, food, transport, recreational areas, trade, etc.

Accommodation and food occupy a special place in the tourist industry enterprises. The level of hotel and restaurant service largely depends on the region's attractiveness for tourists. But the tourism industry, especially accommodation and food companies, is subject to fluctuations in demand for tourist services during the year (seasonality), which leads to higher costs for maintenance companies of accommodation and food and higher prices for their services (Денисенко А. В., Сенин В. С, 2004), (Бондаренко Г. А., 2006).

The most important factors that determine tourism development abroad, include the following:

- support from public authorities (the experience of different countries shows that the success of the tourism development depends on how this industry supported by government at the state level);
- growth of social wealth;
- reduction of working time;
- urbanization (the concentration of population in urban areas, the distance from requires the necessity for free time outside the zones of residence);
- level of public consciousness (В.Г. Гуляев, 2008).

According to Western experts (Akiko Kondo, Akio Kondo, 2013), (Bonn, М. A. and Harrington, J., 2008), (Sandro Formica, 2000) main factors that determine the attractiveness of tourism in the region are: the availability of the region, its nature and climate, the attitude of a local population to a visitor; infrastructure of the region, the price level, the state of the retail trade; sports, recreational and educational opportunities; cultural and social characteristics.

Combination of factors determines the appearance and character of the behavioral characteristics for tourism service consumers, which can be expressed by such indicators as:

- frequency of tourism;
- preference in the selection of a tourist center and geography of tourism;
- form of preferred tour organization;
- tourist’s opinion on tour price;
- understanding of travel agencies’ brand;
- communicative behavior of a tourist;
- роль внешних раздражителей в процессе принятия решения о покупке тура.
- the role of external stimuli in the deciding process on the purchase of the tour. (Маркова О.В., 2012).

Another type of factors, affecting the market development of tourist services, is personal behavior factors (Delia Fratu, 2011), (Maria Yiu, Rob Law, 2012), (Elena-Cristina Mahika, 2011). It is worth noting that of all the factors affecting the development of tourism, personal and behavioral factors play a major role in the modern world. They consist of motifs that provide consumers' desire to travel, to comply with the tourist requirements. Analyzing the role of
psychological factors in the formation of the tourist services market, it is proved that only part of
the visitors return to places where they have been before, except in cases when economic,
therapeutic and prophylactic or sentimental motives are present. As incomes increase a person
begins to give priority to psychological reasons when choosing a new journey.

Opinion about the quality of the tourism product establishes after the trip as before trip consumer
can only simulate one’s expectations on the basis of available information. Therefore, the
importance of the situation lies in the fact that the idea of a product provides certain expectations
for the consumer and if they are not justified by the actual quality of the product, the consumer
can easily get disappointed (Stephen L. J. Smith, 1994).

The purpose of tourism is the rational organization of free time for a consumer. Accordingly, the
development of tourism may be due to the presence of two main points: free time and financial
means for its rational organization.

Western scholar M. Porter takes a special place in the development of the theory of competitive
advantage. Competitive advantages consider such factors as new technologies and ever-changing
consumer demand, the formation of new market segments, as well as the effectiveness of state
regulation measures that affect competitiveness of the national economy (Porter M., 1980),
(Porter M., 1985). In accordance with the theory of M. Porter in enhancing the competitiveness
of tourism and recreation industry a system implementing the recreational potential should
occupy a special place, as its formation depends on the quality of government regulation.

According to the theory of international competition of M. Porter, used in the context of
measuring the competitiveness of countries in world trade tourist services, competitive
advantages are determined by the following determinants:

- factor conditions – elements that form the supply and demand for tourism product, the
  components of the tourism industry and tourist interest: tourist resources (natural and
  recreational, cultural and historical), the material and technical base of tourism
  (accommodation facilities, catering, entertainment infrastructure), travel agencies (tour
  operators and travel agents), staff, advertising and promotion;
- conditions for demand – the level of infrastructure development in domestic tourism,
  social conditions in the country, the economic situation, the level of trade, particularly
  legislation, demographic changes, the motivation of foreign tourists to choose this
  direction;
- related and supporting industries – industries that implement the multiplier effect of
  tourism, especially transport, which is both an element of the tourist industry in country
  receiving and independently operating branch of the economy;
- strategy, structure of a company and its competitors. Determinant answers the questions:
  how to construct a tourist business management system; what is the saturation of the
  market players, and what forms of competition prevail.

The main idea of the national diamonds concept is a competitive industry advantage within the
state – defined determinants of the competitive advantages of the country, which greatly affect
each other. Later in the model M. Porter introduces two additional factors – random events and
actions of the government:

- random events – any natural disasters, war and political conflict, epidemics, economic
  crises, etc., dramatically reducing the influx of tourists or affecting its redistribution
  among competing;
government policy – a high priority in the development, financing and promotion of the tourism industry to the country's government, political stability and the security of travel, the state of the environment and the environment, migration policies.

The development of tourism is influenced by both positive and negative factors associated with the political, legislative, legal and socio-economic situation in the country and the world (Naser Egbali, 2011), (Mahin Esmaeil Zaei, 2013), (Швец Ю.Ю., 2011), (Егоренков Л.И., 2003), (Gilaninia S., 2013). The positive development of tourist services market include:

- stability and openness of politics and economics;
- growth of social wealth and income;
- reduction of working time and increased leisure time;
- the development of transport, means of communication and information technologies;
- increasing urbanization;
- building a knowledge-based society;
- promotion of national and foreign investment in the development of the tourism industry;
- strengthening the country's position in the global tourism market;
- simplification and harmonization of tax, currency, customs, border and other forms of regulation;
- promotion of tourism for children, youth, the elderly, the disabled and low-income families by providing different benefits;
- promotion of the development in tourism industry as a priority.

Negative factors affecting the development of tourist services market include:

- tension in international relations;
- instability of the policy and closed economy;
- stagnation of the economy and the fall of welfare;
- disorder of tourism resources;
- lack of development in tourism industry;
- inefficient use of culturally historical and religious heritage, and the environment;
- low income and lack of free time;
- underestimation of the tourism role in the intellectualization of society;
- pollution and environmental hazards;
- lack of effective investment incentives to the development of the tourism industry to global standards;
- underestimation of the role of tourism business in the budget filling process.

The factors that influence the development of tourism should determine the purpose of government regulation and the priority directions of tourist business development.

The presence of favorable factors leads to the leadership of individual regions and countries in the world tourism, but adverse factors, in their turn, reduce the tourist flow.

A study of tourism development trends throughout the 20th century allows to speak on the importance of the overall socio-economic development for tourism. The increasing role is provided to the activation of economic relations among states on the basis of the international division of labor. The expansion of international trade and improvement in vehicles was an
important prerequisite for the tourism development (Nuno Gustavo, 2013), (Larry Dwyer, Deborah Edwards, Nina Mistilis, 2009).

The growth of social wealth. In the 20th century there was a significant increase in social wealth in the developed countries. Growth in gross domestic product in Germany, Japan, USA and other countries.

The growth of free time. An extension of the social composition of tourists, which was made possible because of the improvement of conditions of remuneration, an increase in the duration of paid leave, provision of workers and employees of various social guarantees and privileges at the expense of businesses and trade unions provides positive impact on tourism development.

Currently establishing reduction in working time is accompanied by an increase in the intensity of labor, as a result of developing stress, and man needs a change of scenery, relaxation.

Also the age limit lowering to retirement, which (taking into consideration the increase in life expectancy) which has led to the emergence of the so-called tourism "third age" also contributes tourism development. Young people are involving in travelling, thereby activating adolescence and youth tourism.

Development of transport and increased mobility of people. Logistical factors provide great influence on the growth of tourism and the expansion of its social base. The main ones are associated with the development of means of transportation, accommodation, communications, catering, retail, service.

A specific feature of transport links is integration as they turn the world into a single area, combining individual countries and continents together. For tourism it is important to provide links between local, national and international travels in order to prevent gaps in travel transportation. In addition to these requirements, it increases the value and quality parameters – speed, technical safety of vehicles, which are transformed into factors that are crucial in the selection of a tourist vehicle. The main types of transport in tourism are aircraft, buses and cars, sea and river vessels, trains. Material resources, intended for tourists, are taking one of the main places in the formation of tourist infrastructure. It is about hotels, motels, boarding houses, camping sites, tourist villages, private apartments. The rapid development of tourism in the second half of the 20th century led to accelerated construction of accommodation facilities in many regions.

Tourist catering is as significant as accommodation during tourist travel, therefore a wide network of catering enterprises was created in all the tourist centers along with the expansion of the accommodation. There are serious supply problems caused by the seasonal nature of tourist travel in the organization of tourists. Usually, the most massive influx of tourists is in summer months, which requires prior accumulation and storage of certain types of products. This requires specialized refrigeration units. Modern technology allows to preserve, freeze and pack different foods that, to some extent, solves the problem of food supply to tourists.

Demographic factors also have a significant impact on the development of international tourism. As a result of the planet's population growth the global tourist potential increases and new human resources are being drawn in tourist activities. Demographic factors also include: the growing mutual interest of people in different countries with a single language or related or connected common history and culture (ethnic tourism); increased demand for participation in specialized trips of persons of one profession or social function (specialized tourism). In addition, the development of tourism contributes the growing number of single adults, increase in the number of working women, the trend toward later marriages, and increase in the number of childless families. (Bernin С., Cracolici М., 2015)
The process of urbanization. In most developed countries a significant part of the population lives in cities. Such a society is under stress due to separation from the natural environment. Hiking allows them to return to its natural roots, to find a natural, healthy life. (Evan J. Jordan, Christine A. Vogt, Richard P. DeShon, 2015)

Prerequisites for tourism development by socioeconomic group may also include raise in the cultural level, people's desire for knowledge, familiarization with the life, culture and history of other countries and peoples.

The development of foreign economic relations, desire to use the best practices of other countries in the creation of material and spiritual values manifested in the expansion of scientific and business contacts, the expression of which is the development of new international tourist relations – scientific (congress) and business tourism.

In the second half of the 20th century a stereotype of a person's life was changed. A new, dynamic stereotype of life appeared in place of the one that could be characterized as static, when major part of population did not leave their house over the years. Changes in situation when people live rapid urban rhythm of life is very necessary in modern conditions. The larger the city, the more clearly this need is being felt, since holidays in residence does not give the necessary relaxation.

At the present rate of work and life the vacation expenses, especially those related to travel, quickly move into the category to required money. In recent years there have been changes in the structure of the spiritual values of society.

Groups of political factors can actively contribute to the expansion of international tourism ties. One of the main factors is political stability of the country, where the guests are taken. In addition, a peaceful, friendly, good-neighborly relations among states plays an important role. (Farmak A, Altinay L., David B., 2015)

The existence of interstate and intergovernmental agreements on cooperation in economy, trade, scientific-technical and cultural relations, tourism and exchanges is a serious political factor.

In the 90s of the 20th century the development of tourism in Europe was affected by a number of very important events: the democratic processes in the countries of Eastern Europe, the unification of Germany, the collapse of the Soviet Union, the events in Yugoslavia and the military conflict in the Persian Gulf. All these factors have caused a major change in world politics and largely contributed to the reorientation of the tourist flows. (Reiner Jaakson, 1996), (Medlik S., 1997)

Constraint (problematic factors, the main limiting) factors of tourism development. These factors are the main problems of tourism development. In the context of an imbalance between the types of tourism is export of currency, which could be invested in the development of material-technical base of domestic tourism (Pearce P. L., Lee U. I., 2005), (Saveriades, A., 2000), (Torres, R., & Momsen, J. H., 2004).

Limiting factors that negatively affect the development of regional tourism include:

- crises; political instability;
- rising prices for commodities; unemployment;
- lack of good neighborly relations among countries;
- armed conflicts; strikes;
- financial instability (inflation);
- reduction in the volume of private consumption;
- unfavorable environmental situation;
- bankruptcy of travel agencies;
- tightening of tourist formalities;
- failure of travel agencies to comply with its obligations etc. (Дмитриев М.Н., Забаева М.Н., Малыгина Е.Н., 2010).

Seasonality factor takes a special place among the factors that influence the tourism development. The volume of tourist activity can have large fluctuations depending on the season. Seasonality in international tourism is influenced by factors of climate and social field (e.g., climatic factors, primarily due to the fact that in most parts of the world the weather conditions, favorable for tourism and recreation, are not the same by months, so people tend to get holiday in the most comfortable weather of the year). (Jolliffe, L., & Farnsworth, R., 2003), (Baum T., Lundtorp S., 2001).

Most of all, tourism is developing in the summer, but there is a category of tourists who prefer winter sports, which are suitable for the winter months. In some areas it is suitable for vacation and travel in autumn and spring. However, in the summer months there is the intensity of tourist traffic and a decline in winter and off-season.

"Season" for a particular tourist area is considered to be a part of a year, when the monthly number of tourist arrivals exceed average monthly number per year. In the case of two season existence (e.g., summer and winter) there are "off-season" between them. The term "hot season" is used at higher arrivals in the year; period of almost complete absence of tourists, which in many areas is due solely to unfavorable weather conditions, is referred as "dead season." Distinct effects of tourism seasonality is now found in almost all tourist countries and regions.

Seasonality causes serious problems in servicing tourists. In "hot" season there may be difficulties with transport, accommodation, catering, and excursions for numerous tourists. The negative effects of seasonality can be attributed to the fact that the bulk of hotel rooms in the tourist complexes and resorts virtually remains unclaimed for most of the year. In order to attract tourists out of season or for the tourism development in winter, travel agencies are forced to pursue a flexible pricing policy, to reduce the cost of accommodation and transportation services, to invest a lot of money in advertising winter travel (Kozak, M., & Rimmington, M., 2000), (Butler, R. W., 1980).

Political factors are important for the successful development of the tourism industry in a particular region, and internationally. These include internal policy pursued by the state; international relationship that develops between two countries; armed conflicts (for example, the military events in the Gulf 1990-1991, 2003.), acts of terrorism (in Egypt, Turkey, USA – September, 2001, Thailand etc.); terrorist activities in the Republic of Chechnya. All this greatly affects the tourism development in a particular region and on an international scale: reduced tourist flows, which ruin travel agencies

Economic factors also play an important role in the tourism development. As a general rule, the better the country’s economy the better developed and (both domestic and international), since, on the one hand, the country has well-developed materially technical basis (transport, accommodation and food tourist infrastructure, modern technologies), and the level of the population welfare is quite high, on the other.

Besides discussed global factors, there are many other restrictions, which are derived from these factors and also have a negative impact on production activity of enterprises in tourism industry, preventing the increase of efficiency of their functioning. These restrictions can be classified as follows:
restrictions on tourism demand: any organization, offering their goods and services to tourists is limited in its production activity to meet customer demand as the demand is linked to the economic possibilities of tourists to purchase goods (Ben-Akiva, M. E., & Lerman, S. R, 1985);

restrictions in tourist offer: they are associated with the presence of the necessary tourist resources. The most important among all resources, perhaps, are the natural resources. This is easily seen in the study of geographic distribution of the regions as a whole. It is obvious that some tourist regions are more attractive to tourists than others (Durbarry, R., & Sinclair, M. T., 2003), (Nyaupane, G. P., Morais, D. B., & Graefe, A. R., 2004);

restrictions related to ecology: they are usually associated with environmental pollution. This applies to certain regions where a lot of tourists are going that are harmful to the environment (break camping in prohibited areas, make fires, leave trash, etc.), therefore the restriction may be introduced to visit this destination (Mieczkowski, Z., 1995), (Farrell, B. H., & Runyan, D, 1991);

time limits: free time that is available to every tourist, automatically creates certain limitations as to what one can do to fill it. The relatively short period of tourist activity has a negative impact on industrial activity and tourism companies, thus reducing the possibility of increasing profits. It also reduces the volume of tourist turnover, which government receives from the use of state natural resources (Gilbert, D., & Hudson, S., 2000);

legal restrictions: for example, the laws on environmental protection, the construction, the laws governing the various areas of tourism development, etc. (Pennings, G., 2004);

limitations due to lack of knowledge: many tourism activities are limited because of a lack of specific knowledge in the field of tourism business They are reluctant to take risks in the area that is unfamiliar to them. The same situation occurs in the activities of the state in relation to tourism, when it is necessary to solve some problem, and knowledge of decision-makers are not in a satisfied level (Cooper C., 2006);

limitations due to lack of resources: there are limits not only in terms of natural resources but also in terms of resources, on which the activities of the tourist industry is based. Such resources include money-capital, specialized personnel, hotels, restaurants, transportation. Limitations of such resources reduces the ability to meet the needs and wishes of tourists (Baum T., 2007), (Decelle, X., 2004).

Without a doubt it can said that in addition to the above factors, there are many minor restrictions. It should be emphasized that the various limiting factors may be combined with each other and create new restriction complexes in tourism.

Thus, as a result of the analysis (Гаценбиллер Н. Ю., 2008) revealed the following:

a lot of factors in external and internal environment affect the formation, operation and development of tourist recreation as part of the socio-economic system of the region;

all factors that are interrelated and interdependent with each other, cover a variety of human activities and many areas of the economy;

in today's globalizing world economy tourism becomes a favorable area in which a society with increasing intensity use all its accumulated human cultural and historical values, and recreational resources.

Tourist activity as a branch of the national economy requires a reliable legal regulation, i.e. the establishment of favorable conditions for its development. Tourism takes a regulating influence
norms of various branches of law: customs, insurance, administrative, environmental, consumer protection, and others.

International legal acts containing norms regulating relations in the field of tourism are:

- **Manila Declaration on World Tourism** of 09.27.1980 that was adopted by the World Conference on Tourism, which defines the priority areas for tourism development, as well as recommendations to public authorities and tourist organizations to address issues for the harmonious development of tourism (Manila Declaration on World Tourism, 10 October 1980).

- **The Hague Declaration on Tourism**, adopted by the Inter-Parliamentary Conference on Tourism, held in Hague on 10-14 April, 1989, where a tool of international cooperation was declared. In it participants urged the parliaments, governments, public and private organizations to be responsible for tourist activities, as well as tourists themselves to take into account ten basic principles. The measures for the development of tourist activity as a whole, its individual species as a phenomenon in the state of the economy, contributing to social and economic growth of all countries are stated in this Declaration. On the other hand, it points to the necessity to protect the environment and cultural heritage as a condition of tourism development. The Declaration pays special attention to solving the problems of foreign tourists and travelers in their country, especially with regard to security issues and to facilitate tourism tourist formalities (World Tourism Organization; Inter-Parliamentary Union, 1989).

- **Tourism Bill**, adopted by the World Tourism Organization (WTO) in 1985, which includes tourist code, containing the basic rules of behavior in places of tourist stay, tourist's rights and provision of them through government measures, as well as assistance in implementing them in places of stay (Tourism bill of rights and tourist code, 1985).

- **International Convention on Travel Contracts**, adopted by the Universal Federation of Travel Agents Association (UFTAA) of General Assembly and Council of MGA in 1970, contains the basic conditions to be included in contracts between travel organizers and tourists, as well as the exclusion of liability of the parties for the improper performance of agreement (International Convention on Travel Contracts (CCV), 1970).

- **International convention on hotel owners association to enter into contracts of hotels and travel agencies – IHA Convention** (International Hotel Association) and UFTAA. The Convention distinguishes two types of agreements: sale of hotel services to individual customers and customer groups. The Convention contains all the essential terms of the agreements, to be applied in the case, if the agreement was not signed or they are not regulated by any questions. The Convention applies to the relationship between parties, whose whereabouts are registered in different countries (Стригунова Д. П., 2013).

Regulation of the activities in tourism in most foreign countries is provided with the participation of public and private sectors. Studies conducted by the World Tourism Organization (WTO) have shown a growing participation of private entities in the development of international tourism with active support of a state.

In studying the characteristics of the tourism industry management organizations abroad it is possible to identify three governance models.

The first model assumes the absence of central state tourism administration; all issues are resolved in regions, based on the principles of the market "self-organization". Individual governments take such a decision in those cases when there is no necessity for tourism in country or when subjects of the tourist market are conscious and hold strong positions, i.e. are able to solve their own problems without state participation.
This model is used by the tourism industry management in the United States (in 1997 USTTA state structure that was in charge of tourism in the country was eliminated). The government of the state decided on this for the following reasons:

- reduction of the federal budget;
- strong US position in the international tourism market;
- the country's attractiveness for foreign tourists;
- strong presence of private companies in the tourism industry, capable of powerful independent promotional advertisements for the interest of national market.

The second model provides a strong and authoritative ministry that controls the activities of all industry. Certain conditions, namely large financial investment in the tourism industry, advertising and marketing activities, and investment in tourist infrastructure are required for implementation of the present model.

Organization of tourism industry management for this model is common in Turkey, Egypt, Tunisia and other countries, where tourism is a major source of foreign exchange earnings.

The third model is prevalent in European countries where issues of tourist activity in country are solved at the level of a multi-ministry. Most often it is a ministry with the "economic bias". Furthermore, divisions of ministries dealing with tourism, operate in two directions: solve global issues of state regulation (development of the regulatory framework, coordination of regional, international co-operation at the international level, the processing of statistical information) and conduct marketing activities, participate in exhibitions, manage tourist offices abroad (Годфри Харрис, Кеннет М.Кац., 2000).

Table 1.1

<table>
<thead>
<tr>
<th>Name of country</th>
<th>Government executive bodies in the field of tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Ministry of Transport and Public Works</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Ministry of culture, entertainment and sports</td>
</tr>
<tr>
<td>Spain</td>
<td>Ministry of Trade and Tourism</td>
</tr>
<tr>
<td>Kenya</td>
<td>Ministry of Tourism and Environment</td>
</tr>
<tr>
<td>South Africa</td>
<td>Ministry of Environment and Tourism</td>
</tr>
<tr>
<td>Italy</td>
<td>Tourism Department under the Ministry of Production</td>
</tr>
<tr>
<td>Israel</td>
<td>Ministry of Tourism</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Central Office of Tourism</td>
</tr>
<tr>
<td>Austria</td>
<td>Ministry of Economy</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Ministry of Culture and Tourism</td>
</tr>
</tbody>
</table>

Source: (Годфри Харрис, Кеннет М.Кац., 2000)

Not only the extent to which foreign ownership and foreign direct investment are supported by the country, and how the protected property rights, but also the environmental sustainability is important among political controls, so in addition to political data, this unit includes carbon emissions and the percentage of dangerous species in the country (Дмитриева Т.В., 2009).

Safety and security is a critical factor in the competitiveness of tourism where the overall level of crime, violence and terrorism, traffic accidents, as well as the degree of confidence in law enforcement agencies in relation to protection is taken into account.
Taking care of tourism is reflected in budget priorities that government can provide funding essential development projects; the designation of their intentions, which may have effects in the form of attracting private investment; participation in international tourism fairs and marketing high-quality destinations (tourist places).

Establishment of a favorable business environment is a controlled process, which is based on measures aimed primarily at creating favorable conditions for the emergence and sustainability of businesses in short term rather than a direct effect on these subjects (Gooroochurn N., Sugiyarto G., 2005).

The characteristics of tourism infrastructure is referred not only to housing (the number of hotel rooms), but also to major car rental companies and financial infrastructure for tourists (ATMs, etc.). Price competitiveness is the availability of prices for goods and services, air tickets, fuel, accommodation, as well as the moderation of taxes that can be levied to travelers.

Human resources guarantee access to the resources necessary for the growth and development of the industry. This takes into account also the health and level of education and training, the quality of which depends not only on the educational system of the country, but also to attract private sector to improve specialized training and maintenance (Butler R., Hinch T., 2007).

Susceptibility of tourism is measured by the degree of openness of the country, tourism society and foreign visitors, and not only people, but also business leaders who consider tourism as important business contacts. Measurement tourism openness are the costs and receipts in the GDP share, which shows the importance of tourism with respect to the country's size.

Natural resources that provide competitive advantages of the country include a world heritage sites, number of animal species that characterizes the richness of the fauna, the proportion of protected areas. Placement of cultural resources in each country is the most important factor of tourism competitiveness in the world. World's cultural heritage sites (UNESCO list), sports stadiums, international exhibitions and fairs are market in this sector (Arezki R., Cherif R., Piotrowski J., 2009).

**Research methods for regional tourism**

The problem of evaluating tourist attraction, tourism potential and determining the effectiveness of the tourism of a territory is always a very complex task for research.

The most popular general scientific method of research for regional tourism is a descriptive method, often accompanied by the use of general statistics. Statistical estimation method (definition of functions by observing the results), a method of statistical hypothesis testing, and so on are widely used in such studies. Statistical methods are used for the analysis of public opinion polls, which with the help of comparison method allow to identify the differences between a socio-cultural system and others. The results of these studies are very important means of justification tourism and recreation development (Veal, A. J., 2006), (Fodness, D., 1994), (Reid, L. J., & Andereck, K. L., 1989).

From the main research methods used in tourism it is advisable to select those methods that use secondary information in the form of image maps and maps of census data, as well as methods based on primary data obtained through questionnaires, observation, interviews. According to the Polish scientist A. Kowalczyk, an analysis of tourist guides, brochures, advertisements, tourist attractions, tourist programs, activities, and even descriptions of fiction should be also included in studies of tourism activities. After all, these components are included in a data bank, which gathers special information (Кузик С.П., 2011).

Special attention should be paid to the method of the system (or systems analysis). It is a system of study (i.e. certain set of material or ideal objects), relationships, its components and their
relations with the external environment. In this case it turns out that these relationships and interactions lead to new system properties that are absent in the constituent objects. The analysis of phenomena and processes in complex systems consider a large number of factors (signs), among which it is important to be able to highlight the most important and to avoid secondary (В.Г. Гуляев, 2008).

E. O. Ushakova (Ушакова Е.О., 2012) proposed a classification of tourist resources evaluation methods that can be used to determine the tourism potential of the region. It includes quantitative, qualitative and comprehensive evaluation methods of tourist resources.

### Table 1.2

<table>
<thead>
<tr>
<th>Title of method</th>
<th>Characteristics</th>
<th>Field of usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative methods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cartographic method</td>
<td>assessment conducted with the help of cartographic maps</td>
<td>preliminary estimate</td>
</tr>
<tr>
<td>Mathematical method</td>
<td>compilation of registers of natural, historical and cultural resources</td>
<td>all kinds of resources</td>
</tr>
<tr>
<td>Qualitative methods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic assessment</td>
<td>determine the effectiveness of measures aimed at a more complete and efficient use of resources</td>
<td>all kinds of resources</td>
</tr>
<tr>
<td>Environmental assessment</td>
<td>monitors environmental pollution, determination of the degree of negative influence of industrial objects on or near the tourist sites</td>
<td>natural, historical and cultural resources</td>
</tr>
<tr>
<td>UNESCO methodology</td>
<td>distinguished masterpieces of creativity on cultural heritage, and phenomena of exceptional beauty and aesthetic value on natural heritage</td>
<td>natural, historical and cultural resources</td>
</tr>
<tr>
<td>Complex methods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The inventory of tourism resources</td>
<td>collection of information about the tourist region includes qualitative and quantitative inventory of objects of economic evaluation, data on the dynamics and level of study with the application of statistical and cartographic materials</td>
<td>all kinds of resources</td>
</tr>
<tr>
<td>GIS tourism development areas</td>
<td>information model of tourism in the region, including description of the tourism potential in the region, recreational zoning and specification of the region</td>
<td>all kinds of resources</td>
</tr>
</tbody>
</table>

Source: (Ушакова Е.О., 2012)

Evaluation of the competitive position in the tourism area can be expressed graphically by modifying well-known methodical reception – competitiveness polygon (Matthews, M., Biglia, B., & Murphy, B., 2009). Such polygon is the result of the scoring parameters, the most significant for the research. However, due to the fact that function of different territorial hierarchical levels varies with the importance of certain parameters, it is advisable to build the three different types of polygons Table 1.3. After the application of points to each corresponding index to the vectors, they are connected, forming a polygon shape. The "ideally" competitive territory is considered to be the one with 10 points in all parameters, i.e., with regular polygon area as possible. The greater the deviation from it and less area of the figure, the lower the competitiveness of the territory in comparison with the "ideal".

### Table 1.3

| Types of polygons for Tourism Competitiveness |                                                                 |                         |

30
<table>
<thead>
<tr>
<th>Regional market</th>
<th>National market</th>
<th>International market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Degree of climate comfort</td>
<td>1. Degree of climate comfort</td>
<td>1. Degree of climate comfort</td>
</tr>
<tr>
<td>2. Degree of landscape diversity</td>
<td>2. Degree of landscape diversity</td>
<td>2. Degree of landscape diversity</td>
</tr>
<tr>
<td>5. Total number of vacationers</td>
<td>5. Tourist and sightseeing resources</td>
<td>5. Recreational potential</td>
</tr>
<tr>
<td>6. The amount of purchased spa and wellness services</td>
<td>6. The level of the recreational infrastructure</td>
<td>6. The proportion of the labor force in the services sector</td>
</tr>
<tr>
<td>7. The amount of purchased tourist and excursion services</td>
<td>7. Level of diversity in recreational services</td>
<td>7. The share of services in GDP</td>
</tr>
<tr>
<td>8. The level of the recreational infrastructure</td>
<td>8. Possibility for a year-round recreation</td>
<td>8. The price of counterpart services</td>
</tr>
<tr>
<td>10. The price of counterpart services</td>
<td>10. Amount of implemented services</td>
<td>10. Expenditures on tourism</td>
</tr>
<tr>
<td>11. Ecological and sanitary conditions</td>
<td>11. Market capacity</td>
<td>11. GDP per capita</td>
</tr>
<tr>
<td>15. Economic efficiency of recreational activities</td>
<td>15. The potential of labour resource</td>
<td></td>
</tr>
<tr>
<td>16. Possibility for a year-round recreation</td>
<td>16. The share of services in GDP</td>
<td></td>
</tr>
<tr>
<td>17. GDP per capita</td>
<td>17. The potential of labour resource</td>
<td></td>
</tr>
<tr>
<td>18. Currency convertibility</td>
<td>18. The share of services in GDP</td>
<td></td>
</tr>
<tr>
<td>19. The inflation rate</td>
<td>19. The potential of labour resource</td>
<td></td>
</tr>
<tr>
<td>20. Safety of stay in the country</td>
<td>20. The share of services in GDP</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Страчкова Н.В., 2003)

Application of the SWOT analysis at the regional level in the modern practice of strategic management is not only possible, but necessary. This approach has been used in tourism research of Tomsk region (Бородина Н.Н., 2013) and Kaliningrad region (Казанков И. С., 2014). The main objectives of the strategic analysis of regional tourism are:

- identification of existing conditions for tourism development, the identification of potential threats;
- determination of existent domestic resources for the development of regional tourism;
- identification of possible external developmental constraints and tourism development;
- establishment of the mission and goals of tourism development at the regional level on the basis of identified opportunities and threats (Баумгарте Л. В., 2007).

The disadvantage of traditional SWOT analysis is a subjective factor estimates presented in the matrix. These estimates are directly dependent on the training, qualification and experience of a professional, conducting research. The solution to this problem is to use alternatives to the expert ranking method. This method involves use of experts to analyze the factors that have a high coefficient of weight to statements on the problem under study.

Such methods of statistical analysis as correlation and regression analysis, factor analysis, cluster analysis are widely used in the analysis of regional tourism (Wen, B. Y., Liang, M. Z., 2007), (Hassan, S. S, 2000), (Smith, S. L., 2014), (Горбунов Н.П., Яценко О.Н., Небога И.А., 2013). Correlation-regression analysis suggests a significant statistical significance between the main indicators of tourist services market and demographic factors, socio-economic and industrial areas of the region (Palmer, A. L., Sese, A., & Montano, J. J., 2005), (Dritsakis, N., 2004). For statistical data analysis and presentation of research results the software package SPSS «Statistical Package for the Social Sciences», version 20 for Windows was used.
Statistical data analysis in the dissertation consisted of stages such as intelligence analysis, allowing to identify and describe the observed regularities, factor analysis, cluster analysis, correlation and regression analysis. The method of regression analysis is a tool for study groups of indicators to identify cause-and-effect relationships. Factor analysis can reduce the dimension of the phenomena in question by moving from indicators to the aggregates and the latent variables characterizing these phenomena (Cha, S., McCleary, K. W., & Uysal, M., 1995), (Wang, C. L., & Ahmed, P. K., 2004). Cluster analysis in the area of identified factors allows to classify the regions in relation to the phenomena under consideration. Work with dedicated clusters allows to analyze connections on the higher level of quality (Brougham, J. E., & Butler, R. W., 1981), (Ryan, C., 1995), (Fodness, D., & Murray, B., 1997).

**Statistical accounting in tourism**

The implementation of an effective tourism policy is impossible without a reliable, effective and efficient system for collection, processing and analysis of statistical information. Statistical issues are central in tourism research (Finn M., 2000), (Palmer, A. L., Sese, A., & Montano, J. J., 2005), (Smith S. L., 2011), (Massieu A., 2001).

The systematic integration of tourist flows was necessary in the first half of the XX century. In 1929 about 2 million people visited Austria, 1.5 million Switzerland, more than 1 million visited Italy, therefore in the wake of the tourist movement a number of European countries made up of travel statistics. However, back then such statistics did not have independent significance. Collection and processing of data was carried out in the interests of national security, control over migration processes and compliance with tax legislation, and wishes and needs of tourists was not so important. Tourists were taken into account along with other traveling parties and were not marked out as a special category (Burkart A. J., 1981).

A new stage in the development of international tourism statistics came in the late 40's and early 50-ies. After the war, European countries were facing many economic challenges: economic chaos, chaos in the management, the collapse of commodity and financial systems. Stabilization of the situation demanded a whole range of coordinated action. In these conditions, the government appealed to the international tourism, placing great hopes on it. Activation of the balance of payments, the achievement of financial balance and, ultimately, long-term economic growth was closely connected to the international tourism (Александрова А.Ю., 2002).

Statistics developed with increasing volume and economic importance of tourism. Gradually, simple accounting operations become more complex and evolved inclusion of elements of the tourist migration analysis. Currently, tourism statistics, covering a large range of issues, is conducted in order to assess the contribution of international tourism to the national economy, in particular, its impact on the balance of payments; identify the main directions and trends of tourism development for the planning of its material and technical base; marketing research and promotion of tourist products to potential consumers.

Statistics surveys contains specific user information for each of these areas of. The specific users are the government, the national tourism administration and enterprises-producers of tourism goods and services. In the process they all need the latest information on tourism and define its content, scope, form and periodicity (Bigano A., 2007).

The powerful source of information on global tourism development is the data bank of the World Tourism Organization (WTO). Information on the development of tourism around the world, regions and in individual countries, as well as materials on the problems of development of tourism is posted on the organization's website. Statistics on the development of tourism data is also included in the yearbooks, which are issued by specialized UN organizations, especially UNESCO (UNWTO ELibrary, 2015), (World and regional statistics, national data, maps,

At the same time real is the fact that tourism sector is characterized with dissatisfied level of statistical data. Each country, as a rule, taking all the obligations to assess results of the tourism industry should be basing on data such as:

- number of persons who work in different tourist companies;
- number of rooms in the area of collective accommodation facilities;
- number of people who are accommodated in collective accommodation facilities etc.

Quite an important quantitative indicator is the volume of tourism services provided to the public on a fee basis. It should be noted that the one-dimensionality of statistical observation does not allow adequately disclose all important trends in tourism, as well as its social value, and, in the end, to form a highly efficient system of control action (Mardia,K.V., Kent,J.T. and Bibby,J.M, 1979).

To date, the professional community is a process of accumulation of competencies that allow to develop progressive system of performance indicators. Tourism should receive a system of indicators, which will not only confirm the situation, but also prevent the qualitative changes (good and bad), and also will be the basis for forecast, logically associated with forecasts of social well-being. This is important due to the fact that in modern world the quality of leisure is indicative of life quality.

However, the absence of a system of social indicators, as well as the narrowness of the statistical data provides a certain situation when tourism in field of public administration is revised as an economic system.

In other words, the main problem among other issues of tourism development is the process of creating a kind of indicator that would be able to describe the level of society satisfaction as a whole and in different social groups and would bring virtually the entire spectrum of research in the field of sociology / psychology for travel motives. Many control systems are not ready for this. As a result, there is a conflict between social and economic indicators of good governance. This fact creates peculiar problem for the country (including the region) to operate with real data, as well as the burden decision-making process that is based on facts (Гуляев В.Г., 2008).

There are following problems in tourism statistics (Bentley R. B., 1996):

- Comparability of data bases. It involves the ability to compare data in order to identify trends, patterns of tourism development, the changes occurring in it, in space and time; assessment ratio values of similar indicators related to different countries, etc. Statistical data are often not comparable due to differences in their subject content, methods of calculation and measurement units. However, in many cases, disparate data can lead to comparable.

- Completeness and accuracy of statistical information. In other words, how it is possible to get all the necessary information on international tourism and how to fill the gaps in the assembled date in order to get reliable information.

- Indicators of tourism arrivals, income and expenses, containing valuable characteristics of consumer behavior of visitors, does not give an idea of the tourist product and its components, types of activities to be included in the tourism industry. The narrowness of the information base, the lack of methodological uniformity and comparability with the performance of other sectors leads to an underestimation of the economic role of tourism. Although the importance of the tourism sector to the economy is obvious, it is not adequately reflected in the statistics.
Already in 1983 UNWTO at the fifth session of its General Assembly, held in New Delhi, presented a report, which showed the possibility of describing the tourism industry within the framework of the recommendations of national accounts. The report emphasized the importance of uniform and comprehensive method of measurement and comparison of tourism with other sectors of economy. These recommendations have not been implemented, but is still considered to be a fundamental contribution in this area.

The International Conference on Travel and Tourism Statistics, held by UNWTO in cooperation with the Government of Canada in Ottawa in June 1991, provided an opportunity to study the experience in the field of individual countries, as well as to review the Manual on Tourism Economic Accounts, developed by the Organisation for Economic Co-operation and Development (OECD). A set of statistical definitions of terms were proposed in the field of domestic and international tourism and a classification of tourism activities in relation to other international statistical standards and recommendations, such as balance of payments, System of National Accounts 1993 and the recommendations on international migration statistics. In addition, it underlined the necessity to develop a system of tourism-related data that would be structurally integrated into the System of National Accounts (Manual on Tourism Economic Accounts, 1991).

In 1993, after reviewing the proposals and improvements these recommendations were presented for approval to the United Nations Statistical Commission at its twenty-seventh session, along with the standard international classification of activities in the field of tourism (SICTA), which was approved as a temporary classification. Recommendations on Tourism Statistics (adopted by the Commission in 1993 and published in 1994) represented first set of international recommendations designed to determine the fundamentals of tourism statistics system in terms of concepts, definitions, classifications and indicators (Statistical Commission Report on the Twenty-seventh Session, 1993).

In the following years, UNWTO intensified its activities to promote the development of tourism statistics. Nine regional forums were held:

- in Prague (1992) and Warsaw (1995) for the countries of Central and Eastern Europe,
- in Damascus (1995) for the Middle East,
- in Moscow (1996) for the Russian Federation,
- in Jakarta (1996) for the countries of the Pacific and South Asia,
- in Kingston for Caribbean countries, in Cairo (1997) for Africa and the Middle East,
- in Thiruvananthapuram (India) (1998) for Asia;
- in Mexico City (1998) for the North, South and Central America.

The Inter-Agency Coordination Group on Tourism Statistics, established in 2004 at the request of the United Nations Statistical Commission (composed of the United Nations Statistics Division, OECD, Eurostat, the World Trade Organization, the IMF, the International Organization (ILO) and the UNWTO) provided the most favor to the process of reviewing the Recommendations in 1993. Work, carried out by this group, included the identification of problems, which required coordination with a view to finding mutually acceptable solutions on updating the Tourism Satellite Account and eliminate conceptual inconsistencies with related macroeconomic frameworks (Report of the Committee for the Coordination of Statistical Activities on its first and second meetings, 2004).

Moreover, additional initiatives have been worked-out: firstly, an electronic forum of UNWTO, which was held from April to October, 2006, presented a few suggestions for discussion. Then, in July 2006, in Madrid under the auspices of the Statistics Division and UNWTO the
International Workshop on Tourism Statistics was held. It was attended by 79 people – representatives of 33 countries and seven international and regional organizations. The purpose of workshop was to collect suggestions and recommendations for updating tourism statistics. The Committee on Statistics and the Tourism Satellite Account of the UNWTO took an active part in revision process, which gave a valuable contribution to the development of draft document, particularly in a special session, which was held in Lisbon, in March 2007. As the result of this work, in a global consultation that took place in May and June 2007 a preliminary draft of the International Recommendations for 2008 was made. The project undergone a further review and in New York, on 25-28 June 2007, was approved as a whole by the Expert Group on Tourism Statistics of the United Nations (CCSA Reports to the Statistical Commission, 2015).

At the international conference of the UNWTO in 1999 (Nice), a new system of statistical tourism was first proposed. In March 2000, the method of tourism accounting Tourism Satellite Account (TSA) has been approved by the UN Statistical Commission (Frechtling, D. C., 1999).

The term “Satellite Account” was first proposed by the UN in order to measure the economic sectors that are not considered as separate in the national accounts. For tourism, which is located together with many other types of industries, such as transportation, hotel and restaurant management, recreation and entertainment and others, it is difficult to accurately determine the ratio of expenditure data of tourists to the total amount of goods and services produced in the country (Tourism Satellite Account: Recommended Methodological Framework, 2001).

TSA methodology is a new tool of tourism statistics, intended for a common approach in defining international standards, taking into account the goods and services produced, comparing them with those of other industries, and ultimately, comparing these figures between countries or groups of countries (Libreros M., Massieu A., Meis S., 2006), (Jones C., Munday M., 2007), (Modelling tourism and travel using tourism satellite accounts and tourism policy and forecasting models, 2001).

TSA is data collection and statistical analysis method of virtually all aspects of the consumer supply and demand in tourism and travel, from personal consumption of tourists and ending with business travel, investments in public and private sectors of the tourism industry, as well as exports, including in the following components:

- expenses of tourists traveling due to personal needs;
- expenses of business travelers;
- individual expenses of public institutions (museums, national parks, customs, etc.), produced to meet the needs of travelers (advertising, technical repair);
- tourist spending on goods and services in the country of temporary residence;
- public expenditure of a general nature aimed at promoting the tourist product (safety of stay in the country, etc.);
- investments in tourism infrastructure (equipment, technology);
- the purchase cost of goods required for ensuring the leisure industry (aircraft, clothing, gasoline, electronics, etc.).

The main difference of TSA is the fact that it accounts not only generated revenues, but also the impact of tourism industry on employment.

With the help of TSA it is possible to take into account the cash flows generated by not only tourist industry in direct manner (number of border crossings, means of transport chosen for the trip, purpose of travel, etc.), but also related to various industries (sale of souvenirs, catering, entertainment, the company culture, trade, etc.) (Heerschap N. M., 1999).
The national system of tourism statistics in Azerbaijan

The necessity to correctly put the primary tracking in the tourism industry is obvious, and is connected with the general tendencies of the European integration of Azerbaijan in all fields. The processes associated with the statistics and primary tracking are far behind the international trends. This delay can be explained by the fact that the subjects of management experts in the early formative years of statehood solved a large number of organizational issues.

State Statistical Committee (SSC) collects tourism statistics in Azerbaijan. SSC is responsible for the organization of static observations in the field of tourism statistics. In 2006, the sector of tourism statistics was set up in the State Statistical Committee in order to ensure full coverage of statistical survey organizations involved in tourism, to improve and centralize the work conducted in the tourism statistics, as well as for more information on tourism as such. The Ministry of Culture and Tourism in addition to the State Statistical Committee collects individual data on tourism.

The State Statistical Committee of Azerbaijan is an independent central authority, which, as a rule, governs economic statistics’ registration activities of employees in the central executive body system. The present Committee ensures its activities while carrying out research on the socio-economic processes that are taking place in the country. The Committee also provides a full range of information on the socio-economic situation in the country, and is also responsible for policy implementation, which should be directed at making the importance for the role of statistical information.

The main functions of the Committee are as follows:

- to ensure the objectivity of statistical information;
- to control over the development and further application of technical / economic information;
- to analyze of statistical information;
- to calculate of socio-economic and demographic balance and the subsequent forecasting;
- to maintain of international cooperation in the field of statistics,
- to disseminate / exchange of statistical information that is not contrary to the interests of the country;
- to provide public authorities of the Republic of Azerbaijan with statistical materials, which reflect the socio-economic situation of government in the country;
- to organize the collection of the necessary statistical information on the basis of the statistical calculations in the state;
- to conduct additional monitoring application along with statistical data;
- to ensure the confidentiality of state and commercial secrets, and statistical information, etc.

There is no inter-agency working group on tourism statistics. Only once a year the State Statistical Committee conducts a workshop on tourism statistics, which is attended by representatives of the Ministry of Culture and Tourism, Migration Service, Border Service, Central Bank, Ministry of Economic Development and others.

Currently, information on tourism statistics is formed on the basis of four main sources.

The first source is the state statistical report "On tourism" in the form “No. 1 – Tourism”. The present statement is submitted with semi-annual and annual intervals by tourism organizations that are involved in the establishment and sale of tourist packages, as well as other organizations.
that are systematically or occasionally involved in tourism activities. The form “No. 1 – Tourism” gives the foundation for such reporting data as:

- information on the number of enterprises and number of employees in this area;
- revenues and expenditures,
- the number of tourists, to whom the services are provided,
- number of tour days,
- number and value of sold vouchers to the tourists,
- number of foreign tourists and tourists traveling from Azerbaijan to other countries,
- placement of facilities,
- types of transportation services, rendered to tourists,
- information on tourist expenditures,
- information about the number of visitors (by country) who use the services, etc.

The information covers only the organized sector.

The second source of information is the state statistical report "On the activity of hotels and hotel-type companies" in form "No.1 Hotel". The information in collected with semi-annual and annual intervals and provides such indicators as:

- the number and capacity of hotels,
- the number of employees,
- the number of rooms,
- the number of individuals, the number placed for the purpose of travel, according to the terms of residence, the cost of the room (nationals and foreigners)
- the number of overnight stays (by residents and non-residents).

Based on these data, the information on the number of tourists from the total number of residents can be obtained. Tourist organizations, as well as the hotels and hotel-type companies are the primary reporting statistical bodies at their location, which, in their turn, after processing the information send it in an e-mail to the State Statistics Committee.

The third source of information is the state statistical report form «No.1 Border" with the semi-annual and annual intervals, on the basis of which the information on the number of citizens who went abroad and foreign nationals visiting Azerbaijan (by country) can be obtained. In conducting statistical surveys on citizens to leave and enter, this data is used as the general population.

Another source of information is a selective statistical survey "On persons crossing the border of the country." For the first time this survey was conducted in 2009 and it was decided to hold it annually. The results of these surveys provided data on inbound and outbound tourism. Foreign citizens are involved in the survey at the exit from the country at border crossings, as this is when they can give more information on the visit. This survey also involves citizens of Azerbaijan at the moment of their return. According to a survey of the total number of travelers the data on the number of persons crossing the border for the purpose of tourism, their age, place of residence, on the means of transport used, the types of expenses (transportation, accommodation, sightseeing, food, for the purchase of souvenirs and gifts and etc.) is obtained. The results of surveys are published and sent to the relevant authorities.
In the homepage of State Statistical Committee of the Republic of Azerbaijan (The State Statistical Committee of the Republic of Azerbaijan, 2015) the following data showing the development of regional tourism is presented.

Main indicators of tourism by economic regions:

- number of served Azerbaijan tourists by country territory
- total number of trip sheets
- number of sold trip sheets to Azerbaijan citizens for traveling within country
- number of trip sheets sold Azerbaijan citizens for travelling foreign countries
- number of trip sheets sold foreign citizens for traveling within country
- value of sold trip sheets
- value of sold trip sheets sold to Azerbaijan citizens for traveling within country
- value of trip sheets sold Azerbaijan citizens for travelling abroad
- value of trip sheets sold to foreign citizens for travelling within Azerbaijan territory
- total income of enterprises engaged in tourism activity
- income from tourism activity
- total expenditures of enterprises engaged in tourism activity
- expenditures for tourism activity
- total number of employees engaged in tourism enterprises
- number of employees in tourism enterprises engaged in tourism activity
- number of total arrivals and departures of tourists
- number of received tourists
- number dispatched tourists
- total number of implemented tour days
- number of arrived tour days
- number of departure tour days

Main indicators of hotels and hostel types by economic regions:

- once capacity of hotels and hotel types of enterprises (bed places)
- number of rooms in hotels and hotel types of enterprises (unit)
- number of overnight stops in hotels and hotel types of enterprises
- number of accommodated persons in hotels and hotel types of enterprises
- number of accommodated country citizens in hotels and hotel types of enterprises
- number of accommodated foreign citizens in hotels and hotel types of enterprises
- number of accommodated persons by 1-3 days duration of stay
- number of accommodated persons by 4-7 days duration of stay
- number of accommodated persons by 8-28 days and over
- income of hotels and hotel types of enterprises
- exploitation expenses of hotels and similar establishments
- annual average pay-roll number of employees in hotels and hotel types of enterprises
The development of regional tourism is affected by many different factors. All these factors is affected in the global and local level. The actions of these factors can be both positive and negative, as well as strong and weak, since some factors increase the actions of others, but other factors, in their turn, decrease other factors. Therefore, the influence of factors on regional tourism should be studied at both levels: global and local.

**Summary**

- Concepts, related to regional tourism, tourist attraction and tourist potential, are poorly standardized, making it necessary to introduce definitions and providing an opportunity to consider regional tourism in Azerbaijan, both in the global and the local context. At the same time, the concept of regional tourism is directly linked with the concept of economic region, which acts as either Azerbaijan as a whole, or economic regions within it.

- Research methods for regional tourism is both qualitative and quantitative. The most effective is the use of modern quantitative methods such as factor analysis, cluster analysis, decision trees, followed by a qualitative interpretation of the results.

- Statistical data on tourism, despite the problems associated with the reliability, completeness and comparability of data, allowed to build a large database that can be used as secondary data in empirical studies.

- Factors, affecting the development of regional tourism, are numerous, varied, have different weights and was subjected to different classifications. The author considers all the factors discussed in the chapter are either global or local in nature, or act on two levels (global and local), so the study of the impact of regional tourism factors was analyzed at both levels. In the study of tourism on a global basis a classification of TTCI indicators was used for the base, but for the study of tourism in the local context, in its turn, a classification of statistics and indicators of State committee of the Republic of Azerbaijan were used.
2. RESEARCH COMPETITIVENESS IN AREAS OF TOURISM, BASED ON TRAVEL AND TOURISM COMPETITIVENESS INDEX

Competitiveness Index in Travel and Tourism Field

Competitiveness Index in the field of travel and tourism is related to rating indicators. Usage of rating figures is due to the increasing amount of information, which requires systematization and evaluation of the authenticity, quality and the possibility of using the information for private and strategic objectives for the development of individual enterprises and economic entities. Case studies are an important tool in the provision of the rating. This emphasizes that the rating is an evaluation index, compiled by taking into account the opinions of professionals. Thus, the rating is a complex integral index, which includes some of the most important parameters for the user of the object evaluation (Савина А.В., 2006).

Tourist ratings can be divided into regional, national and international. One of the most important functions of the rating is not only a definition of the region's position in the ranking, but also a stimulating effect on the rating of its promotion in the market through progressive growth of a set of indicators that characterize tourist and recreational activities. Thus, tourist ratings can manage the development of tourism at the international level, and within the country – at the national, regional and municipal levels through the creation of a system (Кружалин В. И., Шабалина Н. В., Валькова В. В., 2011).

There are four main functions for the rating in tourism.

1. Information. Rating is a source of information about the object evaluation, including a set of parameters for the interest of the recipient, gathering the information.
2. Stimulation. Rating stimulates evaluated object to take actions in order to improve its position.
3. Mediation. Rating allows to reduce the influence of subjective factors, typically affecting the formation of opinions on the subject evaluation.
4. Control. Rating can be used by the object of evaluation to promote the formation of a positive image of their own, in order to attract new customers (buyers) and partners for the formation of prices, etc.

Tourist rating system makes it possible to solve a range of tasks from ordering and receipt of complex information about the subject of evaluation to stimulate the tourism development, individual tourism businesses and destinations, creating a favorable external and internal environment for tourism development, and hence control the tourist industry at the regional and federal levels. Ideally, the system of regional tourism development rating must correspond with national and international rankings (Кружалин В. И., Шабалина Н. В., Тульская Н. И., 2011).

The Travel and Tourism Competitiveness Index (TTCI) was developed by the World Economic Forum (World Economic Forum; Geneva, Switzerland). Annual rating study was conducted from 2007 to 2009, and from 2010 the present research is conducted once in two years. In its preparation, a combination of data from publicly available sources and information from international organizations and experts in the field of travel and tourism are used. Research is conducted by World Economic Forum, in close cooperation with the strategic partner – Booz & Company and with partners in data collection: Deloitte, the International Air Transport Association (IATA), the International Union for the Conservation of Nature (IUCN), the World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC). During the work on the reports World Economic Forum also received important feedback from key industry partners: Airbus / EADS, BAE (Dupeyras, A. and N. MacCallum, 2013) Systems,
Contained in the reports, cross-country analysis for the factors of competitiveness in the tourism and travel sectors provide information for comparisons, useful for decision-making in business and valuable for the government, seeking to improve the conditions in travel and tourism sector. Studies contain detailed profiles of each of the 140 economies that appear in the studies, including details of the final position in ranking, as well as provides guidance on the key competitive advantages and disadvantages. The report also includes reports of industry experts; individual chapters are devoted to communication issues of visa facilitation and economic growth; the need for policy to use local competitive advantages is imputed to the environment; the impact of the tourism sector to create jobs; the impact of aviation on the economic development. In addition to analyzing the reasons for travel and tourism sector development in different countries, the reports also provide a general picture on the state of the industry at the international level, and analyze its role in the acceleration of global economic growth.

TTCI provides valid comparisons of the success in countries that develop travel and tourism sector, combining them into five regional groups: Europe, Americas, Asia-Pacific (including Central Asia), the Middle East and North Africa and Africa in South of Sahara.

TTCI builds a global ranking of countries according to their attractiveness index for the development of tourism industry and does not measure the attractiveness of the country as a tourist destination. There are no issues about the actual preferences of tourists, but about the extent of the tourism sector in these countries that are more attractive to investors and businessmen.

TTCI score varies from 1 to 7 points (from a very low level to very high). This overall index is made up of 4 main sub-indices. Each of the sub-indices is divided into 2-5 basic components (WEF, 2015).
An empirical study on regional tourism of Azerbaijan by use TTCI

Azerbaijan occupies the 84\textsuperscript{th} place in the ranking of the competitiveness of the Travel and Tourism Competitiveness Index, in tourism and travel sector, 2015. In the report 141 country was evaluated as with tourism potential. In terms of a favorable business climate Azerbaijan takes 65\textsuperscript{th} place. The WEF report also praised security in the country in a high level – the 36\textsuperscript{th} position, health sector - 44\textsuperscript{th}, the level of the labor force – the 36\textsuperscript{th}, the ICT – 52\textsuperscript{th}, the tourism industry priority – 58\textsuperscript{th}. Rating of price competitiveness in the country was ranked in 65\textsuperscript{th} position. Meanwhile, Azerbaijan is located on the 107\textsuperscript{th} place for the level of international openness. The level of environment development in Azerbaijan is in 95\textsuperscript{th} place, infrastructure for air transport – on 84\textsuperscript{th} place, the development of infrastructure, land and water transport – on 65\textsuperscript{th} position, cultural attractions – in 75\textsuperscript{th} place, the service of tourism infrastructure – 93\textsuperscript{th}, natural beauty – 130\textsuperscript{th} position (WEF, 2015).

Analyzing the data and the main components of competitiveness, the following problems of Azerbaijan in the development of travel and tourism revealed: high prices for tourist routes and recreation programs; a small amount of a full-fledged modern infrastructure for rest and recreation; lack of awareness of the regional tourist programs and tourist routes; low competitiveness of tourist services; high prices for air and ground transportation; insufficiency of measures to improve environmental performance.

In general, Azerbaijan is ahead of neighboring countries: Armenia on 11 categories, Georgia – 5, Russia – 6, Turkey – 7, Iran – in 12 categories in the final ranking. Furthermore, among the
factors, influencing a decrease for Azerbaijan, there are those that fall under the general category of the industry, but not really related to the competence and activities of the Ministry of Culture and Tourism.

### Table 2.1

<table>
<thead>
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<th>Year</th>
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<th>2009</th>
<th>2011</th>
<th>2013</th>
<th>2015</th>
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<td>139</td>
<td>140</td>
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<td>76 ▼</td>
<td>83 ▼</td>
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<td>B.08 Tourism infrastructure</td>
<td>92</td>
<td>34 ▼</td>
<td>96 ▼</td>
<td>109 ▼</td>
<td>93 ▼</td>
</tr>
<tr>
<td>B.09 ICT infrastructure</td>
<td>84</td>
<td>95 ▼</td>
<td>88 ▼</td>
<td>63 ▼</td>
<td>52 ▼</td>
</tr>
<tr>
<td>B.10 Price competitiveness in T&amp;T ind.</td>
<td>62</td>
<td>112 ▼</td>
<td>76 ▼</td>
<td>77 ▼</td>
<td>65 ▼</td>
</tr>
<tr>
<td>C Subindex C: T&amp;T human, cultural and natural resources</td>
<td>105</td>
<td>105</td>
<td>105</td>
<td>96 ▼</td>
<td></td>
</tr>
<tr>
<td>C.11 Human resources</td>
<td>54</td>
<td>96 ▼</td>
<td>49 ▼</td>
<td>59 ▼</td>
<td>36 ▼</td>
</tr>
<tr>
<td>C.12 Affinity for Travel &amp; Tourism</td>
<td>69</td>
<td>64 ▼</td>
<td>98 ▼</td>
<td>62 ▼</td>
<td></td>
</tr>
<tr>
<td>C.13 Natural resources</td>
<td>110</td>
<td>79 ▼</td>
<td>109 ▼</td>
<td>110 ▼</td>
<td>130</td>
</tr>
<tr>
<td>C.14 Cultural resources</td>
<td>99</td>
<td>100 ▼</td>
<td>81 ▼</td>
<td>85 ▼</td>
<td>75 ▼</td>
</tr>
</tbody>
</table>


### Isolation and analysis of clusters in area of TTIC components

International tourism, being a source of both direct and indirect revenues of the state, encourages the development of various industries, not specific to the tourism infrastructure, through the multiplier effect. In this regard, it is urgent to develop new methodological approaches for measuring and evaluating the international competitiveness of countries in order to better position of countries in the modern competition for tourism revenues.

The developed method is proposed to use cluster analysis on the basis of the information base of WEF to highlight clusters of countries, depending on the proximity of the tourist potential and similarity of competitive performance. Cluster analysis in area of tourism competitiveness components as the method of analysis was used in researches of Shirihina (Ширихина Е.Ю., 2012), (Jovanović S., Janković V., 2014). The calculations form clusters of countries that are grouped according to their similarity in competitive advantages, factors and qualitative indicators of development of tourism resources and infrastructure. This will determine the qualitative position of the country, not only among similar countries in the level of tourism destinations development, but also to draw conclusions about the preferred tourist specialization.
The empirical base of the research were sub-indices, components and indicators that make up the TTCI index (The Travel and Tourism Competitiveness Index Data Analyzer, 2015).

The study sample comprises 75 countries. The sample included countries where Azerbaijan tourist activity is observed.

Factor analysis of competitiveness in the area of components that characterize the potential of tourism industry in the country was performed to analyze the factor structure of the competitiveness index. Factor analysis was conducted with the selection of factors by principal component analysis and subsequent Varimax-rotation (Extraction Method: Principal Component Analysis Rotation Method, Varimax with Kaiser Normalization). Varimax is an orthogonal rotation, at which the minimization of the number of variables with high factor loadings appears. This method is most commonly used as it facilitates the interpretation of the factors. In addition, selected in such a way factors weakly correlate.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) criterion is equal to 0.837, indicating the feasibility of the factor analysis for the analysis of the index structure.

Table 2.2

Components and their factor loadings in the framework of two-factor structure of the index of competitiveness in travel and tourism

<table>
<thead>
<tr>
<th>Components of competitiveness</th>
<th>F1</th>
<th>F2</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT readiness</td>
<td>0.885</td>
<td>0.263</td>
</tr>
<tr>
<td>Safety and security</td>
<td>0.845</td>
<td>-0.075</td>
</tr>
<tr>
<td>Environmental sustainability</td>
<td>0.821</td>
<td>0.059</td>
</tr>
<tr>
<td>Human resources and labour market</td>
<td>0.820</td>
<td>0.272</td>
</tr>
<tr>
<td>Ground and port infrastructure</td>
<td>0.748</td>
<td>0.365</td>
</tr>
<tr>
<td>Health and hygiene</td>
<td>0.726</td>
<td>0.108</td>
</tr>
<tr>
<td>Tourist service infrastructure</td>
<td>0.704</td>
<td>0.348</td>
</tr>
<tr>
<td>Price competitiveness</td>
<td>-0.679</td>
<td>-0.312</td>
</tr>
<tr>
<td>International Openness</td>
<td>0.653</td>
<td>0.434</td>
</tr>
<tr>
<td>Business environment</td>
<td>0.642</td>
<td>0.231</td>
</tr>
<tr>
<td>Prioritization of Travel &amp; Tourism</td>
<td>0.520</td>
<td>0.441</td>
</tr>
<tr>
<td>Natural resources</td>
<td>0.053</td>
<td>0.904</td>
</tr>
<tr>
<td>Cultural resources and business travel</td>
<td>0.008</td>
<td>0.884</td>
</tr>
<tr>
<td>Air transport infrastructure</td>
<td>0.465</td>
<td>0.771</td>
</tr>
</tbody>
</table>

Source: developed by the author based on 2015 TTCI

Two-factor structure of the index is determined by such factors as

F1 – Enabling environment;
F2 – Natural and cultural resources.

Quantitative values of factors were obtained as a result of the factor analysis. They are standardized and fits to provision of comparative analysis.

Factor loads to indicators that determine the semantics of the selected factors are displayed in Table 2.2

The first of the extracted factors (F1) explains 44.4% of the total variance factor, F2 – 22.5%. The total percentage of the total variance explained by the extracted factors is 66.9%.
A two-step cluster analysis in the plane of the tourism competitiveness factors allowed to group countries in three homogeneous clusters (hereinafter – T & T clusters):

The first cluster (CL1) contains 21 (28% of the sample) country. The mean values of the two factors in this cluster is lower than the average in the population.
The second cluster (CL2) includes 33 (44% of the sample) of all countries. This cluster is characterized by the fact that the average value of the first selected factor (F1) in this cluster is higher than the average for the aggregate, and the second (F2) – below average.

The third cluster (CL3) unites 21 (28% of the sample) country. This cluster is characterized by the fact that the average value of the first factor (F1) is lower than the average aggregate, and the second (F2), on the contrary, above.

Distribution of countries by selected clusters is shown in Figure 2.3. Azerbaijan belongs to the first and the least competitive of the selected clusters.

Figure 2.4. Average values of tourism competitiveness components in T & T clusters


All components of competitiveness, except price competitiveness, in the countries of the first cluster are lower than in the countries of the second and third clusters. Indicators of Azerbaijan for components such as the Safety and security, Health and hygiene, ICT readiness, Ground and port infrastructure, Prioritization of Travel & Tourism, are above the average for the first cluster to which it belongs.

Countries of the second cluster have higher rates on such components as Natural resources, Cultural resources and business travel, Air transport infrastructure. In the third cluster such indicators as Tourist service infrastructure, Environmental sustainability, ICT readiness are better developed (Figure 2.4).
Figure 2.5. The average values of the competitiveness sub-indices of tourism industry in T & T clusters


Profile of tourism competence of Azerbaijan, built on the basis of sub-indices of tourist competence (Figure 2.5), corresponds to profile of the first of the clusters to which it belongs. The present cluster is characterized by a relatively low level, and a large spread of sub-indices of tourism competence. A whole group of countries in this cluster are blocking their natural tourist benefits. The reason lies in poor road infrastructure and bad business environment, small number of hotels, the lack of international car rental companies, as well as lower health standards. The problem is also that the presence of the beautiful nature, national parks, rich history, ancient castles and European traditions in these countries are almost unknown to tourists. Many cultural and historical sites and tourist centers of the countries in the cluster do not have international status.

In a second selected cluster evaluation of sub-indices ranged between 2.7 (natural and cultural resources sub-index) to 5.5 (Enabling environment sub-index). In the third cluster dispersion of mean values in sub-indices were smallest, from 4.2 (T & T policy and enabling conditions sub-index) to 4.9 (Enabling environment sub-index). Countries in this cluster demonstrate the importance of supportive business and regulatory environment, coupled with the transport and tourism world-class infrastructure, as well as a focus on caring attitude and human and natural resources development.
Analysis of individual tourism competitiveness indicators would better characterize the selected clusters.

**Business environment**

![Figure 2.6. Average values of standardized «Business environment» component indicators in T&T clusters](image)


This pillar captures the extent to which a country has in place a conducive policy environment for companies to do business. Research has found significant links between economic growth and aspects such as how well property rights are protected and the efficiency of the legal framework. Similarly, distortions in taxation and competition policy - including both domestic and international competition, measured in terms of foreign direct investment (FDI) facilitation - impact the efficiency and productivity of a country. These factors are important for all sectors, including T & T. In addition, we consider the cost and time necessary to deal with construction permits, which is a particularly relevant issue for T & T development.

State tourism management issues are relevant to the Republic of Azerbaijan. Tourism is one of the priority sectors of Azerbaijan and its development is in the center of the government’s economic policy. In this connection, the government will make great efforts to research the tourism potential in Azerbaijan, development of the legislative framework in order to access the international level.

After independence in 1991, the Republic of Azerbaijan had begun the processes to create national legislation in all fields of activity. This process also includes tourism industry and different regulations, as well as the National Tourism Policy has been developed.

In June 4, 1999, "Law on Tourism" was adopted. The law consists of 17 articles; it lists legal bases of tourist market formation and the principles of the state policy in this area. Key terms and concepts relating to the tourist activity is identified. The law also defines the bases of tourist activity and the rules of rational use of tourism resources as a means of ensuring the socio-economic development of society. In March 19, 2004, the supplement to the Act was adopted (Билалов Б.А., 2006).

A special program of tourism development. "State program for the period 2002-2005 for the tourism development in Azerbaijan" that provides rational use of tourist resources as one of the commitments in the socio-economic development of the country and carrying out state policy in the field of tourism, based on the articles of the "Law on Tourism" and other regulatory acts were also adopted.

In April 6, 2010, "State Program for 2010-2014 on development of tourism in Azerbaijan" was adopted. The main goal of the program is to develop tourism industry to meet modern economic, social and environmental standards, and to ensure conversion of the tourism industry in the development of one of the pillars of the economy. To fulfill the objectives of the Azerbaijan government program 2011 was declared the Year of Tourism.

The main task of the State Program is to create a modern tourism industry that meets high economic, social and environmental standards and turning it into one of the main pillars of the economy in Azerbaijan.

Achievement this goal involves the following tasks:

- implementation of targeted activities aimed for building the tourist infrastructure in the country at the level of the highest international requirements;
- establishment of investment and business environment in tourism the in order to attract domestic and foreign investment in this area;
- establishment of an effective mechanism of state regulation and control in the field of tourism with the use of best international practices;
- Provision of qualitative level of the services rendered in the field of tourism in the country that corresponds to international standards and improving the competitiveness of the tourism in country at the international tourist market.

State program provides targeted measures for the implementation in the following areas:

- improvement of the legal framework and regulatory mechanisms in tourism sector;
- establishment of appropriate infrastructure in tourist and recreation areas;
- expansion of the possibilities for using the country's tourism potential;
- promotion of tourism activity in all regions of the country;
- involvement of local and foreign investment in the tourism industry;
- development of various types of tourism, the establishment of new tourist routes;
- preparation and application of best practices and standards to improve the quality of tourist services;
- expansion of the hotel and other tourist service enterprises network;
- improvement of the personnel training system and development in the tourism sector, the implementation of targeted educational projects in foreign countries;
• promotion of nationally-historical, cultural and spiritual heritage of Azerbaijan, national traditions in the world, the publication and dissemination of materials that reflect the history of individual regions and cities, the use of modern information and communication technologies;

• promotion of the production and sale of national crafts’ products and souvenirs;

• expansion of international cooperation in the field of tourism development.

Activities, provided by the State Program, are financed from the state budget of Azerbaijan, including funds, provided in the State Budget for the Ministry of Culture and Tourism and other sources provided by the legislation.

The tourism industry operates as a cross-industrial complex through established relations with almost all government departments and agencies. In particular, there is a link with such entities as legal (covers legal and regulatory framework, customs and consular services), financial and economic (tax and insurance system, financial relations), human resources (training for tourism, scientific research, etc.). State support stimulates public demand for tourism services. A effectiveness for state tourism policy is a profitability of the tourism industry and its contribution to the national economy (Винниченко И.И., 2006).

The Azerbaijani legislation does not contain any restrictions applicable to foreign nationals, even in the issue of purchase of real estate. Research, provided by the Office of the State register of property under the State Committee for Property Affairs show that more than two thousand houses in the country are owned by foreign nationals. These are representatives of the various states who buy up real estate in Azerbaijan. Most of the buyers are citizens of Iran, Turkey, Pakistan, Japan, and Korea. The objects bought them not only apartments in multi-storey buildings, but also individual houses. In the selection an object, foreigners are not limited only to the capital of Azerbaijan – they also pay attention to the various regions of the country, especially those in which tourism is developing. As for Baku, here they prefer property, located close to the city center: Sabail, Nasimi, Yasamal and Narimanov districts.

Restrictions, relating to foreign nationals, are only in the purchase of land. People who are not citizens of Azerbaijan cannot buy land in its territory, they only have the right to rent it.

There is and there always will be an interest of foreign citizens in the Azerbaijani real estate. Approximately 4-5% of the objects in the real estate market in Azerbaijan are owned by foreigners. Existence of favorable market conditions at some time led to increased investment in the construction market.

Index of the property rights (0-100): According to this indicator, The Heritage Foundation provides information about Azerbaijan in the period from 1996 to 2015. The average value for Azerbaijan during this period amounted to 27 points with a minimum of 20 points in 2010, and a maximum of 30 points in 1996.

Azerbaijan is a leader in attracting foreign investment among the countries in the region. Over the past 15 years, the total volume of direct foreign investments in the Azerbaijani economy exceeded 37 billion US dollars. Such industries as energy, agriculture, information technology, tourism, construction, and services are the most attractive for foreign investors.

Citizens of Russia, Belarus, Ukraine, Moldova, Georgia, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan can come to Azerbaijan on visa-free basis. Citizens of Turkey and Iran can obtain a visa at the border. Citizens of other foreign countries, visiting the territory of Azerbaijan, must obtain a visa at the embassy or consulate of the Republic of Azerbaijan, located in the territory of their country od residence (or embassies accredited in their country). The entry visa is issued for a period of three days to three months.
In July 7, 2009, the European Union and Azerbaijan signed an agreement on aviation, which extends the capabilities of the air corridor between the EU Member States and Azerbaijan. The agreement acknowledges the existence of a single market for air transport, and the European Union allows any EU airline to fly between Azerbaijan and EU Member States, if there is a bilateral agreement on air communication.

Transparency and accountability index (-2.5 weak; strong 2.5): According to this indicator, The World Bank (govindicators.org) provides data on Azerbaijan for the period from 1996 to 2013. The average value for Azerbaijan during this period amounted to -1.14 points with a minimum of -1.35 points in 2013, and maximum, amounting to -0.85 points, in 2000.

In accordance with the decree of President of the Republic of Azerbaijan No.2458 “On measures for provision of the organization of business entities’ activity after “single window" principle”, dated October 25, 2007, state registration is performed by the Ministry of Taxes of the Republic of Azerbaijan. In accordance with the Law of the Republic of Azerbaijan No. 560-IIQ “On state registration and state register of legal entities”, dated 12 December, 2003, the state registration of commercial entities, including representative offices or branches of foreign legal entities is carried out within three days.

State Register of Legal Entities collects general information on legal entities and their founders. Under the provisions of the Civil Code of the Republic of Azerbaijan the State Register of Legal Entities is open and every interested party may obtain copies of the documents submitted for registration.

An enterprise may start its activity in the country from the moment of registration. An enterprise cannot open a bank account, to make customs clearance, etc. without official registration in the Ministry of Taxes of Azerbaijan.

After passing all the necessary documents (foreign participants / shareholders provide additional excerpt from the companies register, foundation documents, decision to establish the company in Azerbaijan) the Ministry of Taxes of Azerbaijan shall issue an extract from the state registry and tax identification number within 3 business days. In the country there are no additional requirements for the establishment of enterprises by foreigners, in addition to the normal requirements of legalization and translation, as well as in the legislation there are no restrictions on the share of foreign participation in joint ventures or investments.

Azerbaijan is a participant to the Hague Convention, abolishing the requirement of legalization for foreign public documents, in connection with which there are no requirements in relation to the legalization of documents, prepared and issued in the countries – parties to the Convention.

The costs of starting a business, % of income per capita: according to this indicator, the World Bank provides information about Azerbaijan in the period from 2003 to 2013. The average value for Azerbaijan during this period amounted to 6.91 percent of Gross National Income per capita with a minimum of 1 percent of Gross National Income per capita in 2013, and the maximum at the rate of 16.8 percent of Gross National Income per capita in 2003.
Safety and security

Figure 2.7. Average values of standardized component indicators «Safety and security» in T & T clusters


Safety and security is a critical factor determining the competitiveness of a country’s T&T industry. Tourists are likely to be deterred from traveling to dangerous countries or regions, making it less attractive to develop the T&T sector in those places. Here we take into account the costliness of common crime and violence as well as terrorism, and the extent to which police services can be relied upon to provide protection from crime.

In travel information there is a perception that the Republic of Azerbaijan, although politically stable country, is not particularly safe tourist destination. In this situation the government must act on two fronts – to take measures to ensure tourist safety, and take measures to create a more positive image of Azerbaijan as a safe destination to visit.

The index for rule of law (-2.5 weak; strong 2.5): according to this indicator, the World Bank (govindicators.org) provides data on Azerbaijan for the period from 1996 to 2013. The average value for Azerbaijan during this period amounted to -0.87 points, with a minimum of -1.16 points in 1996, and a maximum of -0.67 points in 2013.

According to the concept of development of Azerbaijan to 2020, in the area of public safety, different measures will be taken to improve disaster prevention and management system in a crisis situation; automation of management and application of information technologies in this area; the implementation of high-level civil defense work, fire safety and rescue; protection of the population and territories from emergency situations of natural and technogenic character, etc.

In order to provide a model of public order in Baku and reliable protection of numerous foreign guests and tourists, as well as full and complete information about Azerbaijan, its history and culture, the Ministry of Internal Affairs considers it would be appropriate for police employees to the study foreign languages.
Health and hygiene

Figure 2.8. Average values of standardized «Health and hygiene» component indicators in T & T clusters


Health and hygiene is also essential for T & T competitiveness. Access to improved drinking water and sanitation is important for the comfort and health of travellers. In the event that tourists do become ill, the country’s health sector must be able to ensure they are properly cared for, as measured by the availability of physicians and hospital beds. In addition, high prevalence of HIV and malaria can have an impact on the productivity of the T & T labour force and play a role in discouraging tourists from visiting a country.

One of the most important works in the direction of improving the environmental situation in Azerbaijan is implemented and ongoing projects to ensure the population of Baku and other settlements of clean drinking water. State started the installation of water purification plants of modular type, towards improving the provision of population in Azerbaijan with high quality drinking water that meets environmental requirements in some areas of the Nakhichevan Autonomous Republic, as well as in more than 100 settlements in Yevlakh, Zardab, Agjabadi, Kurdamir, Imishli, Sabirabad, Saatli, Salyan, Neftchala, and Bilasuvar districts in 2007-2008, most of which have already been put into operation. According to the decree of the president, signed in November 2008, taking into account the positive results of water treatment modular units in the direction of ensuring the country’s population with drinking water, the solution of these works have been continued and have been allocated additional funds in the amount of 2 million manat for the construction of water treatment plants of modular type in 200 settlements of coastal Kur and Araz rivers. Vodokanal of Oguz-Gabala-Baku, the construction of which was begun in 2005 and completed in 2010, can be considered as a historic event in the direction of solving problems with the drinking water supply of Baku and Absheron peninsula. Budgetary funds in the amount of 1 billion manat was spent for this project. The main aim of a water canal of Oguz-Gabala-Baku is the provision of high quality, clean water, by supplying drinking water to Baku in 5 cubic meters per second from groundwater sources in Oguz and Gabala. It is estimated that after the completion of the reconstruction of the water distribution network of Baku and surrounding settlements, with the help of the water treatment plant it will be possible to provide drinking water to 75% of Baku population.
As of January 1, 2014, there are 4,298 cases of HIV infection registered in the Republic of Azerbaijan. HIV prevalence per 100 thousand population is 44.3, infestation of population – 0.04%. According to the observations of 2012-2014, the relative stabilization of HIV infection in the country can be determined: the incidence rate in 2012 was 5.6 per 100 thousand population, and 5.3 per 100 thousand population in 2013. Compared to the year 2011 (the incidence was 6.0), in 2013 the incidence of HIV infection declined by 11.7%. Cases of HIV are registered in all administrative areas with the identification of regions with high prevalence (Shirvan, Hajigabul, Astara, Lankaran, Sumgait). Men predominate in the overall structure of HIV-infected and at the end of 2013 the number of infected men make up 78% of the number of registered cases for the entire period of the epidemic, but an increase in the number of HIV-infected women can be detected (in 2011-2013 the proportion of HIV-infected women has increased from 18.3% to 22%). In 2013, the number of newly registered HIV in 84.3% cases are accounted for the population aged 25-49 years. (Data of the State Committee of Statistics of the Republic of Azerbaijan, http://www.azstat.org/indexaz.php)

Resolution of the Cabinet of Ministers of Azerbaijan Republic No. 205s, dated in September 25, 2002, approved the National Strategic Plan "On the prevention of HIV spread in the territory of the Republic of Azerbaijan". The main priorities of the Strategic Plan are: the definition and development of a national HIV prevention policies; ensuring the safety of blood and its components, medical interventions and services; preventing the spread of HIV / youth; prevention of HIV transmission from mother to child; preventing the spread of HIV among injecting drug users and prevention of HIV transmission from their sexual partners; preventing the spread of HIV among migrants, internally displaced persons and refugees; preventing the spread of HIV through sexual contact; medical and social support to people living with HIV and their families; improvement of methods of epidemiological surveillance and state control of HIV.

**Human resources and labour market**

![Diagram](source: developed by the author based on TTCI Data Analyzer)
Quality human resources in an economy ensure that the industry has access to the collaborators it needs. The subcomponents of this pillar measure how well countries develop skills through education and training, and enhance the best allocation of those skills through an efficient labour market. The former includes formal educational attainment rates and private sector involvement in upgrading human resources, such as business investment in training services and customer care. The latter includes measures of the flexibility, efficiency and openness of the labour market and the participation of women, to assess the depth of the country’s talent pool and its ability to allocate human resources to their best use.

Training in the field of tourism is connected primarily with the quality of education and the availability of scientific support for the industry. Timely detection of tourism personnel training issues and identifying the factors and conditions that affect the effectiveness of training tourism specialists, will improve the competitiveness of the regional tourism workers and Azerbaijan tourist product as a whole.

Training qualified employees for tourism in Azerbaijan is carried out in accordance with the educational standards, which are based on the list of tourism occupations, as well as individual qualification requirements (including professional standards) to posts of employees in the tourist industry (Международная туристическая выставка в Азербайджане - АИТФ, 2014).

In 2006, on the basis of the decree of the President of the Republic of Azerbaijan the Institute of Tourism was created. Today the university provides education in the following specialties – "Management of tourism and recreation", "Management of tourism and hospitality", "Marketing of tourism and hospitality", "Organization of medical services in sanatoriums and resort establishments", "Health and resort", "Tourism culture and art ", etc.

Some universities have opened the department for the organization of tourist activity. Despite the fact that in the field of tourism experts have prepared many educational state institutions, they (professionals) are not enough. And it is not enough at all levels of the tourism business, beginning with the lower-level managers, accompanying the group of tourists (guides), middle management (program managers) to the top-level managers – managers of travel agencies.

There is no system of guide establishment institution due to the lack of standards for the profession, training centers, improvement or change of qualification.

Taking into consideration that the main role of the development of tourism in the modern world is played by staff and their professionalism, the current issue is always in the center of attention for the Ministry. Also trained representatives of the private sector and students of the respective schools along with employees of the Ministry are on the (intensive) courses for training of workers involved in the tourism sector.

Taking into consideration that the domestic sector of services for tourists is low, the Ministry had decided to hold courses for employees of hotels and workers, involved in the food sector. These courses were held in Baku, in June 2004.

In accordance with Article 13 of the Labor Code of the Republic of Azerbaijan "The regulation of the labor rights of foreigners and stateless persons":

If the law or international treaties to which Azerbaijan is not a party, do not provide otherwise, foreigners and stateless persons may use all labor rights equally with citizens of the Republic of Azerbaijan and in accordance with these rights are duties.

It is forbidden to restrict labor rights for foreigners and stateless persons, provided by this Code and other legal acts, except as required by law.
Online services and business operations have increasing importance in T&T, with internet being used for planning itineraries and booking travel and accommodation—but ICT is now so pervasive and important for all sectors, it is considered part of the general enabling environment. The sub-components of the pillar measure not only the existence of modern hard infrastructure (mobile network coverage and quality of electricity supply), but also the capacity of businesses and individuals to use and provide online services.

In 2012, the growth rate of the information and communication technologies (ICT) sector in Azerbaijan amounted to approximately 18%; the density of Internet users in Azerbaijan are closer to 70%.

The Ministry of Communications and Information Technologies and the State Oil Fund prepared a project to establish an optical network, which provides high-speed broadband Internet services to all settlements of the country on the "fiber to the home" model.

In 2012, Azerbaijan was the ninth country in Europe and 37th in the world that applied the fourth generation mobile communication technology; a single electronic government portal, working on the "single window" principle, which is provided for use for population and entrepreneurs through the Internet was launched from September 2012.

40 government and government agencies is connected in real time by e-government portal; state system of electronic signature has been running and a modern computer network mail system has been created.

Production of the first telecommunication satellite of Azerbaijan was completed, was created a center of regional management and backup satellite control center; the creation of a universal system of receiving and processing data to monitor the Earth's surface was initiated as well and from September 2013 real-time images of high accuracy was provided from foreign satellites to use them for various purposes. To observe the Earth's surface in 2015 the output of the Azerbaijani satellite into low Earth orbit was launched, and the output of the second telecommunication satellite into orbit in 2016 is planned.
The relevant UN Committee the Azerbaijan is included in the number of space-faring nations; in December, 2012 the 67th UN General Assembly adopted a special resolution on Azerbaijan, coordinated by the project "Trans-Eurasian Information Super Highway" (TASIM); an installation of high-speed information network of primary and backup nodes Europe – Middle East (EPEG) in Azerbaijan is being implemented.

In 2012, the Baku International conference and exhibition "BakuTel", as well as the largest in the Internet field event of the year – the Internet Governance Forum was held. The forum was attended by more than 1,600 foreign and 1,200 Azerbaijani specialists; 3800 foreign participants joined the forum via videoconferencing. To accelerate the development of ICT orders and decrees of the President of the Republic of Azerbaijan on establishment of the State Fund for ICT development, Hi-Tech Park, the Center for Information Security and the State Information Security Agency were signed in 2012.

The telephone system in Azerbaijan does not meet modern requirements; it requires expansion and modernization; telephone distribution is very low (8.6 lines per 100 population); internal: local – most phones are concentrated in Baku and other industrial centers, about 700 villages still do not have a telephone; satellite connects Baku to a modern switch in Nakhchivan; international: an old Soviet cable system and microwave transmitters are still in operation; satellite communications through Turkey provides Baku with connection to two hundred countries; some are directly connected with Baku by a non-Turkish service providers of satellite communications.

In the capital there are a sufficiently large number of pay phones in streets, in halls of most large shops and public institutions. Most of them only provides intercity communications. Devices with direct access to long distance and international lines, are in relatively few places, in most cases they can be found near the offices of banks and exchange offices, as well as near the government offices or in large shops. In most cases, calls out of the country can be made only via the operator.

Over the past five years the tariffs for unlimited broadband Internet access are decreased for thirteen times on average. Last year alone domestic market in reach of the access to the World network increased from 65% to 70%, and more than half of global connectivity is carried out by means of high-speed broadband access. Traffic volumes increased 2.2 times, and prices have fallen by almost 35%. In general, the ratio of the value of one megabit per second to the average wage in the country has one of the best positions in the region. The number of broadband connections in the gest provider network of Azerbaijan reached 14.1 thousand. Out of every 100 people in Azerbaijan, 73 are Internet users, and 55 – broadband Internet users.

Cellular GSM 900 standard develops extremely rapidly across whole country. The largest operators – Azercell and Bakcell. Roaming is available to subscribers of the largest Azerbaijan operators. Coverage is limited to the capital and other major cities, but the network is expanding rapidly and is fairly inexpensive.

Subscribers of mobile operators, million: according to this indicator, the International Telecommunication Union provides data on Azerbaijan for the period from 1994 to 2013. The average value for Azerbaijan during this period amounted to 3.44 million subscribers with a minimum of 0 million subscribers in 1994, and maximum in the amount of 10.13 million subscribers in 2013.

Currently, 3G service covers 60% of the territory and the population. 4G communication is appeared in the regions of Azerbaijan in 2015.
Prioritization of Travel & Tourism

Figure 2.11. Average values of standardized «Prioritization of Travel & Tourism» component indicators in T & T clusters

Source: developed by the author based on TTCI Data Analyzer, http://www.weforum.org/issues/travel-and-tourism-competitiveness/ttc platform

The extent to which the government prioritizes the T & T sector has an important impact on T & T competitiveness. By making clear that the sector is of primary concern, the government can channel funds to essential development projects and coordinate the actors and resources necessary to develop the sector. Signalling the stability of government policy can affect the sector’s ability to attract further private investment. The government can also play an important role in directly attracting tourists through national marketing campaigns. This pillar includes measures of government spending, effectiveness of marketing campaigns and country branding, and the completeness and timeliness of providing T & T data to international organizations, as this indicates the importance that a country assigns to its T & T sector.

Azerbaijan, recognizing the tourist activities as one of the priority sectors of the Azerbaijan Republic’s economy and is promoting tourist activities and create favorable conditions for its development. It defines and supports the priorities of tourist activities; creates an idea of the Republic of Azerbaijan as a country, favorable for tourism; it also provides support and protection of Azerbaijani tourists, tour operators, travel agents and their associations.

In addition to the positive influence of the tourism sector on the economy of Azerbaijan the possible negative impact of this industry should not be forgotten. First of all, attention should be paid to the so-called tourism monoculture. Tourism is close to agriculture and other traditional sources of income of local residents in the competition for land, resources, and capital. A higher level of wages in the tourist industry, as a rule, has attracted the majority of workers. At the same time, this trend can negatively affect the development of agriculture since the process of labor outflow could begin. As a result, the volume of agricultural output declines, while consumption volumes are growing due to increased number of tourist arrivals. It should also be noted that at the moment the so-called traditional way of life, as well as the natural landscape in the numerous mass tourism centers is broken or completely destroyed.
In order to study and promote the tourist potential, the Ministry of Culture and Tourism in cooperation with the United Nations initiated the creation of tourist information centers in seven districts of Azerbaijan. It is assumed that these tourist centers will contribute to the training of tourism professionals and will play a positive role in the elimination of human resources vacuum, existing in the regions.

In order to discuss and solve problems in the field of tourism the Ministry of Culture and Tourism held a three-republic-wide conference on tourism. Azerbaijan as a full member of the WTO annually organizes Nationwide Days of Tourism. The events carried out by the Ministry of Culture and Tourism activities provides development of tourism sector in the region and thereby improves the socio-economic situation.

For the promotion of the tourist potential of the republic the Ministry of Culture and Tourism conducts a number of activities. For example, the Ministry issued over twenty editions of advertising and informational nature: "Handbook for tourists", atlas "Azerbaijan – as it is", catalog "Welcome to Azerbaijan", "Guide to Azerbaijan", the tourist map of Azerbaijan and Baku, the CD "Welcome to Azerbaijan", etc. These publications have been prepared in Azerbaijani, English and Russian languages. Magazine “Azerbaijan Review” is published six times a year in English and Russian languages by order of the Ministry.

Information on the implemented work in the field of tourism is published in the monthly "Tourism Yenilikleri". The abovementioned advertising and publishing product is distributed among the participants and visitors of international tourism exhibitions, in embassies and as representative material of the country abroad. Advertisement, reflecting the tourism potential of the country, is placed in foreign magazines at tourist destinations. Videos, depicting tourist infrastructure of the country, are shown at international tourism fairs. The Ministry of Culture and Tourism also provides information for individual needs of individual countries citizens.

In the last three years the annual international exhibition on tourism in the country has been held. The number of foreign tourist companies participating in these exhibitions is increasing every year. More than 70 companies from 18 countries took part at the III International Exhibition of Tourism “The AITF 2004”, held 8-10 April, 2004. Culture and Tourism Ministry is taking part in international tourism exhibitions that are regularly held in London, Moscow, Berlin, Istanbul, Dubai, Kiev, Tbilisi, Makhachkala, and on the island of Kish Islamic Republic of Iran. At these events, representatives of several tourist companies and hotels in Azerbaijan along with the staff of the ministry are participating in the activities of travel agencies, negotiating during exhibitions and signing contracts on cooperation with foreign travel companies. There is an annual increase in the flow of tourists visiting the country as a result of the implemented work.

Figure 2.12. Expenditures for tourism services in Azerbaijan (thsd. manat)

Available statistical data, collected by the authorities of the statistical reporting, is insufficient in order to analyze the situation in the tourism industry, therefore a justification for its development prospects on the basis of different models to ensure positive structural changes in the sphere of tourism in the country cannot be provided. It is necessary to organize the monitoring of the production and consumption of the tourism product in the territory of the Republic of Azerbaijan. Data collection organization should take into account the specifics of the industry and focus on the needs of these modern methods of analysis and modeling of socio-economic processes. In order to improve the statistical data collected by travel companies, "Corporate Network for the collection of statistical data and their treatment" is established that is a result of an agreement between the Ministry of Culture and Tourism and the Institute of Information Technologies of Azerbaijan National Academy of Sciences. Through this network statistics from the travel agencies via modem will be transmitted to the base of the Department of Tourism and processed there.

**International Openness**

![Figure 2.13. Average values of standardized «International Openness» component indicators in T & T clusters](image)

Source: developed by the author based on TTCI Data Analyzer, http://www.weforum.org/issues/travel-and-tourism-competitiveness/ttcicompetitiveness

Developing a competitive T&T sector internationally requires a certain degree of openness and travel facilitation. Restrictive policies such as cumbersome visa requirements diminish tourists’ willingness to visit a country, and indirectly reduce the availability of key services. Components measured in this pillar include the openness of the bilateral air service agreements which the government has entered, which impacts the availability of air connections to the country, and the number of regional trade agreements in force, which proxies the extent to which it is possible to provide world class tourism services.

The number of foreign tourists arriving in Azerbaijan who have used services of hotels and hotel-type facilities has increased. In 2013, the number of people placed in hotels and hotel-type facilities, was increased by 6.6 percent and reached 666.3 thousand people, of whom 59.3 percent were foreigners. Among them, the number of visitors on tourism vacations, amounted to 86.9 thousand people, or 13 percent of the total number of outstanding individuals. (Data of the State Committee of Statistics of the Republic of Azerbaijan, http://www.azstat.org/indexaz.php)
Most people, accommodated in hotels and hotel-type facilities (82.1 percent) came as tourists. Among them, 41.4 percent of tourists came for leisure and entertainment, 42.6 percent – for business-related issues, others – for different purpose of the visit. Most of the visitors went to Baku, Nakhchivan, Khachmaz, Guba, Gabala, Sheki, Shamakhi, Balaken, Mingachevir, Masalli, Lankaran, Ismayilli, Lerik and Absheron district for rest and leisure. 43.8 percent of Azerbaijani tourists were Baku residents.

International events in Azerbaijan have positive impact on the dynamics of foreign tourists. Thus, in 2013 the number of foreigners placed in hotels and hotel-type facilities, amounted to 395.5 thousand, increasing for 6.3 percent, if compared with the previous year. The main part of visitors are citizens of Russia, the UK, Turkey, USA, Germany, Iran, Ukraine, Georgia, France, China, Italy, and Kazakhstan. Major part of foreign residents (79.1 per cent), who used hotel accommodation, come to Azerbaijan for tourism purposes. (Data of the State Committee of Statistics of the Republic of Azerbaijan, http://www.azstat.org/indexaz.php)

Tourism affects the lives of local people, its material and spiritual activities, a system of values, social behavior and interests in varying degrees. In a region with a socio-cultural activity, where tourism is traditional and the number of tourists is similar to local population and their cultural level is about the same, special effects tourism are not marked. However, in some industrialized regions of the growth of tourism can lead to significant changes in the social structure, the environment and local culture. This phenomenon became the basis for the study of social interaction problems caused by contact among cultures. The nature of the relationship between tourists and the local population is largely determined by the fact that they both are carriers of different cultures, contact between them occurs at the moment when the tourists have a rest, and the local population is working; this phenomenon is temporary. The impact of tourism on lives of local people can be both positive and negative.

The positive aspects include:

- the establishment of working places;
- an increase in income, which leads to an increase in living standard of the local population;
- acceleration of urbanization, the development of urban services, infrastructure, cultural organizations;
- acceleration of social and cultural processes;
- revival of local cultural values, development of folk art, traditions, customs, crafts;
- increasing demand for agricultural and local products;
- protection and restoration of local culture monuments;
- expansion of natural systems;
- increasing attractiveness of the region;
- revitalization of local cultural life.

The negative aspects include:

- polarization and commercialization of the interests of different groups of the population;
- an increase in the share of unskilled labor;
- an increase in the number of deviations from social norms of behavior (alcoholism, hooliganism, prostitution);
- “erosion” of a family (divorce, a slight young people's attitude to life);
- commercialization of culture;
- the identity loss for a particular tourist destination;
- conflicts between the local population and tourists.

The negative impact of tourism can be caused, first of all, due to its spontaneity, lack of advance preparation and control. In such circumstances, the local population is unable to adapt changes.

An example of a negative attitude towards tourists may be a conflict of interest: the locals are aggressively opposed to newcomers, as they "catch their fish, hunt in their forests", etc. Indignation of local residents could be caused by the difference in financial situation, the system of values, a sense of social inequality and so-called social discrimination. In some countries, the income of local residents, working in the tourism industry are much higher than those, involved in other areas. For example, tourists can give one dollar to young messenger as a tip for the delivery of luggage, while father of the messenger earns one dollar, working hard for several days. This situation creates social conflict and the illusion of "easy" money.

Both positive and negative aspects of the impact of tourism on the local population are performed at various levels – national, local or individual. Meeting the needs of tourism should not damage the social and economic interests of the population of the regions and countries, cultural and historical values, environment, and natural resources.

Most negative aspects can be avoided by integrated planning of tourism development and introduction of modern methods of process management (the strengthening of control over the use of territories and resources, to hold local public education policy), as well as by defining the criteria for most effective directions that are the basis for the selection and consistent their development.

**Price competitiveness**

![Figure 2.14. Average values of standardized «Price competitiveness» component indicators in T & T clusters](image)


Lower costs related to travel in a country increase its attractiveness for many travelers as well as for investing in the T&T sector. Among the aspects of price competitiveness taken into account in this pillar are airfare ticket taxes and airport charges, which can make flight tickets much more
expensive; the relative cost of hotel accommodation; the cost of living, proxied by purchasing power parity; and fuel price costs, which directly influence the cost of travel.


Currently taxes in Azerbaijan are becoming the main financial industry of the state. Nowadays the state budget forms through taxes in all countries of the world, including Azerbaijan (Мусаев А.Ф, Садыгов М.М., 2005).

Tax revenues, a percentage of GDP: according to this indicator, the World Bank provides data on Azerbaijan for the period from 1994 to 2012. The average value for the present country in this period was 14.3 percent with a minimum of 9.85 percent in 1996, and at a maximum rate of 25.56 percent in 1994.

The tax rate, the percentage of commercial profits: according to this indicator, the World Bank (doing business survey) provides data on Azerbaijan for the period from 2005 to 2013. The average value for Azerbaijan during this period amounted to 41.36 percent with a minimum of 40 percent in 2011, and the maximum at the rate of 46.4 percent in 2005

The amount of taxes paid by the business: according to this indicator, the World Bank (doing business survey) provides data on Azerbaijan for the period from 2005 to 2013. The average value for Azerbaijan during this period amounted to 25.22 taxes at a minimum of 18 taxes in 2010, and a maximum of 37 taxes in 2005. Unification of the current tax legislation of Azerbaijan and the European Union (EU) is one of the main conditions for the strengthening the economic cooperation with the EU.

Retail gasoline prices in dollars per liter: according to this indicator, the German Agency for International Cooperation provides information about Azerbaijan in the period from 1998 to 2012. The average value for Azerbaijan during this period amounted to 0.54 US dollars, at a minimum of 0.37 US dollars in 2002, and a maximum of 0.76 US dollars in 2012.

Diesel prices in dollars per liter: according to this indicator, the German Agency for International Cooperation provides information about Azerbaijan in the period from 1998 to 2012. The average value for Azerbaijan during this period amounted to 0.36 US dollars, at a minimum of 0.16 US dollars in 2002, and a maximum of 0.57 US dollars in 2012.

The main problem in the field of hotel business in Azerbaijan is that most of them (about 80%) are 4 and 5 star hotels. Unlike neighboring countries Turkey and Georgia, there is very small number of 2 and 3 star hotels in Azerbaijan, though 2 and 3 star hotels are one of the determining factors to attract tourists.

Room fees in a number of hotels in the regions of Azerbaijan are currently 40-100 manats per day. Property in Azerbaijan costs by 50% more if compared with the cost of living in Turkey.

To further attract both local citizens and foreign tourists there is a necessity to significantly reduce the price of some tourist services in Azerbaijan

Ministry of Culture and Tourism of Azerbaijan has conducted monitoring of hotels, travel companies in different regions of the country. If in the facility that is licensed and received quality mark numerous deficiencies are found, activities of this facility may be terminated, and the license eliminated according to the relevant legislation, as well as the contract between tourist service and ministry.
Previous monitoring has shown that there are few shortcomings in the activities of most of the hotels due to human resources potential. Service level in tourism is low due to the low level of training. In general, monitoring revealed a necessity to increase the number of tourist guides in the companies, especially those who know different languages in all regions of the country.

Hence the paradox that when the prices of these tourist sites are more expensive than the services provided can be seen. According to current legislation, the Ministry of Culture and Tourism cannot interfere in the formation of prices for tourist services, but, nevertheless, are the ministry periodically provide some work to bring the price of services rendered in accordance with their quality.

**Environmental sustainability**

![Average values of standardized «Environmental sustainability» component indicators in T&T clusters](image)

**Figure 2.15.** Average values of standardized «Environmental sustainability» component indicators in T&T clusters


The importance of the natural environment for providing an attractive location for tourism cannot be overstated, so policies and factors enhancing environmental sustainability are an important competitive advantage in ensuring a country’s future attractiveness as a destination. This pillar consists of policy indicators such as the stringency and enforcement of the government’s environmental regulations and variables assessing the status of water, forest resources and sea-beds, proxied by coastal shelf fishing pressure. Given the environmental impacts of tourism itself, we also take into account the extent to which governments prioritize the sustainable development of the T&T industry in their respective economies.

Like all countries, Azerbaijan faces environmental problems of various kinds. Saving ecological balance of the planet, rational use of reserves, protection of water, air and land from pollution is a global problem. There is no doubt that the solution to these problems is one of the strategic objectives and challenges facing Azerbaijan, for which solutions require long-term program planning and activities, as well as large public investments.
The basis of environmental programs implemented in Azerbaijan over the past ten years was founded in 2003. In the same year the president of the Republic of Azerbaijan confirmed two national programs – “On sustainable socio-economic development from an environmental point of view” and “On forest restoration and increase”. Later, in 2003-2004 three state programs were confirmed and implemented – “On the rational use and development of Absheron field of natural stone”, “On rational use of summer and winter pastures” and “On development of Hydrometeorology of the Republic of Azerbaijan”.

The most important step in this direction is considered to be the “Plan of complex measures to improve the ecological situation in the Republic of Azerbaijan for 2006-2010”. This plan was of strategic importance in further deteriorating and environmental pollution accident in the vicinity of Baku and Absheron peninsula. Oil puddles, existing around the capital for many years, a dense smog over Baku and the Absheron Peninsula, formed as a result of the primitive burning of household waste, the lack of sufficient infrastructure for clearing and draining wastewater created a threat for ecological catastrophe. The President confirmed the plan reflected all the main areas of action based on the analysis of the situation in order to restore the situation in the environment.

Environmental change inevitably occurs in the process of tourist activity. The impact of tourism on the environment can be direct, indirect and incentive, as well as positive and negative. Tourism cannot develop without interacting with the environment, but with the help it is possible to reduce the negative impact and increase positive impact of it with a good management and careful planning.

The positive impact of international tourism is the protection and restoration of historical monuments, the creation of national parks and nature reserves, protection of coasts and reefs, forest conservation, etc.

However, in many developing countries steps to protect and preserve nature have not been taken; this is due to lack of necessary funds, and revenues generated from tourism have been “pumped” to other economic sectors, which are considered to be more profitable.

In assessing the impact of tourism on nature it is important to consider the point of view: what is good from the point of view of tourists may be totally unacceptable to local residents. For example, creating parks may cause reduction of pasture, livestock and, therefore, lead to a decline in food production.

Tourism development policy in view of environmental impact is becoming increasingly necessary, and WTO offers a variety of different environmental programs.

Currently, most countries in Europe provided a certification of natural and historical treasures, which allowed to outline the development of tourism without prejudice to national wealth.

In recent years, several countries have adopted serious measures on nature protection, establishment of new national parks and reserves; conducted research to determine the allowable load on the environment. It is necessary to maximally neutralize negative impact of the booming international tourism and at the same time to create the most favorable conditions for it; to preserve and improve the natural and geographical environment. Such activities as planting cities, noise control and guidance of cleanliness play a significant role in improvement of environment.

International tourism should include strengthening the protection of forests and to restoration of them in a number of European countries, as well as the creation of the so-called "Paradise Park" in the Hawaiian Islands, which has more than 1000 species of tropical birds, as well as nature reserve on the island of Saanane on Lake Victoria, etc.
Protection of natural resources requires establishment of special hardware. This refers, first of all, to different types of machines for cleaning beaches, air-supply of water, seas, lakes and reservoirs.

Second, the technology for monitoring the state of nature and the behavior of tourists.

Third, tourists should be provided with such means of transport, equipment and machinery, the use of which would prevent damage to nature.

Enterprises, organizations and institutions and their officials, citizens who have violated the requirements of the Law on nature protection and environmental management, are involved in civil, material, administrative and criminal liability in accordance with the legislation of the Republic of Azerbaijan.

Supervision of observance for environmental legislation is provided by general attorney of the Republic of Azerbaijan and his subordinate prosecutors' offices.

In supervising the prosecution authorities use law, granted to them by the legislation of the Republic of Azerbaijan, including recourse to the courts or arbitration courts with claims for damage compensation caused as a result of violations of the law on nature protection and termination of environmentally hazardous activities (Закон Азербайджанской Республики Об охране природы и природопользовании, 1992).

A permanent republican system of complex ecological monitoring is organized in the territory of the Republic of Azerbaijan and around Azerbaijan within the economic zone of the Caspian Sea. The monitoring system solves the problem of monitoring the level of the environment after physical, chemical, and biological processes in it, the level of air pollution, soil, water objects, the consequences of its impact on flora and fauna, human health, and provide stakeholders and the public with current and emergency information on the condition and changes in the environment, warnings and forecasts in this area.


In order to ensure sustainable development of the tourism sector in Azerbaijan and transformation of tourism into one of the leading sectors of the economy, Azerbaijani President Ilham Aliyev decreed:

- To approve the "State development program for tourism in the Republic of Azerbaijan in 2010-2014".
- Coordination of enforcement measures, imposed by the State Program, noted in paragraph 1 of the present Decree, to instruct the Ministry of Culture and Tourism of the Republic of Azerbaijan.

Carbon dioxide emissions per capita: according to this indicator, the World Bank provides data on Azerbaijan for the period from 1992 to 2010. The average value for Azerbaijan during this period amounted to 4.57 metric tons with a minimum of 3.55 metric tons in 2001, and the maximum at the rate of 7.81 metric tons in 1992.

In 2000, the UN Convention of 1992 on Biological Diversity was ratified by the Republic of Azerbaijan. In order to implement the provisions of the Convention, a number of measures for
The basic principles for the international cooperation of the Republic of Azerbaijan in the field of environmental protection are to ensure environmental resistance, and the study of global practices for the development, participation in the preparation of international legislation and environmental policy, and cooperation with international organizations, the application of the current international policies, standards, regulations and technologies, bringing relevant legislation in line with the EU directives, participation in the "environment for Europe", the implementation of regional and international projects in the field of environmental protection and efficient use of natural resources, the development of bilateral and multilateral cooperation with countries in the region, donor countries and other important partners, adherence to international conventions and protocols.

Formation of domestic environmental legislation should also be carried out precisely, strictly taking into consideration the international legal norms. Thus, international law creates favorable conditions for the normal functioning of the national legal systems and their integration, since it is hard to enrich the national legal systems without international law. One such area is the ratification of international instruments by the state, adopted in the relevant area. To date, the Republic of Azerbaijan has ratified 20 international conventions in the field of environmental protection. In addition, important steps towards the implementation of the obligations arising from these documents have been made.

In 1999 the Republic of Azerbaijan has ratified the UN Aarhus Convention, 1998, “On Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters”. In connection with the implementation of the Convention provisions the Public Information Center (Aarhus Public Environmental Information Center) in the administrative building of the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan was established with the support of Baku office of the Organization for Security and Cooperation in Europe.

Center, provided with the necessary technical capabilities, is designed to ensure public participation in the exchange of information and decision-making on the environment, the creation of a transparent social situation in environmental issues and assist in the creation of successful management. Representatives of non-governmental organizations, governmental agencies, international organizations and every person who is interested in environmental issues, may apply to the Centre without any obstacles (Магеррамов А.А., 2009).
Air transport infrastructure

Figure 2.16. Average values of standardized «Air transport infrastructure» component indicators in T & T clusters


Air connectivity is essential for travelers’ ease of access to and from countries, as well as movement within many countries. In this pillar we measure the quantity of air transport, using indicators such as available seat kilometers, the number of departures, airport density, and the number of operating airlines, as well as the quality of air transport infrastructure for domestic and international flights.

The Republic of Azerbaijan has a good existing transport structure. In terms of passenger traffic, it includes the following main types of transport such as air, rail, road and sea transport.

Azerbaijan is a major logistics center. The shortest way from Europe to many countries of Central Asia and the Middle / Far East is through this country. In particular, transport corridors such as TRACECA and North-South highway and railway line, which connects the basins of the Black / Caspian Seas, pass through the area.

Air transport is an important component of Azerbaijan's transport network. Thus, Azerbaijani Airline (AZAL "Azerbaijan Airlines") is large airline and national carrier of the country, which, moreover, is a member of the International Air Transport Association (IATA). The company's office is located in Baku.

This airline carries the lion's share of passenger traffic in Europe, CIS, the Middle East, and Asia. Direct flights are now open in such CIS cities as Moscow, St. Petersburg, Rostov-on-Don, Astrakhan, Simferopol, Tbilisi, Kiev, Ekaterinburg, and Aktau. The company carries out numerous international tourist flights to Ankara, Dubai, Kabul, London, Milan, Paris, Rome, Istanbul, and Tehran, Tel Aviv, Urumqi and other cities. It is planned to open several regular routes to North America and Southeast Asia.
The Heydar Aliyev airport meets all the main requirements of international standards. It is also the main airport where airlines are based, and is located in the North-East of the country, just twenty kilometers from Baku. The airport is connected with the capital with two modern highways. This airport operates a lot of duty free shops, which accept all major currencies.

In 2011 the reconstruction of the airport started. Now it has a runway in length of 4000 meters and width – 75 meters, as well as modern equipment for everyone who comes into the country. Tourist innovations include: filling in the customs declaration in electronic format, the presence of an interactive map of the country at the airport; the presence of monitors in the waiting rooms, where everybody can see all the necessary information and arrival / departure flights or changes in them.

History of Azerbaijan air transport began on October 20, 1910, when the first plane flew over Baku. In 1923, the year Transcaucasian Joint Stock Company of Civil Aviation "ZAKAVIA" was established, and in June 2, 1938 the first Azerbaijan aviation group was established. This date in 2006, according to the corresponding decree of the President of the Republic of Azerbaijan Ilham Aliyev, was proclaimed the Day of Civil Aviation of Azerbaijan.

Over the past 20 years in the civil aviation the country has invested over 200 million US dollars in civil aviation. Such investments allowed to replenish fleet with modern aircraft «Boeing-757», modernize air navigation system, create a training system for the twenty corresponding specialties, to build and put into operation a modern international airport in Baku that serves more than sixty airplanes airlines in the world. Currently, airports with international status are built in five regional centers of the country.

Baku Cargo Terminal (BCT), which was completed in 2005 and is currently acting as a transit point, all the conditions for the reception of goods supplied from West to East and from North to South has been created. State control mechanism for Civil Aviation of Azerbaijan is provided by the State Civil Aviation Administration

*Ground and port infrastructure*

![Figure 2.17. Average values of standardized indicators «Ground and port infrastructure» component in T & T clusters](image)

Source: developed by the author based on TTCI Data Analyzer,
The availability of efficient and accessible transportation to key business centres and tourist attractions is vital for the T&T sector. This requires a sufficiently extensive road and railroad network, proxied by road and railroad densities, as well as roads, railroads, and ports infrastructure that meet international standards of comfort, security and modal efficiency. The pillar also accounts for unpaved roads which enable local connections, and to some extent, can proxy the existence of picturesque roads which can, in very specific contexts, attract tourists.

The quality of the railways in Azerbaijan is estimated at 3.9 points and Azerbaijan occupies 35th place in this field.

Azerbaijan State Railway (ASR) was created in 1880. Currently, the total length of railways in Azerbaijan is 2944 km, the length of operated railway – 2122 km, including 815 km – double-track line. According to the "Development program of Azerbaijan Railway for 2008-2011" the works on the design of high-speed railway line Baku-border of Georgia in a length of 503 km, which is the central segment of TRACECA corridor have been provided.

Particular importance is provided to the construction of a new railway section on the Baku-Tbilisi-Kars railway, which is 100 km long, and the rehabilitation of the railway infrastructure of the Baku-Tbilisi-Turkey, which will connect the region of Middle and Central Asia through Azerbaijan, Georgia and Turkey to Europe by rail. The trains which will come from China and Kazakhstan through Central Asia, the Caspian region, Baku and Tbilisi will be able to get to Istanbul, and then continue through the tunnel under the Bosporus to proceed to Europe.

The quality of port infrastructure is estimated at 4 points, and Azerbaijan took 78th place in this indicator. Azerbaijan took 59th place with 4.5 points out of 10 in the overall quality of transport infrastructure.

The second type of transport in terms of passenger transportation is a car. The length of roads in Azerbaijan is about 25 000 km, but only a maximum of 200 km corresponds to international standards. The total density of the roads in the country is about 288 km per 1,000 square kilometers.

Main roads pass through Baku-Alat-Gazakh-Ganja-Georgian border (in the framework of the TRACECA corridor) and Russia-Baku-Astara-border of Iran. Their length is more than 500 km each. Road transport Azerbaijan fully privatized. International transportation of tourists is carried by forty European and Asian carriers. Today in Azerbaijan there are regular passenger buses from different cities of Russia, Georgia, Turkey and Iran. The main contact point in the country is the Baku International Bus Station complex, which is located at the entrance to the capital.

Public transport in the capital of Azerbaijan is developed at a high level. Subway is especially popular in Baku. Subway began its work in the 60's. The total length of subway lines is about 35 km. Such number of stations currently does not fully satisfy the needs of tourists and the whole of the capital citizens. In this regard, in 2014-2015 it is planned to open a new depot named Ilgar Garayev. Its location will be assigned to the station called "Darnagul" (Желнина Ж.Ю., 2011).

Analyzing the transport infrastructure as an integral part of the tourism field in Azerbaijan more attention to such indicators as the number of users of one or another mode of transport, as well as the average length of the route by means of transportation should be paid. Interestingly, almost 40% of all foreigners in Azerbaijan uses air transport (air). In second place with 37% - motor vehicles. Railway lines are used by about 15% foreigners. Interestingly, the use of railway is decreasing since 2012 and the number of passengers carried in 2013 has decreased to 378.8 thousand people. (404.4 thousand people, if compared to 2012). Due to the natural features of the terrain just 1.1% of the country's passengers uses water transport traffic (within the Caspian Sea). Considering the average distance for transport by different types of transport, it can be identified
that road transport is popular with small-haul routes. Air, sea and rail transport is typical for most long-haul passengers.

In the nearest plans of the government is improving local governance mechanism, as well as foreign transportation of passengers, and increased integration of Azerbaijan's transport system into the international transport system.

Therefore, it is necessary to implement a number of measures of a united strategic approach for all types of passenger transport – road, rail, water, air and underground (subway).

In coming years, the implementation of such measures has been planned: completed construction of the International Sea Trade Port in Alat; renovation and expansion of the Navy; construction of integrated transport and logistics center; reconstruction and modernization of railways on the lines of Baku-Boyuk Kesik and Baku-Yalama; reconstruction of the main ways of rail transport; update all transportation fleet.

In terms of road transport the country needs to carry out a number of measures for the reconstruction of communications, which are as follows: provision of road transport infrastructure in the regions of the country with international standards; replacement of gravel roads to bitumen roads; the introduction of environmental standards in the transport sector; construction and repair of the main road junctions and bridges with public safety; inner construction – intellectual transport management system.

Thus, it can be stated that the improvement of the railway network, air transport, as well as the expansion of the subway in the Azerbaijani capital will help the balanced development of regions and diversified tourism promotion in the country (Александрова А.Ю., 2002).

Current state concept on development of the transport sector in Azerbaijan provides the implementation of measures to improve the infrastructure and quality of social services.

Azerbaijan took the 59th place on the quality of transport infrastructure. These data are presented in the World Economic Forum's report "Global Competitiveness". The quality of roads ranked Azerbaijan in 67th place, ahead of many CIS countries. Since Azerbaijan was ahead of Ukraine, Russia, Moldova, Kazakhstan, Kyrgyzstan, losing only to Georgia, if it is about quality of roads in the capital as well as on regional routes. At the same time roads, connecting villages and towns in regions still require significant financial investments. Sometimes all-terrain vehicle is required to move between villages.

“At a cost of laying one kilometer of road, Azerbaijan is one of the leading countries of the world. On average, Azerbaijan spends about 18 million US dollars for one kilometer of road. This is substantially more than in many CIS countries, Europe and the United States.

The length of public roads in Azerbaijan is 24,981 km. 191 km of these comply with motorway standards with 4-band movement of motor transport. Total road density in the country is 288 km / 1000 sq.km. The road network is securely connected to all cities, district centers and villages, air and sea ports, railway stations, nature reserves, tourist resorts and recreation areas, as well as border crossing points with neighboring countries. Main roads, maintaining the flow of vehicles with cargo and passengers, are Baku-Alat-Ganja-Gazakh-Georgian border (Azerbaijani TRACECA corridor segment) with the length of 503 km and the border of Russia-Baku-Astara-border of Iran ("North-South" Azerbaijani corridor segment) with the length of 521 km. Road transport in Azerbaijan is fully privatized. Transportation of passengers and cargo is mainly engaged by corporate enterprises and the private sector (businesses and individuals). International cargo transportation in the Republic of Azerbaijan and transit through its territory to other countries is carried out by truck companies from approximately 40 European and Asian. Azerbaijan has a passenger bus service to the cities of the Russian Federation, Georgia, Turkey.
and the Islamic Republic of Iran. International passenger traffic is carried out at Baku International Bus Station complex, situated at the entrance to the capital.

Tourist service infrastructure

![Average values of standardized «Tourist service infrastructure» component indicators in T & T clusters]

Figure 2.18. Average values of standardized «Tourist service infrastructure» component indicators in T & T clusters


The availability of sufficient quality accommodation, resorts and entertainment facilities can represent a significant competitive advantage for a country. We measure the level of tourism service infrastructure through the number of “upperlevel” hotel rooms complemented by the extent of access to services such as car rentals and ATMs.

The most significant problems of Azerbaijan that are demanding attention and serious approach, concerns the lack of development in tourism infrastructure.

The development of tourist infrastructure is not limited to the creation of new and reconstruction of existing hotel stock. It is extremely important not to focus only on large-scale construction of new accommodation facilities, but also on related infrastructure, which includes transport, catering, entertainment industry, tourism facilities etc.

Accommodation in newly built tourist complexes should take into account the nature of supply and demand, which is directly related to the presence of tourist resources and conditions for staffing. In addition, it is necessary to take into account environmental requirements and economic feasibility of the creation of new objects.

Analysis of the current tourism state in Azerbaijan shows that this area was developed dynamic and stable in recent years; the annual growth of the internal tourist flow is identified.

Rapidly growing demand for tourism services in the country caused a boom in the construction of small hotels, mostly in the resort regions, as well as the increase in the number of hotels of international hotel chains in Baku. In addition, it also created domestic hotel brands.

Dramatically increased the volume of investment from both foreign and domestic investors offers a hotel construction in the regions of the country.

In 2001, in Azerbaijan were 86 hotels in Azerbaijan, but now their more than 450. There are such global network as Marriott, Hilton, Four Seasons etc.
Hotels, recreation areas, as well as the entertainment / sports centers operate in different regions of Azerbaijan. For example, a network of Qafqaz hotels and amusement park Gabaland in Gabala, a grand winter and summer tourist complex "Shahdag" in Gusar region, more than 15 Olympic sports complexes that have the necessary infrastructure for receiving tourists all over the country.

An analysis of the country's hotel industry shows that not all regions have the opportunity to provide tourists with high-quality hotel services yet, therefore, during the tourist season, especially in rural areas, consumers mainly rent homes for accommodation. Entrepreneurs in the future must take into account this problem and try to solve it.

Statistics show that about one third of placement companies are located in the capital city Baku. They accounted for 10 217 places of the total capacity of hotels and hotel-type places (32.834). It is followed by: Guba-Khachmaz region – 8119 places, Ganja-Gazakh – 2842 places, Lankaran – 2783 places, Sheki-Zagatala – 2203 places, etc. (Данные Государственного Комитета Статистики Азербайджанской Республики за 2013-й, 2015).

In most of the cities that have tourist potential, there is no hotel that could be compared to recruitment services with European hotels after their infrastructure. One of the criteria is a poor quality of service associated with a deficit of qualified personnel in tourism services. Arriving from Europe and other countries to Azerbaijan, tourists are faced with a mismatch of price and quality of service.

Public, private, foreign and joint ventures function by form of ownership. 466 hotels of the 514 existing hotels and hotel-type premises are privately owned (90.6%), 27 state (5.3%), 17 foreign (3.4%), and 4 joint (0.7%) enterprises. During the analyzed period, the number of private enterprises increased by about 1.9 times, foreign companies for 1.54 times, the number of state-owned enterprises decreased from 61 to 27 and a joint from 6 to 4. Of the 32834 available seats, the share of state-owned enterprises account for 3740, the share of private 26765 (81.5%), the share of foreign 1625, while the share of the joint there are 704 places.

International Bank of Azerbaijan, being a full member of VISA International and MasterCard International payment systems, as well as an exclusive partner of American Express in Azerbaijan has provided a wide range of services in the field of manufacture and servicing of plastic cards for these systems. ATM network of the International Bank of Azerbaijan covers more than 50 cities, including Baku, Nakhchivan, Sumgait, Ganja, Ali-Bayramli, Mingachevir and others. ATM network consists of more than 600 units.

On 1 July, 2014, the number of POS-terminals in the country amounted to 52 413 units, 37 079 of which are installed in Baku, and 15 334 – in other cities and regions. Number of POS-terminals in comparison with January-June, 2013, is increased by 15,247 units, or 41 per cent.
Countries with natural assets clearly have a competitive advantage in attracting tourists. In this pillar we include a number of attractiveness measures, including the number of UNESCO natural World Heritage sites, a measure of the quality of the natural environment which proxies the beauty of its landscape, the richness of the fauna in the country as measured by the total known species of animals, and the percentage of nationally protected areas, which proxies the extent of national parks and nature reserves.

Rich historical, cultural and natural heritage in Azerbaijan attracts visitors from all over the world. The main advantages of the tourism sector development in Azerbaijan are: the wildlife, the presence of mineral springs, the world's only deposit of medical oil – naphthalene, a unique ancient architecture, unique culture, and cuisine.

Azerbaijan is an area of nine of eleven climate zones that exist throughout the world. The climate of the country allows to organize summer and winter holidays. So-called ecological tours is very common to Azerbaijan. They include: visiting nature reserves, trekking, climbing routes (Маркова О.В., 2012).

Afternoon sandy beaches offer great opportunities for diving and swimming season that starts in May in Azerbaijan.

Geological monuments include mud volcanoes; Binagadi bitumen lake; Yanardag natural area, located near the villages of Mammadli. Natural objects of region Nakhichevan – intrusive mountain Ilanlydag, a number of other mountains, including Nahadzhwar, Alinja, relic sites Dahna, Sarydag, Velidag, which is composed of rocks of the Devonian period can be stated among main geomorphological features in Azerbaijan. Geomorphological monuments also include Geyazan and Avey in Kazakh region, Gobustan in Gobustan, Chiraggala in Siyazan, and others.
Hydrological objects include deep gorges of the rivers, waterfalls and lakes located high in the mountains. Flora and fauna include many relict and endemic plants of Lankaran region, including Sultanbudsky forest, Goygol forest of hooked pine, Tangyaalty territory, Gechresh – Guba region, Marhal in Sheki, and others.

Mud volcanoes and rock drawings in the 20 kilometers from Baku are protected by UNESCO. Almost half of 800 well-known mud volcanoes on the planet is located in the territory of Azerbaijan and the Caspian Sea. 23 volcanoes received status of protected areas.

Gobustan - the geographical area in the east of Azerbaijan, 65 km south from Baku, the Azerbaijani capital. There have been found and registered 6,000 rock carvings dating from the Upper Paleolithic (40,000 BC) and to the 2000 BC. Gobustan is included in the list of UNESCO World Heritage (Description of World Heritage Rock Art Sites with a Bibliography of documents available at the UNESCO-ICOMOS, 2009).

Environmental Performance Index is a comprehensive measure of the comparative success of environmental policy worldwide. The methodology is based on the principle of the index close to the target. The result for each indicator is calculated according to the provisions of the country on the scale, the lower limit of which shall be established by the worst country on this indicator, and the top – a desirable goal. There are used indicators, set forth in the international treaties, in recommendations of international organizations or expert opinions. If the state has reached or exceeded the goal, it gets a hundred points on this indicator. Azerbaijan Environmental Performance Index (56,47) occupies 63th place among 178 countries. The change in the direction of improvement is 7.98% over the past 10 years. (Hsu, A., J. Emerson, M. Levy, A. de Sherbinin, L. Johnson, O. Malik, J. Schwartz, and M. Jaiteh, 2014)

About 4500 species of higher, spore of flowers growing in Azerbaijan are united in 125 groups and 920 genera. As the total number of species, the flora of Azerbaijan is richer than in other countries of the Caucasus. The number of plant species in the country leaves 66 percent of all plant species recorded in the Caucasus. After enduring climate and relief changes over the past 13 million years, Eldar pine is preserved only in the Azerbaijani environment.

The fauna of the country is also very diverse. It is home to 97 species of mammals, 357 species of birds, 67 species of amphibians and reptiles, 97 species of fish, more than 15 thousand species of invertebrates. The "Red Book" of Azerbaijan includes 108 animal species, including 14 species of mammals, 36 species of birds, 13 species of amphibians and reptiles, 5 species of fish and 40 species of insects. Valuable and rare species in nature as spotted deer, gazelles, mouflon, the Caucasus mountain goat, leopard, bear, etc. are among them.

The basic principle of environmental management organization in the Republic of Azerbaijan is the priority of environmental and social interests of the republic over its economic interests in their reasonable combination.

According to this:

natural resources are used rationally and comprehensively, taking into account laws of nature, natural characteristics and economic potential of Azerbaijan, preservation capabilities of natural and artificial restoration and reproduction of natural resources;

natural resources are used in compliance with sovereign rights, interests and applicable laws of the Azerbaijan Republic;

questions on the use of natural resources and protection of nature are solved with the participation of Azerbaijani citizens.

State management in the field of nature protection and management is carried out by the State Committee of the Republic of Azerbaijan for Ecology and Control Over Use of Nature, the
Ministry of Health and other authorities, the leadership of the present Law and other legislative acts of the Republic of Azerbaijan in the field of protection and use of natural resources (Закон Азербайджанской Республики об охране природы и прородопользования, 1998)

Gizilagach State Reserve is a nature reserve in the south-east of the country, in the same bay of the Caspian Sea and its coast. Founded in 1926 as a reserve, but in 1929 it was transformed into a nature reserve. The area of nature reserve is 88.4 thousand hectares. The reserve protects a natural complex of unique wetlands that serve as a haven for hundreds of thousands of waterfowl. The landscapes of the reserve are presented by semi-arid sandy shores, reeds and shallow coastal waters.

Flora includes 360 species. The fauna is represented by 26 species of mammals, almost 300 species of birds and 20 species of amphibians and reptiles. Many rare species (flamingos, pink pelicans, sultan, francolin, bustard, little bustard and others) can be seen among birds. The reeds is a nest for more than 200 thousand herons, ducks, cormorants, gulls, sandpipers and other birds. Numerous migratory birds: geese, ducks, coots, egrets, spoonbills, swans and perching birds arrive here from the north in the fall. White-tailed eagle is the most often used predator bird.

Gizilagach State Nature Reserve was established in 1929, in the south-west of the Caspian Sea (lake) on the area of 88 400 hectares for the purpose of wintering, maintain and increase the number of migratory, wading birds and wildlife. The reserve is included in the Ramsar list of the UNESCO Convention “On international importance of wetlands as living places for water birds”. Most of the birds are listed in the ”Red Book” of Azerbaijan, observed in the reserve and in the border areas. Here it is possible to find 248 species of birds. The reserve is inhabited by wolves, wild cat, badger, fox and other mammals. 54 species of fish can be found in the water basin of the reserve.

Cultural resources and Business Travel

Figure 2.20. Average values of standardized component indicators «Cultural resources and business travel» in T & T clusters

A country’s cultural resources are another critical driver of T&T competitiveness. In this pillar include the number of UNESCO cultural World Heritage sites, the number of large stadiums that can host significant sport or entertainment events, and a new measure of digital demand for cultural and entertainment—the number of online searches related to a country’s cultural resources can allow the level of interest to be inferred. The number of international association meetings taking place in a country is included to capture, at least partially, business travel.

In countries of the first cluster (CL1) all indicators of this index is not higher than the average, in the third (CL3), in its turn, all indicators are above the average.

In Azerbaijan, there are a large number of cultural attractions, as well as other tourist attractions: 223 museums, 29 theaters, as well as almost 6,308 historical and cultural monuments.

Today there are 27 historical and cultural reserves in Azerbaijan, two of which (Gobustan Reserve and the ensemble of the Shirvanshahs Palace of the Maiden's Tower) are included in the UNESCO World Heritage List. The network of museums-reserves of Azerbaijan as an international and domestic tourism centers requires continuous improvement and development.

Rock carvings of Gobustan Absheron, Ateshgah, Albanian church in Sheki - Zagatala, Kalbajar, Khanlar, and more than seventy landmarks which relate to different periods of the life of country people can be called as the most attractive places to tourists in Azerbaijan. For the active tourist attraction in these places it is necessary to restore these monuments, as well as to include them in all new tourist routes.

Azerbaijan is represented by a lot of historical and architectural monuments, which belong to the Islamic period. Most of them belong to the XII - XIX centuries. As a rule, the Islamic mosques/mausoleums are distributed throughout the territory of Azerbaijan.

It is possible to find some sites that are included in the UNESCO World Heritage List in Azerbaijan. One of them is the Gobustan State Historical-Artistic Reserve, which is sometimes called Gobustan. This is one of rare monuments in world’s culture, which is one of the first civilization centers of all mankind. This archeological reserve is a plain, which is located 60 km south of Baku. Part of the city is the cultural landscape drawings on the rock, which covers an area of 537 hectares. In the mountains, the nature reserve provides many unique evidences about the inhabitants of the region of the Stone Age era and following, later periods. These include rock carvings, human lot, tombstones, etc. There are also remains of a large prehistoric cromlech (including circular composition of upright stones, the so-called Azerbaijani analogue of the well-known Stonehenge). In total there are about six thousand pictures in Gobustan – original petroglyphs, which depict people together with animals. It is interesting that in the first AD century the twelfth legion of the Roman Emperor Domitian was supposed to be settling on the territory of the reserve. This is evidenced by Rock inscription in Latin on the stone.

Another monument of world heritage by UNESCO is the so-called "inner city" or Icheri Sheher – a unique historical and architectural reserve in the center of Baku. This place is one of the oldest and still inhabited spots in Azerbaijan and even the Middle East. Covering an area of 221 thousand square meters, which occupied by the reserve and serves as a home to more than one thousand families. Many archaeological excavations indicate the tomb, the occurrence of which belongs to the Bronze Age. When the Greeks and Romans wrote about Baku city, they mentioned the Inner City. It has many world-famous monuments, including the Maiden Tower (twelfth century) and the Palace of the Shirvanshahs (XIII-XVI centuries). Also numerous other unique monuments: mosques, minarets, remnants of caravanserais and bathhouses are behind the massive walls of the city.

Despite the fact that Azerbaijan is rich with historical and architectural monuments, the independent use of these sites to familiarize tourists seems inappropriate. Only on the Absheron
peninsula such facilities are located in relatively compact manner, while others monuments are scattered over large areas. If the situation are revised from this point of view, the tourism sector of Azerbaijan cannot compete with leading countries by the presence of a variety of architectural objects.

Developed state program for the restoration and protection of immovable historical/cultural monuments, nature reserves for 2013-2020 provides the establishment of a single electronic reference tool and keeping the register in this area.

The scope of protection and the effective management of the archaeological heritage in Azerbaijan is provided by the implementation of the work to support the activities of organizations that conduct research in archaeological sites, ancient cities, as well as the adaptation of these territories to be used for cultural and tourist destination.

In order to implement a new approach to museum work, as well as the full protection of objects that are stored in museum collections, an electronic database as well as a centralized information system of museums was created. At the moment, work on capital repair and construction of the museum in order to strengthen their own material and technical base, as well as the work on the establishment of new museums continues.

Azerbaijan has long history of manufacturing carpets and silk fabrics. The country is located at the crossroads of the Great Silk Road and that was the reason for the further development of sericulture. Major silk production centers in the country is Baskaev, Ismayilli, Sheki, Ordubad.

In 16 November, 2010, at a meeting of UNESCO's Intergovernmental Committee for the Safeguarding of the Intangible Cultural Heritage that was held from 15 to 19 November in Nairobi, chaired by Jacob Ole Miaron from Kenya, the traditional art of weaving Azerbaijani carpets were put in the Representative List of the Intangible Cultural Heritage of Humanity.

The following traditional craft of Azerbaijan is the production of ceramic products. This craft is represented by manufacture of various potteries with designs from different regions of the country. Today, the art of pottery is preserved in cities such as Lankaran, Masalli, Arkivane, Gazakh, Guba, and in some villages of the Apsheron Peninsula (Буланова О.И., 2011).

Azerbaijani art of performing music on tar – plucked string instrument with a long neck. Performances on tar, as well as the art of its production developed throughout the territory of Azerbaijan. Skills associated with this tradition play a significant role in shaping the cultural identity of Azerbaijanis. Tar is used in the performance of folk music at weddings, festivals and concerts. This instrument is mainly used as a lead instrument in mugham trio. Tar is the main instrument in orchestras and ensembles of Azerbaijani folk instruments. Tar is considered to be a musical symbol of Azerbaijan. Azerbaijani art of playing on the tar and the skill of its production is included in the list of masterpieces of the Oral and Intangible Cultural Heritage.

The adoption of the UNESCO International Convention "On the preservation of intangible cultural heritage", in 2003, played a significant role in the package of measures aimed at the preservation of intangible cultural heritage. Azerbaijani experts have actively participated in the preparation of the abovementioned Convention.
An analysis of the classification tree in the space of tourism competitiveness of the components leads to the conclusion that the most discriminant ability in this space have components such as: Natural resources, Human resources and labour market, ICT infrastructure.

All countries with the Natural resources level not exceeding 2.5 and the level of Human resources and labour market is not more than 4.5, fall into the first of the selected clusters (CL1). The countries of the third cluster (CL3) differ with sufficiently high level of Natural resources (more than 3.9), and the second cluster of countries (CL2) with an average of Natural resources (2.5 to 3.9), are characterized by a high level of ICT infrastructure (more than 4.9).

Figure 2.21. Classification tree in the space components of competitiveness in tourism

Source: developed by the author based on Figure 2.1 and TTCI Data Analyzer, http://www.weforum.org/issues/travel-and-tourism-competitiveness/ttcicompetitiveness toteanalysis
Table 2.3

Standardized coefficients of the linear regression equation, which establishes the connection between the components of the index TTCI and competitiveness

<table>
<thead>
<tr>
<th>Component</th>
<th>Total</th>
<th>CL1</th>
<th>CL2</th>
<th>CL3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business environment</td>
<td>.051</td>
<td>.088</td>
<td>.096</td>
<td>.061</td>
</tr>
<tr>
<td>Safety and security</td>
<td>.070</td>
<td>.157</td>
<td>.063</td>
<td>.093</td>
</tr>
<tr>
<td>Health and hygiene</td>
<td>.063</td>
<td>.187</td>
<td>.056</td>
<td>.076</td>
</tr>
<tr>
<td>Human resources and labour market</td>
<td>.039</td>
<td>.104</td>
<td>.044</td>
<td>.038</td>
</tr>
<tr>
<td>ICT readiness</td>
<td>.079</td>
<td>.155</td>
<td>.087</td>
<td>.085</td>
</tr>
<tr>
<td>Prioritization of Travel &amp; Tourism</td>
<td>.065</td>
<td>.148</td>
<td>.111</td>
<td>.056</td>
</tr>
<tr>
<td>International Openness</td>
<td>.082</td>
<td>.122</td>
<td>.104</td>
<td>.077</td>
</tr>
<tr>
<td>Price competitiveness</td>
<td>.079</td>
<td>.152</td>
<td>.118</td>
<td>.114</td>
</tr>
<tr>
<td>Environmental sustainability</td>
<td>.066</td>
<td>.125</td>
<td>.087</td>
<td>.075</td>
</tr>
<tr>
<td>Air transport infrastructure</td>
<td>.157</td>
<td>.102</td>
<td>.252</td>
<td>.158</td>
</tr>
<tr>
<td>Ground and port infrastructure</td>
<td>.142</td>
<td>.130</td>
<td>.204</td>
<td>.166</td>
</tr>
<tr>
<td>Tourist service infrastructure</td>
<td>.156</td>
<td>.307</td>
<td>.197</td>
<td>.182</td>
</tr>
<tr>
<td>Natural resources</td>
<td>.205</td>
<td>.137</td>
<td>.229</td>
<td>.164</td>
</tr>
<tr>
<td>Cultural resources and business travel</td>
<td>.307</td>
<td>.192</td>
<td>.328</td>
<td>.350</td>
</tr>
</tbody>
</table>


Standardized coefficients of multiple linear regression can be interpreted as indicators of the direct influence of factors on the result.

In the countries of the first cluster (CL1) the most direct impact on the TTCI have such components as: Tourist service infrastructure, Cultural resources and business travel, Health and hygiene. In the second cluster (CL2) the main components are: Cultural resources and business travel, Air transport infrastructure, Natural resources, and in the third cluster (CL3): Air transport infrastructure, Ground transport infrastructure, Tourism infrastructure, Natural resources, Cultural resources and business travel (Table 2.3).

Table 2.4

Standardized coefficients of the linear regression equation, which establishes the link between competitiveness and TTCI sub-index

<table>
<thead>
<tr>
<th>Component</th>
<th>Total</th>
<th>CL1</th>
<th>CL2</th>
<th>CL3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling environment sub-index</td>
<td>.251</td>
<td>.569</td>
<td>.235</td>
<td>.282</td>
</tr>
<tr>
<td>T&amp;T policy and enabling conditions sub-index</td>
<td>.141</td>
<td>.307</td>
<td>.194</td>
<td>.115</td>
</tr>
<tr>
<td>Infrastructure sub-index</td>
<td>.386</td>
<td>.422</td>
<td>.454</td>
<td>.422</td>
</tr>
<tr>
<td>Natural and cultural resources sub-index</td>
<td>.482</td>
<td>.296</td>
<td>.426</td>
<td>.453</td>
</tr>
</tbody>
</table>


Analysis of multiple regression equation, built in the area of competitiveness sub-indexes, leads to the conclusion that the greatest contribution to the competitiveness index for the whole set of the studied states is making Natural and cultural resources sub-index. However, in the countries
of the second (CL2) and third (CL3) clusters of the most significant competitive advantage is the Infrastructure sub-index, as in the countries of the first cluster (CL1) - Enabling environment sub-index (Table 2.4).

**Analysis of tourism competitiveness based on M. Porter factors**

Chapter 2.1. considered M. Porter factors, which are the foundation and relate to indicators of Table 2.5.

### Table 2.5

**Factors and indicators of the competitiveness of countries in terms of international tourism development**

<table>
<thead>
<tr>
<th>Porter factors</th>
<th>TTCI indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor conditions (FP1)</td>
<td>number of rooms; the presence of leading companies that lease vehicles; coverage of secondary education; the quality of the educational system; availability of specialized research and training services; availability of professional training; sites of World Natural Heritage; the quality of the environment; the number of known species; marine protected areas; the objects of the world cultural heritage; sport stadiums; international exhibitions and fairs</td>
</tr>
<tr>
<td>Demand conditions (FP2)</td>
<td>individual Internet use; fixed phone lines; broadband internet subscribers; mobile phone users; the number of mobile broadband subscribers; life expectancy; tourism openness; attitude of the population towards foreign visitors; recommended tourist continuation of business trips; customer focus</td>
</tr>
<tr>
<td>Related and supporting industries (FP3)</td>
<td>availability of general practitioners; access to health care; availability of drinking water sources; the quality of air transport infrastructure; domestic passenger traffic; international passenger traffic; the number of air carriers; the density of the airport network; international air transport network of the country; the quality of roads, the quality of the railway infrastructure; the quality of port infrastructure; quality of ground transportation network; road density; ATMs that accept VISA card payment system; ICT infrastructure for B2B transactions; use of the Internet for B2C-transactions; creative industry export</td>
</tr>
<tr>
<td>The strategy of the company (FP4)</td>
<td>the cost of tickets and the amount of airport charges; parity of purchasing power; the level of taxation; fuel prices; index accommodation in the price; hiring and firing practices; the ease of hiring foreign labor; efficiency of branding marketing to attract tourists</td>
</tr>
<tr>
<td>Random events (FP5)</td>
<td>loss of business from terrorism; the spread of HIV; loss of business from HIV</td>
</tr>
<tr>
<td>Public policy (FP6)</td>
<td>distribution of foreign ownership; ownership; the impact of direct foreign investment laws; visa regime; openness of bilateral air services; transparency of public policy; the duration of the procedure for starting a business; costs of opening a new business; index limitations commitments under GATS; strictness of environmental regulation; the practice of environmental legislation; sustainability of the tourism sector and travel; carbon dioxide emissions; the concentration of solid particles; species threatened with extinction; loss of business from crime and violence; the reliability of the law enforcement agencies; traffic accidents; the priority development of the tourism sector and travel for government officials; government spending on the development of the tourism sector and travel; protection of terrestrial habitats</td>
</tr>
</tbody>
</table>

The countries in the first of the selected clusters differ with the fact that all factors of Porter in the countries of this cluster is lower than the average. In the second and third clusters Porter factors are higher than the average. Thus, the second cluster countries Demand conditions and factors Firm strategy shows higher results than in the third. Factor conditions and Related and supporting industries, on the other hand, have the highest rates in the countries of third cluster.

**Table 2.6**

<table>
<thead>
<tr>
<th>Factor conditions</th>
<th>FP1</th>
<th>FP2</th>
<th>FP3</th>
<th>FP4</th>
<th>FP5</th>
<th>FP6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand conditions</td>
<td></td>
<td>0.763**</td>
<td>0.877**</td>
<td>0.368**</td>
<td>-0.132</td>
<td>0.764**</td>
</tr>
<tr>
<td>Related and supporting industries</td>
<td>0.763**</td>
<td>1</td>
<td>0.859**</td>
<td>0.681**</td>
<td>-0.134</td>
<td>0.885**</td>
</tr>
<tr>
<td>Firm strategy</td>
<td>0.368**</td>
<td>0.681**</td>
<td>0.543**</td>
<td>1</td>
<td>-0.114</td>
<td>0.684**</td>
</tr>
<tr>
<td>Chance</td>
<td>-0.132</td>
<td>-0.134</td>
<td>-0.134</td>
<td>-0.114</td>
<td>1</td>
<td>-0.148</td>
</tr>
<tr>
<td>Government</td>
<td>0.764**</td>
<td>0.885**</td>
<td>0.854**</td>
<td>0.684**</td>
<td>-0.148</td>
<td>1</td>
</tr>
</tbody>
</table>

The determinants of national competitiveness is a comprehensive system that is in constant development. Some determinants are regularly exposed to others (Портер М., 1993). A closer correlation is observed between and Demand conditions Related and supporting industries (Table 2.6).
Figure 2.23. Relationship of Porter factors

Table 2.7

The correlation coefficients between factors of Porter competitiveness and sub-indexes of competitiveness index

<table>
<thead>
<tr>
<th></th>
<th>Enabling environment sub-index</th>
<th>T&amp;T policy and enabling conditions sub-index</th>
<th>Infrastructure sub-index</th>
<th>Natural and cultural resources sub-index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor conditions</td>
<td>0.707**</td>
<td>0.873**</td>
<td>0.915**</td>
<td>0.875**</td>
</tr>
<tr>
<td>Demand conditions</td>
<td>0.866**</td>
<td>0.883**</td>
<td>0.746**</td>
<td>0.755**</td>
</tr>
<tr>
<td>Related and supporting industries</td>
<td>0.838**</td>
<td>0.944**</td>
<td>0.848**</td>
<td>0.749**</td>
</tr>
<tr>
<td>Firm strategy, structure and rivalry</td>
<td>0.710**</td>
<td>0.548**</td>
<td>0.376**</td>
<td>0.665**</td>
</tr>
<tr>
<td>Chance</td>
<td>0.013</td>
<td>-0.090</td>
<td>-0.200</td>
<td>-0.220</td>
</tr>
<tr>
<td>Government</td>
<td>0.886**</td>
<td>0.851**</td>
<td>0.724**</td>
<td>0.754**</td>
</tr>
</tbody>
</table>


There is a direct significant close relationship between Porter Competitiveness Index and sub-indices of competitiveness factors of (Table 2.7).
The concept of M. Porter is based on the idea of so-called "national diamonds", characterized by a system of competitive advantage determinants (four basic properties) of the country, which by mutual cooperation create the effect of emergence (integrity). A particular configuration of the determinants strengthens or weakens the potential level of the competitive advantages of the country's economy.

Competitive diamond of M. Porter is a complex system, its determinants constantly affect each other. Advantages in a property of the countries create or enhance other properties. The competitive advantages, which are available in all parts of the diamond, are considered. Competitive advantages based on only one or two determinants are possible only in industries with heavy reliance on natural resources or in areas where sophisticated technology and skills are not used. They cannot keep for a long time, they are elusive, flowing from one country to another.

In order to obtain and retain a competitive advantage in certain sectors of the economy it is necessary to have the benefits of all the components of "diamonds". Each favorable development determinant alone is not yet an evidence of the competitiveness of the industry as competitors from foreign countries can eliminate or copy such an advantage much easier. And only complex properties of the country determines its global leadership as a world-class competitive power. National competitive advantages arise only when the unique determinant of the system is the whole "diamond"; it is not possible to duplicate other states in this case.

Analysis of Porter diamonds for countries in different clusters suggests a clear competitive advantage in the field of tourism of the second and third clusters. The third cluster of countries is more competitive than the second cluster, but this advantage is not so obvious.
Analysis of the tourism potential of Azerbaijan on the basis of Porter factors

Figure 2.25. Average values of standardized indicators of factor conditions for production of tourist services in Azerbaijan


Almost all indicators of factor conditions for a production of tourist services in Azerbaijan are estimated lower than the average of the analyzed countries. The following strategy can be offered to increase the level of indicators:

- optimal use of the natural advantages of the geographical position of the republic and its regions and centers;
- protection and restoration of the national natural and historically cultural heritage by improving the regulatory framework, to attract domestic and foreign investment in the reconstruction and improvement of tourist facilities, to increase the tourist attractiveness of the country's natural and cultural attractions;
- establishment of a favorable investment climate at the macro level (attractive and predictable conditions for economic activity in the country as a whole) and the micro level (tax, customs and other benefits for companies that specialize in inbound and domestic tourism) to the inflow of domestic and foreign capital, direct participation and support of a country in the implementation of major investment projects;
- improving the system of training and further training of tourism personnel, taking into account real needs of existing and future national tourist complex of specialists in various fields;
- establishment of information and analytical base, including materials of legal, statistical, programming, scientific, educational, advertising and commercial nature; active use of global Internet resources;
- improvement of statistical system in tourism to enhance the information base for scientific analysis and to develop effective management decisions to bring national statistical apparatus in accordance with generally accepted international standards and recommendations of the WTO;
organization of scientific research in the field of tourism by the partial budget financing of the most important research projects in tourism, promote the integration of national research institutions in international programs, scientific-practical conferences and seminars;

promotion of the innovation process development in tourism sector to stimulate innovation in the processes of creation and promotion of tourist products;

simplification of border formalities when entering the country, their minimization for organized tourist groups, including the possibility of reducing the cost of visas, and the reception of them upon arrival in Azerbaijan

provision of the safety for foreign visitors due to the system of preventive measures and increased monitoring of internal affairs of the state of law and order in areas of tourist visiting sites.

Figure 2.26. Average values of standardized indicators for conditions of tourist service demand in Azerbaijan

Source: developed by the author based on TTCI Data Analyzer, http://www.weforum.org/issues/travel-and-tourism-competitiveness/ttcicontinent

Optimization of parameters for internal tourism demand as an element of competitiveness of the tourist complex can be carried out in the following areas:

- introduction of standardization and certification system of tourist services in order to ensure their quality assurance, providing optimal conditions for tourism demand and protect the interests of consumers of tourism services;

- stimulating domestic tourist traffic by creating the necessary socio-economic conditions (rising incomes, expanding amount of free time and its optimal annual structure, stimulation of domestic tourism activity for tour operators, development of material base for tourism);

- development of social tourism, partly financed from the state budget and public funds, in order to involve the general public in the sphere of tourism and excursion services, revival of the mass domestic tourist traffic in the production of tourist services and alleviate seasonal fluctuations in tourism demand;

- optimization of the domestic demand structure through advertising and information systems, organizational, planning and other measures aimed at enhancing the development of priority directions for domestic tourism (ecological, rural, sightseeing, etc.), and diversification of tourism demand.
The third element of the competitive advantages of the Azerbaijani tourist complex is related and additional industries. Among the main directions of its improvement the following should be noted:

- state support for industries and production, creating interdisciplinary tourist complex, in which development programs should take into account not only the intra-industry tasks, but also the interests of the tourist complex as a whole;

- establishment of free economic zones of recreation and tourist profile in order to attract domestic and foreign investment and enhance the development of the most promising tourist areas. Special preferential treatment for the entities involved in the creation of a tourist product can be provided within a recreational and tourist areas of national parks, recreation areas and resorts of national significance and cultural and tourist zones for tourist and excursion centers of international and national importance;

- interdepartmental coordination of social and economic activity, taking into account the interests of a tourist complex development.
Figure 2.28. Average values of standardized indicators of strategies of tourist companies in Azerbaijan


Optimization of the fourth element of competitiveness in the tourist complex, which implements the strategy, structure and rivalry of national firms, can be achieved by the following measures:

- simplification of licensing procedures and registration of a wide range of tourist complex enterprises (businesses accommodation, meals, transportation, tour operators and travel agents, etc.) in order to increase entrepreneurial activity in this area;
- remove barriers to fair competition in the domestic tourism market in compliance with the norms of the antimonopoly legislation, as well as through the hard efforts to curb unfair competition;
- control over the activities of foreign companies in the domestic tourism market, aimed at economically justified protection of the interests of national producers of tourism goods and services, while providing promotion, associated with foreign presence of the innovation process, the influx of modern production technology, management, product promotion;
- support for enterprises, providing foreign visitors service program, with the help of a system of measures, i.e., economic, organizational (support for activities in foreign markets) measures;
- promoting the development of tourist market companies, specializing in the priority areas of foreign tourism (agro-tourism, ecotourism, ethnic, business, et al.);
- promoting the participation of national tourist complex in the international tourist programs and routes, establishment of a single tourist space with neighboring states to attract foreign visitors from third countries.

The analysis, carried out from the standpoint of international competitiveness theory, allows to select a set of basic priorities of the national tourism policy to enhance the competitiveness of the tourist complex in Azerbaijan:

- The development of the so-called creative approach in tourism development. Despite the presence of almost all the resources for the development of tourism in Azerbaijan, the concept of tourism development in general, and the development of the tourism product in particular, tends to use standard approaches. Taking into consideration that different regions of Azerbaijan are related to the local gastronomy, folk art, etc., there is great potential for the development of creative tourism in order to attract a wider tourism audience.

Preparation and implementation of general promotional activities is necessary for transformation of Azerbaijan in attracting tourists:
During the construction of hotels in the city of Baku and regions of Azerbaijan's priority should be given to the construction of 3-4-star hotels. Currently, "Hyatt Regency", "Kempinsky", "Hilton", "Jumeyra", "Four seasons", "Mariott", and other hotels are able to fully meet the needs of visitors in luxury hotels. However, international experience shows that the average tourist usually prefers living in 3 and 4 star hotels. 5 star hotels are mainly used by people who come on business trips (business representatives or officials of other countries).

It is proposed to hold international festivals on a specific theme in Baku. Foreign experience shows that this kind of festivals are the cause of a large flow of tourists into the country. As an example, festival “Oktoberfest” that is annually held in Germany, “Shopping festival” in Dubai and Istanbul, as well as Carnival, held in Rio de Janeiro. The festival should be different from other countries for its originality and national characteristics. The target group of the festival should be a broad group of tourists (this may be, for example, "international children's entertainment festival”).

It is necessary to strengthen cooperation between the countries of the South Caucasus and Central Asia that is aimed at creating a single regional tourism product, removing all existing obstacles to the development of regional tourism. For this purpose, an international conference in Baku can be held, where the document (or a declaration on cooperation platform), which regulates the main provisions of which should develop cooperation in this area will be approved.

Despite the fact that Azerbaijan is currently among the countries that are less competitive in tourism, tourism is one of the priority sectors of Azerbaijan's economy. Azerbaijan creates favorable conditions for development of tourist infrastructure, defines and supports the priorities of tourist activities, forms an idea of the Republic of Azerbaijan as a country that is favorable for tourism, provides support and protection, as well as applies new technologies for the future development of the tourism industry.

The Republic of Azerbaijan has extensive recreational resources, rich cultural heritage and favorable opportunities for the development of the tourism industry, in particular inbound and outbound tourism. The development of tourist and recreational complex of the Republic of Azerbaijan is carried out in line with global industry trends.

In general, the resource potential of Azerbaijan with the necessary level of development in tourism infrastructure allows to increase the reception of foreign tourists, even for several times.

The development of tourism in the country is largely determined by government policy. Key goals, objectives, principles and directions of state policy in the field of tourism are defined with legislative framework. Thus, one of the most important strategic directions of foreign policy of independent Azerbaijan is the integration of the Republic of Azerbaijan in the international tourist space.

Tourism is objectively one of the key sectors that provide the density of cultural relations. Due to its commercial attractiveness and profitability tourism also plays an indispensable role in cultural promotion and the international image formation of the country. The Republic of Azerbaijan has the possibility to become a popular tourist destination.

Summary

- TTCI index data was used not only for the analysis of the tourism industry on the basis of rating indicators, but also as secondary data for the formation of an empirical survey of copyright framework.
• As a result of the factor analysis application to TTCI components of 14-dimensional quadric forms in dimension of competitiveness was reduced to two factors: Enabling environment and Natural and cultural resources.

• A two-step cluster analysis in the space of these factors allowed to group 75 countries selected for analysis in three homogeneous cluster. The comparative analysis of these clusters using TTCI indicators allowed to describe the model of competitiveness formation in the tourism sector.

• A proposed research methodology, based on reducing the dimension of the competitiveness components and the formation of homogeneous clusters in the particular space allowed to emphasize the non-linear, multi-dimensional nature of the phenomenon.

• The idea of calculating Porter factors on the basis of TTCI indicators allowed to analyze the competitiveness of the tourism industry through the use of Porter's clusters to TTCI components. The relationship between the Porter factors and indicators of TTCI competitiveness is established.

• Application of techniques, developed for the analysis of Azerbaijan's tourism industry, allowed to determine the position of a country in the space of competitiveness components, relate it to one of the clusters, make a detailed comparative analysis and provide recommendations to improve the competitiveness of tourism in Azerbaijan.
3. EFFECTIVE USE OF TOURIST POTENTIAL IN REGIONAL ECONOMY

3.1. Indicators of economic efficiency of tourism

The economic efficiency of tourism means obtainment of economic benefits from tourism organizations across the state. Economic benefits are the main driver of tourism development. The economic impact of tourism is layered. As a result of tourism activities budgetary effect is generated – it is the replenishment of the budgets of different levels from the tax revenue.

At the present stage in the world as the main indicators of the economic impact of tourism on the national economy the following variables are used:

- the contribution of tourism in the creation of national income;
- the share of revenues from tourism in the country's export;
- the share of tourism spending in country’s import;
- the number and quality of jobs in tourism;
- the impact of the tourism industry on regional development.

Thus, we can talk about the following basic economic functions of tourism:

- profit;
- foreign trade (balance of incomes and expenses from tourism);
- workplace creation;
- levelling.

In practice of tourism stand out two main types of assessment of the impact of tourism on the regional economy (В.Г. Гуляев, 2008), (Г.Д. Кулагина, С.В. Попелева, В.С. Сенин, 1996): the use of Tourism Satellite Accounts (TAS) and the use of the tourist multiplier. With regard to them can be used a variety of techniques (Г.Д. Кулагина, А.Х. Татаринов, 1999) that, as a rule, are based on the recommendations of the UN Statistical Committee and satellite accounts with a set of statistical indicators (Г.Д. Кулагина, А.Х. Татаринов, 1999):

- employment due to tourism;
- investment in fixed assets (gross);
- revenues, stimulating of additional state revenues;
- collective tourist consumption;
- total tourist demand.

Work on the construction of satellite accounts of tourism is performed by national statistical services, specialized institutions, the UN, the World Tourism Organization (UNWTO) (Wilton D., Meis S., Joyal S, 1996), the Organization for Economic Cooperation and Development (OECD), Eurostat and other organizations. They developed and published recommendations on the basis of a special program STSA - Statistics and Tourism Satellite Account Programme (M. Meis, 1999), (Percy Harris, 1997), that achieved a connection between the documents: “International Recommendations for Tourism Statistics 2008” and “Tourism Satellite account: recommended methodological framework 2008”, that lay the foundation for the development and use of improved national systems of tourism statistics.

3.2. Tourism Satellite Account
Tourism Satellite Account (TSA) is a statistical tool resulting from the processing of standard data of country's national accounts for the purpose of:

- firstly, gaining of information for the analysis of all aspects of the visitors (tourists)
- secondly, tracking of relation between demand and supply of such goods and services within the national economy,
- thirdly, establishing the nature of the relationship between the supply of such goods and services and other economic activities,
- fourthly, the calculation of gross value added, gross domestic product generated directly in the tourism sector.

TSA is:

- innovative international standard, confirmed by the UN Statistical Commission;
- standard structure of statistical data collection in the field of tourism;
- a tool for the development of economic policies related to the development of tourism;
- method of receipt of accurate data on the impact of tourism and employment in industries related to it, as well as data on the impact of tourism on the national balance of payments and data on the labor force in the tourism sector.

Tourism Satellite Account is the result of years of efforts by numerous institutions, countries and individuals aimed at the inclusion of tourism as an economic assessment of the phenomenon in the framework of macro-economic statistics.

In June of 1999, in Nice, with the participation of World Travel and Tourism Council was held a worldwide conference “Measuring the Economic Impact of Tourism”, which proposed methodology for determining the complex impact of tourism on the economy of a country, as well as the world economy as a whole. This consolidated shortchanging was called “tourism satellite account” (TSA).

Development of indicators of the TSA took five years (from March 1994 to November 1999). The result of this work is described in the document “Tourism Satellite Account: The Conceptual Framework”. After approval of the recommended methodological basics during the 31st session of the UN Statistical Commission in 2000, the TSA has become a full-fledged statistical tool to assess the economic importance of tourism. According to this document the tourism satellite account calculation suggests the following specific macroeconomic indicators:

- the added value of the tourism industry (value added related to the tourism industry of economic activities, created as a result of customer service);
- tourist value added (made up of the part of the added value of the tourism industry that is created due to tourist consumption, and value added of non-specific activities, created as a result of service of visitors);
- tourism gross domestic (regional) product (the sum of the value added created by the tourism industry and other activities engaged in tourist services, and taxes on products and imports included in the market assessment of consumption).

There are two main components of the TSA: tourist consumption and tourist demand. Tourist consumption includes the value of goods and services consumed by all visitors of the territory of a particular country. It is above all personal expenses for accommodation, transportation, food, entertainment, financial services and the purchase of durable and non-durable goods used for
tourist purposes. Costs may be incurred before the trip and after it, as well as during the trip, both in the country and abroad.

Business trips are trips of representatives of government and tourism organizations associated with the development of the industry.

State expenses for individual tourism consumption are non-market services provided by government agencies to individual visitors. They are acquainted with the cultural and natural values (art, museums, national parks, etc.), as well as various kinds of formalities (customs, immigration services).

Exports of goods and services to visitors include expenses of foreign visitors for goods and services on the territory of the host country.

Tourist demand includes tourism consumption and the remaining unreached goods and services associated with the components of final consumption. These include:

- expenses of state organizations on collective tourism consumption - non-market services related to tourism (aviation management, security, sanitation in resorts and other.);
- capital expenditures - expenses undertaken by service providers of tourist industry (private sector) and government organizations for the supply of equipment, facilities, infrastructure for visitors;
- export - consumer goods sent abroad for tourist use [fuel, electronics, capital goods sent abroad for the use by service providers (airplanes, cruise ships)].

Special features of the TSA are aggregates, which measure the result of the overall economic activity in the field of tourism. They display the amount of the use in domestic tourism (expenses of tourists and their sponsors); value added (both in tourism and in the aggregated sectors); fixed capital formation; collective tourism consumption and total tourist demand.

Currently the national TSA are based on the local annual statistics, however the development and creation of the TSA at regional, provincial and urban level is required. Some indicators of the TSA are not included in the statistical observation every year, and therefore calculations are based on the average level of previous years. Due to this method it is possible to measure quarterly TSA and make predictions (Bulin D., Miru N., Gheorghe G., 2014).

The aim of the TSA is to assess the economic impact of tourists visiting a particular country, its citizens traveling inside and leaving to other countries. It is necessary to include the total economic cost of the country into the services provided at any point of the globe.

Objects and advantages of the introduction of the TSA are as follows:

- The introduction of the TSA allows to adequately assess the economic weight of the tourism industry in the macro-economy and to obtain reliable data on the total contribution of tourism to the economy of individual countries and the world economy as a whole. To assess, how the volume of tourist services affects the development of transport, trade, the network of cultural institutions (museums, libraries, etc.), construction, agriculture and others. TSA identifies within each industry components that depend on the tourism, and their cost-effectiveness.

- Adequacy and objectivity of assessments enables to enhance the investment attractiveness of the industry and make it a real driver of the national economy, as well as to ensure sustainable development of the industry.
The introduction of the TSA as an international accounting system allows to improve the image of the country, to ensure full participation of the country in the international rankings, reviews, which increases the awareness and value of the country as an attractive place for tourism development.

The introduction of the TSA in a particular country can improve the credibility of tourism statistics and indicators describing the scope and role of tourism as an activity. Thus, the implementation of the TSA can be not only a reliable tool of effective economic activities, but also the tool for development of effective public policies:

- the establishment of cooperation, exchange of views with the National Statistical Committee (statistical agencies), National Bank, research institutes and representatives of the tourism industry;
- exchange views on tourism statistics, including the introduction of analysis techniques based on best estimates, modeling and extrapolation;
- discussion of the quality of the statistics used and the redefinition of the concepts used;
- increase of the perception of tourism statistics and justification of new or additional research in this field.

TSA is a tool that shows the role of tourism in the state economy. The main idea of the TSA is detailed analysis of the demand for goods and services, which are interfaced with tourism in the economy, and the measurement of this demand. With the help of the TSA it is possible to measure:

- the contribution of tourism to GDP;
- place of the tourism among other sectors of the economy;
- the number of jobs in various sectors of the economy, initiated by the development of tourism;
- investments in tourism;
- the tax revenues generated by the tourism industry;
- tourism consumption;
- the impact of tourism on the balance of payments;
- human resources involved in the tourism industry.

TSA allows a realistic assessment of the economic weight of the tourism industry. The volume of tourist services affects the development of transport, trade, the network of cultural institutions (museums, libraries, etc.), construction, agriculture and others. TSA identifies within each industry components that depend on tourism, their cost-effectiveness.

3.3. Contribution of tourism to the creation of national income

The direct contribution of tourism to GDP is the total amount of direct expenses on tourism and travel inside the country by residents and non-residents on business trips and for leisure, as well as targeted public spendings on service of territories of interest to tourists. This is calculated as the volume of production of services provided to tourists in absolute (monetary) and relative (shared) measurement.

The indirect contribution of tourism to GDP includes investments in the tourism industry; general government expenses on the maintenance of the tourism industry; expenses of enterprises that provide services to tourists for the purchase of goods and services for their direct
activities. The induced contribution of tourism to GDP is a part of the GDP generated by the proceeds of persons directly or indirectly employed in the tourism industry. The total contribution of tourism to GDP is made up of direct, indirect and induced contribution to the economy and in addition to the direct contribution shows the economic effect of investments, consumer related products and services and the income of those employed in the industry (Dwyer L., 2003).

Currently the share of tourism in Azerbaijan’s GDP has reached 2.8%, and the country’s authorities are doing everything possible to increase it. The monetary equivalent of 2.8% of GDP is more than 1.3 billion manat – it is evaluated as a very good indicator. (The State Statistical Committee of the Republic of Azerbaijan, http://www.stat.gov.az/source/tourism/indexen.php)

![Figure 3.1. Tourism's contribution to GDP, in competitiveness clusters](http://www.wttc.org/datagateway)

**The impact of tourism on the country’s payment balance**

The payment balance is called ratio between the amount of all payments made by the country to other countries for a certain period and the sum of all income received by the country during the same period from other countries. Balance, in which the cash flows exceed their expenditure, is referred to as active, in the opposite case - passive. The balance of payments has the following areas: trade balance, i.e., the ratio between export and import of goods; balance of services and non-payments (the balance of the “invisible” transactions); balance of the movement of capital and credit.

International tourism’s contribution to the balance of payments is expressed as the difference between the expenses of foreign tourists in the country and the expenses of residents of the same country abroad (Ali Kemal, 2013), (Baretje R., 1982).

International tourism can significantly affect the policies of the States to stabilize the balance of payments. The WTO Secretariat located in Madrid annually publishes official statistical data of the United Nations on international tourism. In order to streamline the payment balance of income and expenses of tourism in all countries for The International Monetary Fund has developed recommendations. Articles included in the active and passive of the payment balance in accordance with these guidelines, are displayed in Table 3.1.
Table 3.1

Active and Passive balance of payments of tourism

<table>
<thead>
<tr>
<th>Active balance of payments</th>
<th>Passive balance of payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• proceeds from the sale of tourist products and services</td>
<td>• expenses of tourism services and goods</td>
</tr>
<tr>
<td>• proceeds from exports of goods of tourism demand and equipment for tourism enterprises</td>
<td>• expenses on imports of goods necessary for the international tourism consumption, including direct imports and indirect imports</td>
</tr>
<tr>
<td>• proceeds from the sale of other services</td>
<td>• cost of acquisition of other services: for training of foreign specialists</td>
</tr>
<tr>
<td>• training, provision of experts of the country to foreign countries</td>
<td>• transport costs for the non-local carriage</td>
</tr>
<tr>
<td>• travel expenses of foreign visitors</td>
<td>• the costs of long-term foreign loans: interest and capital reimbursement of overseas investment in the tourism industry</td>
</tr>
<tr>
<td>• investment of foreign capital in the tourism industry</td>
<td></td>
</tr>
<tr>
<td>• interest on loans to other countries</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Александрова А.Ю., 2002)

WTO conducted a classification of countries according to the role of tourism in their balance of payments, i.e., according to international tourism receipts and payments of the country residents for travel. Income and expenses related to the flow of capital, the cost of imports of goods and services intended for tourist consumption, and payments from investments and working abroad have been excluded from the balance. The balance of the current account of tourism reflects the economic situation in a country and can be both positive and negative.

For countries with a deficit of trade balance, surplus of international tourism can compensate for passive foreign trade, and in some cases equate the balance of payments of current account with active surplus (Austria, Italy). The negative current balance of the tourism mainly is inherent in industrial countries with high living standards, such as Norway, Sweden, Germany, Canada, Japan and the oil producing countries of the Persian Gulf. These countries, despite the considerable size of the tourism balance deficit, continue to vigorously develop the tourism industry, and do not put any restrictions to those wishing to visit other countries (Филипенко С.В., 2001).

Most developing countries have a negative tourist balance due to the lack of infrastructure to attract foreign tourists and the need to import a lot of products, consumer goods and equipment. In addition, they pay out from foreign exchange proceeds of tourism interest on loans taken abroad, as well as the salaries of foreign personnel, who helps to manage companies. Part of the money goes in the form of repatriated profits to transnational corporations and others. The impact of international tourism on the balance of payments depends on the other components of the balance of payments, i.e., the current account and capital account. As a result of different combinations of these components the total balance can be both positive and negative (Вавилова Е. В., 2005).

Table 3.2

The impact of international tourism on the balance of payments

<table>
<thead>
<tr>
<th>T&amp;T balance &amp; Balance of Payments</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;T balance&gt;0 &amp; Balance of Payments&gt;0</td>
<td>Austria, Denmark, Hong Kong, Hungary, Ireland, Israel, Malta, Netherlands, Singapore, Slovakia, Slovenia, Switzerland</td>
</tr>
<tr>
<td>T&amp;T balance&lt;0 &amp; Balance of Payments&gt;0</td>
<td>Azerbaijan, China, Germany, Japan, Norway, Russia, Sweden</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>T&amp;T balance&gt;0 &amp; Balance of Payments&lt;0</td>
<td>Albania, Bosnia, Bulgaria, Cyprus, Croatia, Czech Republic, Finland, France, Georgia, Greece, Italy, Kyrgyzstan, Latvia, Lithuania, Mongolia, Montenegro, Poland, Portugal, Spain, Thailand, Turkey, United States</td>
</tr>
<tr>
<td>T&amp;T balance&lt;0 &amp; Balance of Payments&lt;0</td>
<td>Armenia, Australia, Belgium, Canada, Estonia, Kazakhstan, Romania, Ukraine, United Kingdom</td>
</tr>
</tbody>
</table>


Tourism balance in Azerbaijan

The Central Bank of Azerbaijan, running payment balance statistics of the country, stated that the country's balance of travel services for 2013 was in deficit, and the deficit increased by 11.8 times. According to the balance of payments, the total turnover of travel services for 2013 amounted to $ 5,241,653 million including $ 1431.120 million for the first, $ 1,138,919 million for the second, $ 1,291,383 million for the third and $ 1,380,231 million for the fourth quarter of the year. Over the past year $ 2,365,042 millions were provided in services to foreigners in Azerbaijan, and $ 2,876,611 millions to Azerbaijan citizens abroad. At the same time 36.6% of the total volume of tourist services to foreigners was accounted for of non-residents working visits. (Statistical database of State Statistical Committee of the Republic of Azerbaijan, [http://www.stat.gov.az/menu/13/indexen.php](http://www.stat.gov.az/menu/13/indexen.php))

In the first quarter surplus of the current balance amounted to $ 121.960 million. In comparison, in the first quarter foreigners in Azerbaijan were rendered services for $ 776.540 million, $ 431.164 million in the second, $ 551,577 million in the third and $ 605,761 million in the fourth quarter, yet to the citizens of Azerbaijan abroad - $ 654.580 million in the first quarter, $ 707.755 million in the second, $ 739.806 million in the third and $ 774.470 million in the fourth, respectively. During 2012 the total turnover of travel services amounted to $ 4,910,195 million, including services of $ 2,433,338 million (+ $ 883,827,000,) that were provided to foreigners in Azerbaijan, and $ 2,476,857 million (+ $ 679,490 million.) that were provided to Azerbaijan citizens abroad. At the same time deficit of travel services during 2012 amounted to $ 43,519,000. In 2011, the total turnover of travel services amounted to $ 2,976,343 million, compared to $ 1,365,618 million a year earlier. At the same time deficit of travel services increased from $ 124,314 million in 2010 to $ 401,681 million in 2011. In 2011, the tourist sector provided $ 1,287,331 million to the country, yet $ 1,689,012 million went out of the country. In 2010 these figures were $ 620,652 million and $ 744,966 million, respectively. (Statistical database of State Statistical Committee of the Republic of Azerbaijan, [http://www.stat.gov.az/menu/13/indexen.php](http://www.stat.gov.az/menu/13/indexen.php))
3.4. Tourism's contribution to employment

Function of employment in tourism is expressed in the fact that the population gets employed in tourism enterprises (hotels, transportation, etc.). Growth of tourism in the regions, regardless of their level of development generates new jobs, so this impact of tourism on employment could be decisive for those regions which depend essentially on this sector.

The tourism complex covers a wide variety of sectors of the economy, one way or another aimed at meeting the needs of tourists, or supplying goods and providing services to companies and organizations directly oriented to service tourists. This fact complicates the accurate assessment of the number of workers employed in the region in the field of tourism. Moreover, the solution to the problem of real assessment is difficult because of the specific nature of the work and a variety of linkages between the tourism sector and other sectors of the economy. For example, in the major industrial countries in the tourism industry work no more than 5% of the working population. And almost half of them are working in the hotel industry (Questionnaire on Tourism and Employment: Overview of Results UNWTO Statistics and Tourism Satellite Account (TSA) Programme, 2010).

- A feature of modern tourism is its relatively high labor input. On average, in the international tourism one person employed in this sector accounts for about 7 tourists. Unlike other economy sectors (in particular, unlike the industrial sector), new technologies generally do not lead to a proportional release of manpower. The quality of service depends on the number of personnel per one tourist. Therefore, tourism, unlike most of the branches of material production organically combines opportunities for local employment with the introduction of advanced technologies of servicing the tourists and the provision of services. Moreover, given the integrated nature of the tourist complex, the growth of the tourist flow in the area will lead to an increase in the labor force needs, not only in tourism, but also in the service sectors, as well as businesses and tourist infrastructure facilities. This is one of the most important indirect effects that area accrues from the tourism development.

The direct contribution of tourism to employment provides employment in the hotel industry, travel agencies, transport sector, as well as in the areas of catering and leisure activities while providing services directly to tourists. It is calculated as the number of jobs in the tourism industry and their share in total employment. The indirect contribution of tourism to employment is the number of jobs created for the formation of the indirect contribution of tourism to GDP. The induced contribution of tourism to employment is the number of jobs created due to the income derived from those directly or indirectly employed in the tourism industry.

Source: Developed by the author based on World Tourism Organization Database, 2015, http://www.wttc.org/datagateway
According to the WTO, the service of one foreign tourist in the country of residence generates a total of about nine jobs. The main features of the nature of work and the structure of employment in tourism are as follows:

- underemployment;
- seasonal fluctuations in the volume of employment and work load;
- a significant proportion of unskilled workers (80%).

In addition, employment statistics show that the proportion of women in the hotel management industry is more than 50%.

### 3.5. The impact of tourism on employment in Azerbaijan

Since 2003 the unemployment rate in Azerbaijan is evaluated not only by the number of officially registered unemployed people, but also according to ILO methodology. In order to do that according to the ILO methodology study on employment is conducted annually. The number of unemployed from 2002 to 2012 decreased by 195.5 thousand people and amounted to 243.1 thousand people. An important role in reducing the number of unemployed plays successfully conducted state employment policy (Джавадова Р.Д., 2010).

The role of the economic entities of the tourism industry, including hotel management, in solving problems of employment is undeniable.

The average annual number of workers employed directly in tourism, including those employed in the hotel industry, specialized accommodation facilities and directly in the tourism industry, annually increases. At the same time it is difficult to measure precisely what data should be included in the employment statistics because workers of hotels and restaurants serve not only tourists. The employment rate is higher in the resorts that are in great demand.
Figure 3.4. The dynamics of employment indicators in the field of tourism in Azerbaijan


Rapidly growing demand for tourist services has led to an increase in the proportion of the employed population in 2013 in comparison to 2002 by 13%. The level of economic activity of the entire population during the study period increased by 7.3% and amounted to 4.6 million people. Dynamics of employment in absolute terms amounted to 514.2 thousand people. As a result, the dynamics of the economic activity of the labor force outstrips the dynamics of the labor force itself.

The existing accommodation facilities at this point employ 7321 people. The number of employees in the past six years increased by about 65%. The costs of accommodation enterprises on wages in 2012 amounted to 27,389.2 thousand manats. Average monthly wage of workers in the sphere of hotel business in 2012 amounted to approximately 310 manat, and this figure in comparison to 2011 rose by 26.5%. In the same year the average monthly wage in the country amounted to 397 manat.

3.6. Tourist multiplier

The concept of total income from tourism is a key indicator on the basis of which we can judge the economic efficiency of tourism in general and its impact on the development of various sectors of the regional economy. This category, which gives a comprehensive picture of the development of tourism business and tourism infrastructure in the region, which can be taken as a basis for adopting and monitoring the implementation of strategic management decisions. The economic efficiency of tourism in the region is a collective response, including:

- objective expert opinions and analytic data describing the impact of tourism in the following areas: profitability and revenues directly of tourist companies in the region;
- tax revenues from tourism in the regional budget;
- the development of tourism infrastructure in the region;
- the indirect impact of tourism on other sectors of social production by the multiplier effect;
- the impact of tourism on employment.

Thus, the combined income from tourism is a set of direct and indirect, monetary and non-monetary benefits arising in the region out of on the development of tourist activity, expressed in monetary form.

Calculation of the combined effect is performed on the basis of tourism multipliers (from lat.Multiplicatio-multiplication), i.e. side effects in tourism expenditures on other sectors of the economy of the hosting tourist and recreational complex, which is defined as the ratio of change
Tourist multiplier can more accurately determine the impact of tourism on the economy of the country and region, assess the indirect impact of tourism on the welfare of the population; predict the development of tourism and related industries, where due to the multiplier effect additional revenues are generated, anticipate changes in the structure of labor resources and plan for their rational use. The data obtained can be used to develop a strategy for the investment industry, the development of the state support of tourism programs, etc.

The concept of a multiplier to the economic theory was introduced by the English economist Robert Kahn in 1931. He was one of the first to notice that the cost of the state on the public works undertaken by the administration of Franklin D. Roosevelt to reduce unemployment, gave the multiplier effect of employment. These costs led not only to the primary employment, but also give a secondary, tertiary employment, etc. As a result, the initial costs have led to the multiplication of purchasing power and employment in general. Subsequently George. M. Keynes explained the essence of the multiplier effect, gave its mathematical description. Multiplier theory, moreover, is explained in the works of Paul Samuelson, J. Clark, R. Harrod, G. Haberler, E. Hansen and others.


Generally, three types of multipliers are calculated for each product of the regional economy based on direct, indirect and induced effects.

Direct effect is impact of tourism expenditure in the gross production of services in tourism institutions and enterprises. Since these products are consumed in the production process, their direct effect is usually equal to unity. For manufactured products direct effect in multiplier is greater than one.

The indirect effect is an additional share issue in other sectors that are outside the sphere of tourism, but are called tourist spending.

The induced effect is an effect that is caused as a result of consumption of household income received directly in the area of tourism, and thus the creation of an indirect effect of tourism expenditure.

The greater is the proportion of income spent within the region, the higher is the multiplier effect. At the same time in each national economy it has very definite quantitative relationships, and can be calculated in the form of a ratio. To determine the impact of international tourism on the change of one of the economic indicators, this ratio is multiplied by the tourist spending. In assessing of the value of the multiplier it is important to define its type:

- sales multiplier measures the additional speed of business as a result of increased tourist expenditure;
- production multiplier measures the amount of additional production in the economy as a result of increased tourist expenditure;
- earnings multiplier measures the additional income (wages, rent, interest on loans and profits) generated in the economy as a result of increased tourist expenditure;
- employment multiplier characterizes the number of jobs created as a result of increased tourist expenditure.
The values of the multiplier vary depending on the nature of the local economy and measures of the relationship of its various sectors. For policy-making and planning income multiplier is more valuable because it provides information about the national income before the product is manufactured or its turnover.

A detailed analysis of the multipliers is performed in order to analyze the efficiency of public and private sector investment in tourism projects at national and regional levels, to check the relative magnitudes of the effects of different types of tourism compared to other sectors of the economy.

For the calculation of the tourism multiplier there are used two models: model “Ad Hoc” and model “input-output”. Model “Ad Hoc” was proposed in 1972 by British researchers B. Archer and K. Owen, and it is based on the Keynesian multiplier model and built in such a way that can be easily adapted to the conditions and characteristics of the region studied. The model is developed to determine the revenue generated in the economic system as a result of tourism expenditures, based on the study of patterns of consumption of the residents of the region (Archer, B. H., 1971).

“Ad Hoc” model requires a specific organization of the collection of primary data. There must be made assessment of income generated by tourism unit costs for each category of enterprises in the tourism industry, the assessment of the distribution of expenses of residents by categories of enterprises, as well as the proportion of household income spent on the purchase of goods and services provided by resident companies. Furthermore, additional models for calculating multiples of employment and income must be developed.

The “input-output” model expresses the relationship in a steady flow of goods and services that connect all sectors of the economy. In this model, the economy (in the region) is regarded as a system of interrelated industries. It is assumed that the flow of goods, services, natural resources absorbed by the industry during the final time, is equal to the flow of products that this industry produces during the same period. Authorship of the “input-output” model belongs largely to the American researcher V. Leontiev. (Bull, A., 1998).
Tourism production multipliers

<table>
<thead>
<tr>
<th>Country</th>
<th>Multiplier</th>
<th>Researchers</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2.40</td>
<td>US statistical office (1996)</td>
</tr>
<tr>
<td>Singapour</td>
<td>2.00</td>
<td>Han Seng Cheong (1990)</td>
</tr>
<tr>
<td>Cyprus</td>
<td>2.00</td>
<td>Archer (1989)</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.52</td>
<td>Lew, Var, Timur (1984)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0.98</td>
<td>Lin Song (1983)</td>
</tr>
<tr>
<td>Malta</td>
<td>0.86</td>
<td>Briguglio (1992)</td>
</tr>
<tr>
<td>Scotland</td>
<td>0.79</td>
<td>Worrell (1992)</td>
</tr>
<tr>
<td>Italy</td>
<td>0.71</td>
<td>Costa(1984)</td>
</tr>
<tr>
<td>Iceland</td>
<td>0.64</td>
<td>Fletcher(1989)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.73</td>
<td>Fletcher(1989)</td>
</tr>
</tbody>
</table>

Source: (Lundberg D. E., Krishnamoorthy M., Stavenga M. H, 1995)

Tourism multipliers of some countries are given in Table 3.3. Calculated tourist multiplier is a production multiplier, i.e. it measures the amount of additional production in the economy due to increased tourist spending.

Multiplier explains the presence of the stimulating effect of the expenditures in this field of production on the expansion and employment in its other areas. With regard to tourism it is a numerical coefficient that indicates how many times will increase or decrease the gross regional product as a result of increases or decreases in revenues of tourist companies (tourist expenditure).

The multiplicative effects of tourism is manifested in the fact that as a result of the passage of the entire production chain, the income received from one tourist exceeds the amount of money spent by him in the place of the purchase of services and goods. If you add up all the increments, the cumulative effect on the number of goods and services, which makes the demand from both tourists, tourist firms, and from other companies and their employees, may be much greater than the initial effect, which is the direct result of the tourism business. The theory of the multiplier effect explains the presence of the stimulating effect of the cost in one area of production on the expansion of production and employment in other areas. This positive increasing effect of a part of the gross regional product is called the multiplier effect. The total multiplier effect of tourism in the region is defined by the formula (Савельева Ю.В., Немкович Е.Г., 2002):

\[ M = Mt + M_1 \cdot \left( \frac{1}{1-R} \right) = Mt + \frac{Y \cdot Qt \cdot (V_t - Zti)}{X} \cdot \frac{1}{1-R} \]

Where: 
- \( M \) – total revenue (direct and indirect, regarding the multiplier effect) from tourism in the country (region);
- \( Mt \) – the amount of the proceeds from tourism in the first round of funds, included in GDP (direct economic income from tourism);
- \( M_1 \) – part of the revenue from tourism that has an impact on GDP (gross national product volume caused by tourism orders);
- \( V_t \) – the volume of services (revenue), tourism (in value terms);
- \( Zti \) – the amount of costs for the purchase of goods and services intended to serve tourists from other businesses (production costs);
- \( Y \) – gross domestic (regional) product;
$X$ – gross social product;

$R$ – factor reflecting the degree of isolation of the national (regional) economy and reflecting the connection between two successive laps of the proceeds from tourism;

$Qt$ – share of tourism expenditures remaining in the national (regional) economy.

The multiplicative effect of tourism, calculated according to this formula will be evaluative in nature, so it is advisable to justify a number of indicators that make up the formula, use the expert approach (Гуляев В.Г., 2003).

3.7. The indirect impact of tourism on the economy of Azerbaijan due to the multiplier effect

In Azerbaijan with a relatively high degree of reliability is taken into account the direct impact of tourism on the economy as a whole. Accounting for the indirect effect of tourism is possible through the use of a multiplier - scalar indirect impact of tourism on the economy and social sphere of the state. The multiplicative effect of tourism is most important, which is caused by the specifics of the industry, as well as the presence of paradox of “invisible exports” (R.R. Rzaev, I.R. Rzaeva, 2005).

The indirect impact of tourism on the economy depends not only on tourist expenditure in their place of residence, but also on the propensity to save of the population and businesses involved in this cycle. The higher is propensity to accumulate; the lower is the value of the multiplier effect. Therefore, it is believed that for a particular region tourist multiplier is a factor reflecting the increase in indirect revenues in the region, depending on the tourist spending. If in the separately selected region propensity of the population and enterprises to save is assumed to be constant, in order to increase the multiplier effect of tourism is needed: developed tourism industry and infrastructure in the region; availability of rich eco-friendly tourism resources; developed regional economic and consumer sphere; high tourist image of the region; unlimited supply of import-substituting goods and services; free entry and exit of tourists in the region, etc.

Since the main components in a multiplicative effect are expenditures of tourists, the economic and legal policy in the region should be aimed at their maximum stimulation.

Expenses of tourists in a particular place of residence is a revenue of tourism enterprises, transport companies, trade, consumer services, telecommunications, leisure and entertainment enterprises, etc. These revenues are additional profits, investments, wages, jobs, etc. Moreover, they induce additional taxes, charges and fees for the budgets of all levels. During the next cycle additional income of the company is invested in its development that in fact leads to additional revenue for companies supplying equipment and materials, construction, etc. Such cyclic turnover of funds: revenues-expenses-revenues-expenses..., with certain reservations can be described with a simplified model (Гуляев В.Г., 2003).

\[
Y = \frac{I}{1 - MPC}
\]

where $I$ is investment which is defined as the spendings of tourists; $MPC$- marginal propensity to consume in the region (country), which is defined as the ratio of the change in the consumption of population “ΔB” for a certain period to the level of change in income “ΔD”, causing a change during this time interval: 

\[
MPC = \frac{\Delta B}{\Delta D}
\]

In this case a multiplier is

\[
\lambda = \frac{I}{1 - MPC},
\]

that in terms of $\delta = MPC$ is the sum of an infinitely decreasing geometric progression

\[
\lambda = \delta + \delta^2 + \delta^3 + \ldots + \delta^n, \ n=1,2,\ldots
\]
If we consider that for each additional consumed unit \( \delta \) is the increase in revenue during the first circulation, then during the \( n \) step of calculating an increase shall be \( \delta n \). Using (3) it is possible to count the number of cycles of spent tourist funds (transactions). Moreover, based on the model (1) and tourism statistics available in Azerbaijan (data of the State Committee of Statistics of the Republic of Azerbaijan for 2013, 2015) we should assess the indirect impact of tourism on the economy in the long term.

The average marginal propensity to consume is 0.7775. However, more refined MSP value in the country is less than average level by 4.9%. Therefore, in further calculations we shall assume it to be 0.7394 or 73.94\%. Next, by using the calculated multiplier model, we shall obtain

\[
\lambda = \frac{1}{1 - \text{MSP}} = \frac{1}{1 - 0.7394} = 3.84,
\]

where on the basis of (3) multiplier effect of spending per tourist will be

\[
\frac{701}{1 - 0.7394} = 701 + 0.7394 \times 701 + 0.7394^2 \times 701 + ... + 0.7394^n \times 701 = 2690
\]

In this case, the average expenditure of $ 701 a year per tourist in the country generates additional income in the city budget in the amount of $ 2690, making about 15 cycles. The latter is easy to check if we consider that starting with \( n > 14 \) the funds remaining in circulation become very small, i.e. for all \( n > 14 \), we use inequality \( 0.7394n \cdot 701 < 10 \).

At the same time we must recognize that the obtained value of the tourist multiplier does not reflect a number of factors affecting it downward. A more accurate value of the multiplier can be obtained on the basis of its generalized differentiated model (В.Г. Гуляев, 2008), which takes into account corrective (clarifying) factors. However, the existing methods of statistical data in the field of domestic tourism do not allow taking into account exogenous factors of the model entirety.

Taking into account the standards of the International Classification of Tourism Activities (SIKTA) and on the basis of recommendations of Statistics of Tourism by the WTO and the United Nations on the scale of Azerbaijan it is possible to correct multiplier by 15-40\% downward. This means that the real value of the multiplier for the tourism of Azerbaijan will be in the range 2.304 ÷ 3.264. Therefore, it is possible to use the averaged value of \( \lambda = 2.784 \), which allows to adjust the indicators of tourism development in Azerbaijan in the medium and long term at the stage of preliminary estimates.

The results can be used to assess the overall impact of tourism on the economy of the republic; forecast the development of the tourism industry; forecast the development of related industries; assess indirect effects of tourism on the growth of the welfare of the population; forecast the dynamics of change and the efficient use of labor resources; develop investment industry strategy; develop an effective system of taxation, etc.
3.8. The effectiveness of the use of tourism potential in Azerbaijan

![Figure 3.5. The dynamics of tourism's contribution to GDP and employment in Azerbaijan in the period from 1993 to 2014](image)


WEF predicts an increase in manufacturing value-added in the tourism sector of Azerbaijan by 7.5 percent up to 2022. This is stated in the report of the WEF The Travel and Tourism Competitiveness Report 2013. (The Tourism and Travel and Tourism Competitiveness Report, 2013). According to estimates, GDP in the tourism industry in Azerbaijan reached in 2012 $1.1 billion, representing 1.9 percent of total GDP and GDP in the tourism economy reached the value of 4.12 billion dollars (6.9%).

![Figure 3.6. Dynamics of indicators of tourism development in Azerbaijan in the period from 1993 to 2014](image)


All this testifies to the fact that tourism in Azerbaijan has become one of the main priorities of the state policy and opens large enough prospects for the economic development of the country. As it is known, the main result of the implementation of any innovation in tourism is to increase the number of foreign tourists to the country. Thus, the average is only 4-5%, while in...
Azerbaijan said the growth rate reached 20% per year. This figure is a pretty good indicator of the development of tourism in the country (Official recourse of Tourism and Services. The State statistical Committee of the Republic of Azerbaijan, 2015).

Azerbaijan differs because of active dynamics of tourist flows which is a positive indicator of the development of tourist areas. Given the world rate of tourism growth, as well as the availability of the necessary resources in Azerbaijan it is possible to predict good prospects for the development of tourism sector in the country.

The growth of the number of tourists provides a constant revenue growth, which come into the state treasury from the reported activity. In general, the economy of Azerbaijan receives about 10% of its GDP from the tourism sector. Every foreign visitor leaves about $ 800 in the country. According to the Ministry of Culture and Tourism of Azerbaijan about 670 million manat came into circulation from the tourism industry (Azerbaijan. Properties submitted on the Tentative List (10) , 2014).

In Azerbaijan the number of tourism enterprises is growing every year. If in 2006 there were only 96 with 779 employees, in 2013 there were already 197 companies with 1729 employees. In some parts of the country there are created eleven tourist information centers, as well as different tourist guides produced. These tourist centers are operating in the cities of Shamakhi, Sheki, Khachmaz, Guba, Lankaran, Ganja, Zagatala, Baku, etc. The main objective in the creation of these centers is to inform tourists who come to the regions about the features of the area, tourist sites, routes, etc. (Eganly SG, 2003)

**Summary.**

- Assessment of the effectiveness in the tourism industry was performed by calculating the contribution of tourism to the balance of payments, contribution to GDP, employment, and contribution to the analysis of the tourist multiplier.

- The relationship between the competitiveness of the tourism industry and its effectiveness was analyzed by comparing the performance of indicators in the clusters identified in the space of competitiveness components.

- Effectiveness analysis of the tourism industry in Azerbaijan is important not only in terms of absolute figures, but also in terms of the efficient use of the country's tourism potential.

- The impact of tourism on the economy was estimated to increase employment and contribution to the national income.
4. ANALYSIS OF REGIONAL TOURISM IN AZERBAIJAN IN THE LOCAL CONTEXT

The most important step in the formation of regional tourism development strategy is a strategic and competitive analysis. The first allows us to evaluate the internal and external factors folding within the study area and the effect of which is reflected negatively or positively on the development of tourism industry. Based on the results of the strategic analysis the policy and strategy of tourism development, as well as private competitive strategies of the region are developed.

4.1. SWOT analysis of tourism in Azerbaijan

Based on Strategic documents of the Azerbaijan Republic was composed SWOT analysis of tourism in Azerbaijan. Using the SWOT-analysis were identified factors (both negative and positive) of internal and external environment for the development of tourism in Azerbaijan. The strength of their impact and their combination determine the competitiveness of the regional tourism products in foreign markets. Identified strengths and external opportunities provide the basis for the competitive strategy of tourism development in the region and are implemented through a list of measures aimed at their use and gain. On the basis of these factors the differentiated product strategy in tourism is offered. Weaknesses and external threats are seen as constraints on the development of tourism in the region. Therefore these factors below are proposed mechanisms to eliminate them or reduce their negative impact to a minimum.

Table 4.1

<table>
<thead>
<tr>
<th>SWOT- analysis of international tourist attractiveness of Azerbaijan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
</tr>
<tr>
<td>• favorable geographical position;</td>
</tr>
<tr>
<td>• relatively developed transport infrastructure;</td>
</tr>
<tr>
<td>• rich cultural and historical heritage</td>
</tr>
<tr>
<td>• rich natural heritage:</td>
</tr>
<tr>
<td>- on the territory of Azerbaijan you can see all kinds of relief: the mountains and the lowlands, plains and valleys.</td>
</tr>
<tr>
<td>- rich flora and fauna, the presence of Naftalan oil, 750 km of the coast of the Caspian Sea can attract tourists</td>
</tr>
<tr>
<td>• political stability,</td>
</tr>
<tr>
<td>• security level in the country;</td>
</tr>
<tr>
<td>• rising incomes per capita</td>
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<tr>
<td>• the stability of the national currency.</td>
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<tr>
<td>• developed economic relations with European countries and regions</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td>• insufficient use of existing tourist potential of the republic;</td>
</tr>
<tr>
<td>• the lack and poor quality of tourist infrastructure and services;</td>
</tr>
<tr>
<td>• the high cost of accommodation, meals, transport and other services offered to tourists, significantly exceeding the average European level;</td>
</tr>
<tr>
<td>• obstacles to attracting investment in tourism infrastructure consisting of the absence of ready investment sites, the availability of administrative barriers, unfavorable conditions of the land lease;</td>
</tr>
<tr>
<td>• seasonality of most tourist products of the republic combined with seasonal inaccessibility of key objects of tourist show</td>
</tr>
<tr>
<td>• shortage of skilled labor force that determines the low quality of services in all sectors of the tourism industry, maintaining the negative stereotypes of the image of Azerbaijan;</td>
</tr>
<tr>
<td>• insufficient popularity of republic and its tourist product brands on international tourist markets, lack of tourist products that meet international standards;</td>
</tr>
<tr>
<td>Opportunities</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>• development of environmental, sports</td>
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<tr>
<td>and other types of natural as well as cultural</td>
</tr>
<tr>
<td>and business tourism in cooperation with foreign</td>
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<tr>
<td>partners</td>
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<tr>
<td>• improvement of normative legal regulation in</td>
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<tr>
<td>the sphere of tourism by use of experience of</td>
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<tr>
<td>foreign countries;</td>
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<tr>
<td>• development and improvement of tourism</td>
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<tr>
<td>infrastructure, including concomitant (</td>
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<tr>
<td>transportation, catering, entertainment, etc.) by</td>
</tr>
<tr>
<td>use of experience of foreign countries;</td>
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<tr>
<td>• the creation of new priority tourist centers in</td>
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<tr>
<td>cooperation with foreign partners</td>
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<tr>
<td>• development of international and interregional</td>
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<tr>
<td>tours, due to integration into corporate networks</td>
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<tr>
<td>• advertising and information promotion of image</td>
</tr>
<tr>
<td>of Azerbaijan as a country favorable for tourism</td>
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<tr>
<td>on the international and domestic tourist markets;</td>
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<tr>
<td>• improving the quality of tourism and related</td>
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<td>services by use of experience of foreign countries;</td>
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<tr>
<td>• providing conditions for the personal safety</td>
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<tr>
<td>of tourists by use of experience of foreign</td>
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<tr>
<td>countries;</td>
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<tr>
<td>• the creation and promotion of competitive brands</td>
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<tr>
<td>of tourist products;</td>
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<tr>
<td>• Development of new study programs related to</td>
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<tr>
<td>tourism service for employees, which are engaged</td>
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<tr>
<td>in tourism industry, in cooperation with foreign</td>
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<tr>
<td>partners;</td>
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<tr>
<td>• Development of Tourism marketing strategy of</td>
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<tr>
<td>Azerbaijan.</td>
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</tbody>
</table>


On the basis of synthesis of factors of external and internal environment using matrix - SWOT revealed that the most important favorable factors of external and internal environment of the republic, according to which it is necessary to lay the basis for a strategy to improve the competitiveness of tourism, are as follows:

- a favorable geographical position and developed economic ties with the European countries and regions, implemented international projects and programs;
- the possibility of increasing tourist flows through the development of international and interregional rounds, due to integration into the corporate network;
- Touring branding, creation and promotion of tourist products of the competitive brands.
The most important negative factors in the development of tourism in the Republic of Azerbaijan, limiting the possibilities and reducing the competitiveness of tourism products, are as follows (Рагимов С.Г., 2008):

- insufficient popularity of republic and its tourist product brands on international tourist markets, lack of tourist products that meet international standards and requirements;
- sufficient seasonality of most tourist products of the republic combined with seasonal inaccessibility of key objects of tourist show;
- underdeveloped tourist infrastructure and poor service.

Most important highlighted favorable factors of external and internal environment of the republic in terms of tourism development play a crucial role in neutralizing or minimizing the negative impact of unfavorable factors of external and internal environment. Moreover, some favorable factors can be used at the same time against a number of negative factors.

In Table 4.2 is proposed a set of measures that allows to put into practice the benefits inherent in the favorable development of tourism factors outlined above in Azerbaijan, as well as to obtain the maximum benefit from their practical use. These activities can be considered as priority areas and activities laid in the foundation of the regional target program of tourism development. The use of favorable factors identified during the SWOT-analysis and their implementation through the implementation of measures listed in Table 4.2 will allow increasing of the competitiveness and visibility of existing tourism products, and most importantly, create the conditions and infrastructure base for the development of new tourist products and investment in tourism.

### Table 4.2

<table>
<thead>
<tr>
<th>Factors</th>
<th>Complex of measures</th>
</tr>
</thead>
</table>
| The favorable geographical position (Azerbaijan can be called a unique country, because within it there are many climatic zones existing in the world: from dry and humid subtropical to mountain) | • the development of environmental, medical, hunting tourism;  
• establishing the rules of entry into the Republic of Azerbaijan, exit from the Republic of Azerbaijan and stay in the territory of the Republic of Azerbaijan with regard to the interests of tourism development;  
• strengthening of cooperation between the countries of the South Caucasus and Central Asia, aimed at creating a single regional tourism product, removing all existing obstacles to the development of regional tourism;  
• participation in the transcontinental tourism route of the Silk Road that is carried out under the auspices of the WTO in cooperation with UNESCO |
| Possibilities of increasing tourist flows through the development of international and interregional tourism products, by incorporation in the corporate network | • facilitating the participation of Azerbaijani tourists, tour operators, travel agents and their associations in various international programs;  
• improving the regulatory framework, which will focus on the improvement of relations in the sphere of tourist activity;  
• establishment of tax / customs exemptions to most tourist operators and travel agents that provide a range of services to the population on the territory of Azerbaijan, but also attract many foreign nationals to engage in different types of tourism; |
establishing uniform rules of entry / exit of foreign citizens in Azerbaijan, as well as their residence within the country, taking into account the development of tourism in different regions;
• provision of tourist activities by qualified personnel;
• direct allocation of budget allocations for the development / further implementation of numerous state programs, which relate to the development of tourist activities;

Creation and promotion of tourist products of the competitive brands

| Source: developed by the author based on Table 4.1. |

4.2. Features of the development of tourism in the regions of Azerbaijan

The division of the country in tourism regions is a complicated issue for the experts of the given sphere. There are more than a dozen versions of classifications of tourist regions. However, one of the most common is the classification of the country's Tourism Association. According to this classification the territory of Azerbaijan is divided in a total of seven tourist zones (Regions of Azerbaijan. Azerbaijan Tourism Association, 2014). They are as follows: Baku tourism area, Northern tourism area, North-Western tourism area, Southern tourism area, Western tourism area, Nakhchivan tourism area, Karabakh tourism area.

In addition to the classification of the tourist zones of the country in Azerbaijan there are allocated ten economic regions. Those are the country's regions, which are characterized by certain economic and geographical situation, territorial and economic unity, uniqueness of natural/economic conditions and historical production specialization. The Republic of Azerbaijan is divided into ten economic regions: Absheron, Ganja-Kazakh, Shaki-Zagatala, Lankaran, Cuba-Khachmaz, Upper Karabakh, Aran, Kelbajar-Lachin, Mountain Shirvan, and Nakhichevan.

The concept of economic region provides the integrity of the relationship of various industries, including tourism.

<table>
<thead>
<tr>
<th>Economic region</th>
<th>Area, km²</th>
<th>Population, thousands</th>
<th>Tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Absheron</td>
<td>5,870</td>
<td>2756</td>
<td>This region has many balneological resources. Great is medicinal value of mud volcanoes, mineral springs and salt lakes that let to develop health tourism. Location</td>
</tr>
</tbody>
</table>
of the territory on the coast of the Caspian Sea and its climatic conditions make this region possible to develop here Recreation and leasure tourism.

<table>
<thead>
<tr>
<th>No.</th>
<th>Region</th>
<th>Area</th>
<th>Population</th>
<th>Altitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Ganja-Kazakh</td>
<td>12,300</td>
<td>1240,8</td>
<td>Favorable natural and climatic conditions here allow creating medical and health facilities of international importance. In the region, at an altitude of 1566 m above sea level, is located recreation area of Goygol and Acikent, well known medical and health resort Naftalan.</td>
</tr>
<tr>
<td>3</td>
<td>Shaki-Zagatala</td>
<td>8,840</td>
<td>599,9</td>
<td>In Gabula, Sheki and Zagatala there are recreation and tourism agencies. Through the territory of the region is laid the international tourist route to Georgia.</td>
</tr>
<tr>
<td>4</td>
<td>Lankaran</td>
<td>6,070</td>
<td>893,3</td>
<td>Plenty of hot and cold mineral water, colorful natural landscape, favorable humid climate and well-developed transport network led to the development of resorts and tourist centers. Currently, the district has a camp site of Lankaran and sanatorium of Meshasu.</td>
</tr>
<tr>
<td>5</td>
<td>Cuba-Khachmaz</td>
<td>6,960</td>
<td>525,7</td>
<td>It is an important resort-sanatorium area of the country and has resort and recreational resources. In Shabran district there is a resort based on the healing water source Galaalty.</td>
</tr>
<tr>
<td>6</td>
<td>Aran</td>
<td>21,150</td>
<td>1936,0</td>
<td>The basis of the region's economy is agriculture and especially livestock, that make this region possible to develop here agri-tourism, Eco-tourism.</td>
</tr>
<tr>
<td>7</td>
<td>Upper Karabakh</td>
<td>7,330</td>
<td>653,5</td>
<td>For recreation and treatment suitable natural balneology resources, forests, mineral springs (Turshsu, Shirlan).</td>
</tr>
<tr>
<td>8</td>
<td>Kelbajar-Lachin</td>
<td>6,420</td>
<td>244,0</td>
<td>In the area there are mineral sources of Istisu Tutgun, Minkend, as well as favorable climatic and balneological conditions and mountain forests; all of that contributed to the transformation of these places into the resort area.</td>
</tr>
<tr>
<td>9</td>
<td>Mountain Shirvan</td>
<td>6,130</td>
<td>304,0</td>
<td>Mountainous area of the economic region is known for its mineral springs containing sulfur and carbon dioxide, which have great importance for the spa treatment.</td>
</tr>
<tr>
<td>10</td>
<td>Nakhichevan</td>
<td>5,500</td>
<td>439,8</td>
<td>Nakhchivan region has 60% of the reserves of mineral waters, more than 200 types of very valuable water sources, such as Badamli, Sirab, Vayhir, etc.. There is unique salt cave-Duzdag, that</td>
</tr>
</tbody>
</table>
is located at an altitude of 1173 meters. There is a physiotherapy center "Duzdag"


Absheron region covers the administrative areas of Absheron, Khizi, the cities Baku and Sumgayit; it has a very favorable economic and geographical position with a total area of 5870 square kilometers; it covers 7% of the country. Relief if the economic region consists of hills, plains and low mountains. This region is characterized by a dry subtropical climate. Absheron Peninsula has many balneological resources. Great is medicinal value of mud volcanoes, mineral springs and salt lakes.

Location of the territory on the coast of the Caspian Sea and its and climatic conditions make this region possible to develop here Recreation and leasure tourism.

Aran Region includes the administrative regions of Agjabadi, Agdash, Beylagan, Barda, Bilasuvar, Goychay, Hajigabul, Imishli, Kurdamir, Neftchala, Saatli, Sabirabad, Salyan, Ujar, Zardab and the cities of Shirvan, Mingachevir and Yevlakh. This region has favorable economic and geographical position; having a total area of 21,150 square kilometers. A large part consists of lowland plains, situated below the sea level. The surface of the mountains is surrounded by sloping. This region is mainly characterized by a dry subtropical climate. The basis of the region's economy is agriculture and especially livestock, that make this region possible to develop here agri-tourism, Eco-tourism. Region is located on the most important main transport routes (railways and highways) connecting Baku with the main economic regions of country, and also with Georgia, Iran and Turkey.

The western part covers the economic region of Ganja - Gazakh. This economic region is covering administrative regions of Agstafa, Dashkasan, Gadabay, Tyoranboyo, Khanlar, Gazakh, Samukh, and Tovuz administrative districts. Cities like Ganja and Naftalan are located in the west of Azerbaijan. Economic region has favorable economic and geographical position. Its total area is 12,3 square kilometers. The peculiarities of the relief of the region divide it into 4 zones: the plains, foothills, mountains of medium height (1000 - 2000 meters above the sea level), high altitude (2,000 meters above sea level). Climate conditions also vary depending on the zones. Due to the economic importance the western economic region (Ganja - Gazakh) takes 2nd place in the country. This economic region of Azerbaijan makes 12 - 13% of the industrial output of the country. Industry of the west economic region consists of mining and manufacturing industries.

Significant role in the comprehensive development of the West (Ganja - Kazakh) region plays a transportation system; region is located on the railroad and highways connecting Azerbaijan with Georgia and the Black Sea. Ganja Airport is of national importance.

Favorable natural conditions of the Western region, the healthy climate, the magnificent panorama of mountain and forest landscape, curative mineral water make it possible to create international medical and prophylactic institutions. At an altitude of 1566 meters above sea level are built holiday houses “Goy – Gol” and “Hajikend”.

Lankaran region covers the administrative territory of Astara, Jalilabad, Lerik, Masalli, Yardimli and Lenkoran. It is located in the South/East of Azerbaijan. The eastern part of the region runs along the shore of the Caspian Sea and in the west of the southern region borders with the Islamic Republic of Iran. Total area of the economic region is 6080 square kilometers; that is 7% of the entire country. Across the terrain the territory of the region is divided into two parts -
Lankaran lowland and Talish Mountains. 26% of the territory is covered in forests. Due its natural conditions this region is different from other economic regions of the country. Out of the 13 world’s climate zones in the territory of the economic region can be found 7. It has a humid subtropical climate.

The lowland part of Masalli, Lankaran, Astara regions specialize in tea growing and production of vegetables. Viticulture is developed mainly in Jalilabad region. In Lerik and Yardimli regions the main areas are animal husbandry, cultivation of tobacco and wheat. In the Southern Economic region are grown citrus and along the coast is developed fishing. An important role in the comprehensive development of the Lankaran economic region plays transportation system. When transporting cargo and people, as well as in the expansion of economic relations between Azerbaijan and Iran, an important role is played by the railway Baku - Astara and parallel to the railway highway Baku - Astara. Beautiful natural landscape, hot and cold mineral water, excellent climate conditions, as well as well-developed transport network in the region create favorable conditions for tourism development. Currently in the region there are Lankaran tourism base, timber and water resorts.

Sheki - Zagatala and Cuba - Khachmaz regions cover North part of the Republic of Azerbaijan. These regions are considered to be one of the richest regions of Azerbaijan. Shaki - Zagatala economic region is located in the North-West of Azerbaijan, on the southern slope of the Great Caucasus Mountains.

Shaki - Zagatala region has a total area of 8840 square kilometers. The terrain of the territory is divided into mountainous part and the foothills. Economic region has limited land resources. The big difference in the height of the territory was the cause of the diversity of natural conditions. The zone has a temperate climate. Beautiful nature of Sheki - Zagatala economic region turned it into a major resort and tourist region of Azerbaijan. In Sheki operate shops for the manufacture of silk scarves. In Gabala, Sheki, Zagatala operate the resort and tourist enterprises. From this territory to Georgia runs an international tourist route.

Guba - Hachmaky economic region covers the administrative areas of Davachi, Khachmaz, Guba, Gusar and Siyazan. It is located in the northern/eastern part of Azerbaijan. The overall area of the economic region is 7660 square kilometers accounting for 8.8% of the entire country. Economic region has a distinctive relief features. The territory of the region is divided into 4 sharply different from each other high-altitude zones (from 26 to 4466 meters) - the plain, foothill, middleland and highland zones. The climatic conditions of the region are diverse. Plain zone is characterized by the hot climate; mountain areas have cold and humid climatic conditions. Being one of the most important resort and sanatorium regions, Guba - Khachmaz economic region has natural and recreational resources. In Davachi region on the basis of mineral waters of Galaalty is situated a resort as well. Guba - Hachmaz economic region has a very favorable and profitable transport and geographic position. Railways, highways, main oil and gas pipelines, water supply, telecommunications lines passing through the territory of this economic region play an important role in transport and economic links of the country. Through this region also lie the communication lines connecting Azerbaijan with Russian Federation.

Karabakh region covers Upper Karabakh and Kelbajar - Lachin economic areas.

Upper Karabakh region covers Aghdam, Tartar, Khojavand, Khojaly, Shusha, Jabrail, Fizuli regions and the city of Khankendi.

Territory of the city of Khankendi and regions of Khojavand, Khojaly, Shusha, Jabrail of this economic region completely, and the territories of Agdam and Fizuli regions partially are under Armenian occupation. It is therefore planned in the framework of the State Program on the
economic region, the implementation of the program for the development of Terter region and the occupied territories of Agdam and Fizuli regions.

The main natural resources of the economic region of Upper Karabakh are poly-metals, ore (in deposits of Muhmane), oil, natural gas, various construction materials (marble, cement raw materials, building stone).

Kalbajar - Lachin economic region covers Kelbajar, Lachin, Zangilan and Gubadli region. The basis of the region's economy is agriculture and especially livestock. Beekeeping, horticulture, viticulture, the cultivation of tobacco and cereals are developed areas of agriculture.

Favorable conditions for agriculture are in the administrative districts of Zangilag, Gubadli. This is conducive to agro-climatic reserves. Industrial companies are based on the production of these commodities. In this economic region is produced meat, dairy products, as well as developed carpet weaving. On the territory of the economic region are reserves of gold, mercury, chromite, marble, building stone facing, perlite and other minerals.

Such mineral springs as Istisu, Minkend, and Tutgunchay, climate and balneal conditions, mountain forests can be used for the resort and recreational purposes.

Mountain Shirvan economic region, covering Agsu, Ismayilli, Gobustan and Shamakhi regions, is located in the central part of Azerbaijan, in Shirvan plain.

The relief of the economic region is divided into mountain and plain territory. The climate of this region is different, humid highland parts are moderate and cold climate. The total population of the area is 304.0 thousand people. The main wealth of this economic region is oil and natural gas. Mountainous area of the economic region is rich with mineral medicinal waters. Water sources that are rich with sulfur and hydrocarbonate are used for medical and drinking purposes.

Lands of Shirvan historically have been the center of excellence of weavers. Village of Lahych is popular with brassware and Basgal village is known among the people for its kelechai (head cover made of the finest silk). In the Shamakhi city also operate shops for the manufacture of silk scarves. For most villages carpet weaving is the main type of traditional craft.

Shirvan economic region has an extensive transport network system. Trunk railway Baku - Tbilisi allows to create economic relations with CIS countries. Railway is complemented by mail and local highways. In terms of tourism region has great potential. In addition, here operates Observatory of Pirgulu.

Covering the territory of Nakhchivan Autonomous Republic, Nakhchivan economic region apart from the main parts of Azerbaijan, is surrounded by Turkey, Iran and Armenia (enclave) territory. Currently, as a result of the aggressive policy of Armenia, Nakhchivan economic region, while in the besieged state, is in a very unfavorable economic and geographical position. Nakhchivan economic region consists of the city of Nakhchivan and administrative areas of Babek, Julfa, Ordubad, Sadarak, Shahbuz, and Sharur. Total area of economic region is 5.5 thousand square kilometers, accounting for 6% of the country's territory. Regarding the peculiarities of the relief, area consists of mountain range of Zangezur and Dereleyaz, and from the plains, stretching along the Araz River. 0.5% of the territory is covered in forests. The total population of the economic region is 439.8 thousand people.

In Nakhchivan economic region there are abundant natural reserves of molybdenum, polymetal ore, rock salt, dolomite, marble. At the same time, the region has more than 200 types of very valuable water sources, such as Badamli, Sirab, Vayhir, etc. Nakhchivan region has 60% of the reserves of mineral waters of the Azerbaijan Republic. There is unique salt cave-Duzdag, that is located at an altitude of 1173 meters. There is a physiotherapy center "Duzdag ". Currently there is no rail link between Nakhchivan region and other regions of the Republic of Azerbaijan. The
only way of communication is the airway and the road through the territory of Iran. Energy supply of the Nakhchivan Autonomous Republic is carried out with the help of Iran and Turkey. Nakhchivan, being one of the oldest cultural centers, has the broadest social and cultural infrastructure. There are many cultural centers, museums and historical monuments.

Regional tourism involves two interrelated aspects: geographical and socio-economic. The first reflects the spatial distribution of recreational resources, the volume of the recreational needs of the local population and their degree of satisfaction in a particular area, as well as opportunities to attract foreign tourist flows to the territory. The second shows the level of the recreational development of the territory, determines the place of the region in the domestic and international tourist markets, and socio-economic conditions that can stimulate or inhibit the development of tourism. The first approach gives an idea mainly on the potential of tourism development; the second is the result of tourism activities in the region, which allow entering a particular segment of the tourist market.


The uneven distribution of tourist flows and income from tourist activity by region and even certain areas of the regions of Azerbaijan is displayed Figure 4.2.

Cluster analysis of regions of Azerbaijan in the plane of the variables:

- Once capacity of hotels and hotel types of enterprises (bed places),
- Number of accommodated persons in hotels and hotel types of enterprises,

displaying elements of tourism infrastructure and tourist flows, revealed districts, which can be considered the most promising or most effective at this point in terms of tourism development. Such areas include three districts of Baku: Sabayel district, Yasamal district, Nasimi district; Nakhchivan city and Khachmz district of Guba-Khachmaz region. At the same time the last area is distinguished by the most developed hotel infrastructure's at a relatively low efficiency.

![Figure 4.3. The distribution of the regions of Azerbaijan according to elements of tourist infrastructure and tourist flows](image)


**Table 4.4**

<table>
<thead>
<tr>
<th>District</th>
<th>Total income of enterprises engaged in tourism activity</th>
<th>Income from tourism activity</th>
<th>Number of employees in tourism enterprises engaged in tourism activity</th>
<th>Total number of employees engaged in tourism enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yasamal</td>
<td>1640,0</td>
<td>1568,8</td>
<td>237</td>
<td>265</td>
</tr>
<tr>
<td>Nasimi</td>
<td>2695,7</td>
<td>1949,2</td>
<td>174</td>
<td>222</td>
</tr>
<tr>
<td>Sabayel</td>
<td>12115,0</td>
<td>10849,5</td>
<td>564</td>
<td>632</td>
</tr>
<tr>
<td>Nakhchivan city</td>
<td>6755,2</td>
<td>6755,2</td>
<td>77</td>
<td>77</td>
</tr>
</tbody>
</table>

Khachmaz district of Guba-Khachmaz region

On the territory of Khachmaz district there is the second (after the Absheron) in size and comfortable resort on the Caspian coast, which stretches across the seaside village from Mukhtadir to Nabran village and beyond. There are many hostels and guesthouses where you can spend a great time. Khachmaz not accidentally has become a center of tourism. More than 20 hectares of its territory is covered by forests, there are several rivers, three artificial lakes, lots of spring water sources, including thermal and mineral. Area is rich with its historical monuments. One of the ancient walled cities Khudat (“Gift of God”) in the beginning of XVIII century became the capital of Guba Khanate. Throughout the area are found traces of settlements of the Neolithic and Bronze Age, there remained more than 60 historical and cultural monuments, but archaeologists believe that there should be more as this region was densely populated since ancient times. Tourist infrastructure in the district is well-developed as well. Leisure and entertainment center Atlant, located in Nabran, in particular needs no introduction. Thanks to the democratic prices and an extensive entertainment program it is already popular. The complex has all the conditions for water entertainment (there are two complexes with swimming pools and water parks), board games, billiards, and tennis. In addition, there are several restaurants with national and European cuisine, including a buffet for 500 people, and the summer 2-storey restaurant for 240 people, a conference room, and Internet club for 20 people. On weekends guests are offered program with participation of stars. Young people can have fun in a night club for 120 people and a disco for 1000 people.

Another popular vacation spot in Nabran is Caspian Sea Resort. Guests are offered 26 standard rooms and 2 VIP villas, which offer a picturesque view of the sea. Rooms have comfortable interiors, decorated in a pleasing eye color palette. The hotel has a conference room with 60 seats, where special ceremonies and events can be carried out. Guests are also offered a variety of forms of entertainment (pool, playground, paintball, ATV). The hotel has a restaurant, pool bar, gym, table tennis, tennis courts, and football, volleyball and basketball fields.

Nakhchivan city

The most “recognizable” and well-known image of Nakhichevan was formed thanks to the places of pilgrimage tourism of three religions “Abrahamic line” - in the city is based the tomb of Prophet Noah, on the outskirts there is a cave Ashabi-Kahf, mentioned in one of the parables of the Qur'an, and many others. The region is located at the intersection of commercial communications; it is located on a strategically important border crossing geopolitical zones of influence of the Southern Caucasus and the Middle East. There are all necessary prerequisites for the establishment of international scientific and educational projects in Nakhchivan area. Capital of the authority is capable of hosting international conferences (IX Turkic summit was hosted there as well). The city gradually develops from the ordinary autonomous center to the place of the implementation of safe recreational projects and cross-border trade relations in the triangle of Turkey, Azerbaijan and Iran. “Nakhichevan crossroads” can become a place of establishment of the Armenian-Azerbaijani dialogue at the regional level. The potential influence of the regional autonomy in many respects is not yet implemented, but it has already been laid and begins to give the first individual results.

Baku

Trying to develop tourism as a whole, the Azerbaijani authorities focus on a few of its tracks, one of which is business tourism, which received a priority in Baku. As the largest city in the country (population is more than 2 million people) and one of the centers of oil production, Baku is already a long-time host for people coming on business trips. State Statistics Committee of Azerbaijan speculate that at least 80% of the tourists begin their acquaintance with Azerbaijan in Baku, and in the case of the business travel segment this figure approaches 100%. According to
experts, most of the guests of Baku from abroad come just for business purposes: about 46% of customers located in the city's hotels are business travelers; and in high-quality facilities this share may reach 90%. At the same time, official statistics estimate the share of business tourism in the total market to be only 30%.

Active development of Baku as a center of business and tourism of Azerbaijan confirm information of profile orientation events held in the city. Every year there are about 30 major international forums and conferences, partially financed from the budget, and approximately the same amount of the largest exhibitions in the Caucasus. If we consider that in addition to them large business events are organized by private businesses, the overall number of significant business events is no less than a hundred per year. The number of business meetings with 10-20 participants is unknown. However, their number is much higher: only Azerbaijani Export and Investment Promotion Fund (AZPROMO) annually organize about 200 events. Currently Baku with its well-developed transport and tourist infrastructure is not without reason called the main center of business tourism in the Caspian Sea region.

The huge differences in economic, natural, geographical, socio-demographic, political and other conditions in the regions of Azerbaijan preclude a unified approach to reform in the tourism business and require a flexible regional policy taking into account the characteristics of each region (Караев М.М., 2011).

It should be borne in mind that tourism, as a phenomenon of the national economy, can not be realized through the central structure, even the most democratic. It is by nature associated with particular resources, natural and geographical factors, and regional characteristics. It requires a wide and decentralized organization primarily on regional level (Квартальнов В. А., 2002).

4.3. Application of the hierarchy analysis process to evaluate the economic competitiveness of the tourist regions in Azerbaijan

Evaluation of Tourism Competitiveness in economic regions of Azerbaijan within TTCI index is difficult due to the lack of quantitative statistical indicators in certain regions. The best methodological approach in this situation is the hierarchy analysis method of T. Saaty. The convenience and versatility of this technique gives the possibility to mathematically evaluate qualitative expert estimates.

Hierarchy analysis method was developed by T. Saati to simulate multi-criteria decision making problems (Saaty T.L., 1980). The method idea consists of structuring the decision problem by building a multi-level hierarchy, which unites all components of interest problem: the purpose, criteria, alternatives, which are then compared to each other with the help of specially designed procedures. As a result, it becomes possible to obtain numerical estimates for interaction intensity of the hierarchy elements, which are estimated on the basis of an alternative.

The aim of the study was to assess the economic competitiveness of the tourist regions in Azerbaijan. Sub-indices of TTCI index are considered as a first level of criteria. The criteria for the second level – TTCI index components. Alternatives – economic regions of Azerbaijan.

The study involved five experts representing both the representatives of the tourist business, and representatives of the academic environment, who deal with the problem of tourism development.
Table 4.5

Characteristics of the experts involved in the study

<table>
<thead>
<tr>
<th>ID of expert</th>
<th>Name of expert</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expert 1</td>
<td>Huseyn Hasanov</td>
<td>Kempinski Hotel Badamdar, Sales Manager</td>
</tr>
<tr>
<td>Expert 2</td>
<td>Khayal Mammadov</td>
<td>Assistant Front Desk Manager , HILTON BAKU</td>
</tr>
<tr>
<td>Expert 3</td>
<td>Group of researchers</td>
<td>Academy of Public Administration under the President of Azerbaijan Republic</td>
</tr>
<tr>
<td>Expert 4</td>
<td>Assoc. prof. Dr. Shalala Mammadova</td>
<td>Chair Department of Research and Development Azerbaijan University of Tourism and Management</td>
</tr>
<tr>
<td>Expert 5</td>
<td>Faina Gachabayova</td>
<td>International Relations Department specialist, Azerbaijan Tourism and Management University</td>
</tr>
</tbody>
</table>

Imposition of expert opinions on each level of the hierarchy was produced by the method of paired comparisons: the criteria were compared in pairs with respect to the objectives, the alternatives – in pairs with respect to each of the criteria. Comparison was made with the use of relative importance of scale (Saaty scale). General quantitative evaluation of each indicator was calculated by a geometric mean. The weight of each individual object in the hierarchy is determined by assessing the corresponding element of the eigenvector matrix of priorities, normalized to the weight influence of category.

The consistency ratio over all the filled matrices of paired comparisons for selected experts is not more than 10%, indicating that the acceptability of the results.

Figure 4.4. The evaluation results of experts for Tourism Competitiveness sub-indices (criteria of the first level)

Source: developed by the author based on hierarchy analysis

Experts estimate the parameters of increasing the competitiveness of the tourism with the highest priority are Infrastructure and Business environment. Such parameter as a Natural and cultural resources all the experts have noted as the least important.
Figure 4.5. The expert evaluation results on the competitiveness of the tourism components (second-level criteria, taking into account the weight coefficients of the first level criteria)

Source: developed by the author based on hierarchy analysis

Such components as Tourist service infrastructure, Air transport infrastructure, Ground and port infrastructure (Expert 1, Expert 3, and Expert 4), Business environment, Prioritization of T & T (Expert 5), International Openness (Expert 4) were allocated among the components of the tourism competitiveness as a relatively more significant.

Figure 4.6. The results of expert evaluation for the competitive advantages of economic regions in Azerbaijan on estimated parameters of tourism competitiveness
The resulting estimates of alternatives allowed to identify the most competitive regions of Azerbaijan in terms of tourism. According to experts the highest level of competitiveness of tourism is observed in Absheron region. This level is provided by components such as the Business environment, Safety and security, Tourist service infrastructure, Human resources and labor market. Next on the level of the tourist district competitiveness after Absheron is Nakhichevan. This region is characterized by a relatively high level of Business environment. The lowest level of competitiveness is observed in such areas as the Upper Karabakh and Kelbajar-Lachin.

4.4. Assessment of the prospects of the development of alternative forms of tourism in the regions of Azerbaijan

Analysis of the tourism resources of Azerbaijan, provided above, has helped to identify a large cultural, historical and natural tourism potential of the country. With the correct formulation of marketing activities, as well as the improvement and development of tourist infrastructure, including the formation of objects of tourist show on the basis of the restoration and development of historic centers, drawing up new routes, targeting different interests of tourists, the number of foreign tourists arriving in the country, can grow significantly.

Innovative receptiveness of the tourist market has led to the development in many regions of such forms of tourism as environmental, extreme, agrotourism, farm, nostalgic, folklore, ethnographic and others. Experts have called this trend an alternative tourism (Cazes G. H, 1989). Taking into account the different approaches to the definition of alternative tourism (AT), it is possible to determine the basic features of this concept:

- It is an opportunity to discover and adopt new solutions in the development of tourism, which differ from those of mass tourism standards;
- AT is seen as opposed to the modern destructive nature of mass tourism;
- AT involves the development of new tourism destinations associated with close contact with the local population and promotes respect for their culture, religion, customs and traditions. This concept involves the adequate participation of local people in generating income from tourism;
- AT can be quickly developed, as it uses public transportation and simple living conditions; quality of service and prices are usually much lower than in conventional tourism, a major role is also played by self-service;
- AT usually does not aim to develop the tourist attractiveness, it is important for the tourism development in peripheral areas (with basic infrastructure, as well as in unsuitable areas with a low price level proposals);
- the main purpose of the AT is the creation of conditions appropriate for environmental and humane principle of the use of recreational resources.

In transition economies AT is the most important factor in the development of domestic tourism and the promotion of international tourism.

**Ecological tourism**

Eco-tourism in Azerbaijan is planned to be developed in the national parks, which in 2016 were already seven. In the Ministry of Environment works department that deals with hiking trails in the national parks. At the same time, Azerbaijan is rapidly developing agrotourism as part of ecotourism. Travel agencies reveal those willing to provide accommodation for tourists in the
countryside. The hosts study training course, during which they are explained how to welcome guests the best. It also provides services for the equestrian, hiking tours. If we measure on a larger scale, state program on development of tourism in Azerbaijan as a whole is prepared, and there are items related to ecotourism. The program covers the period up to 2015. Its implementation and will solve all the existing problems.

One of the problems standing in the way of development of this type of tourism is in compliance with the balance of economic interest in the development of eco-tourism and conservation of the original form of undisturbed natural areas of ecological purity. Thus, a balance of interests should be ensured: environmental - protection of natural values from the uncontrolled flow of tourists; economic - getting funding from tourists visiting natural areas; social - the inculcation of love for nature and enabling people to full spiritual and physical recreation in communion with it.

**Ethnic tourism**

Ethnic tourism is a journey of citizens from one country to another for the purpose of visiting relatives and friends. Motive is feelings of attachment to historical roots, family, relatives. So far, in the five continents about 10 million Azerbaijanis live in the status of migrants. Among them there are people who are actively involved in social and political life not only of the country in which they live, but also Azerbaijan. The arrival of compatriots in the country is of great importance for the development of ethnic tourism.

**Summary**

- A set of measures that allowed putting into practice the benefits inherent in the favorable development of tourism factors outlined above in Azerbaijan, as well as to obtain the maximum benefit from their practical use can be offered on the basis of SWOT- analysis for the tourism industry in Azerbaijan.

- Cluster analysis of Azerbaijan regions in the plane of the variables: Once capacity of hotels and hotel types of enterprises (bed places), Number of accommodated persons in hotels and hotel types of enterprises, reflecting the elements of tourism infrastructure and tourist flows, revealed regions, which can be considered most promising and most effective in terms of tourism development at the moment.

- The differences in the development of tourism into inner regions of the Republic of Azerbaijan allows to refine the national strategy for tourism development based on the peculiarities of each domestic region.
CONCLUSION

In accordance with the purpose and tasks of the dissertation, the author has fulfilled the following:

- Explore the theoretical and methodological framework for the analysis of regional tourism: identify factors that influence the development of regional tourism in the global and local context; consider the characteristics of statistical accounting in the tourism industry, to analyze methods of regional tourism studies.
- To develop a methodology that allows to allocate tourism competitiveness factors and form a homogeneous clusters in space tourism competitiveness factors on the basis of standardized TTCI indicators. With the help the methodology and M. Porter factors of competitiveness, TTCI components and developed standardized indicators included in them to analyze the competitiveness of Azerbaijani tourism.
- Compare the effectiveness of tourism potential use in the clusters allocated on the basis of competitiveness. To analyze the direct and indirect impact of tourism on the economy of the Republic of Azerbaijan, to evaluate the multiplier effect of tourism with the SWOT analysis.
- To analyze the development of tourism in the inner regions of the Republic of Azerbaijan on the basis of the statistics of the State Statistics committee of the Republic of Azerbaijan. To develop recommendations for the development of regional tourism in Azerbaijan, on the basis of the SWOT-analysis.

It led to the following conclusions:

- Concepts, related to regional tourism, tourist attraction and tourist potential, are poorly standardized, making it necessary to introduce definitions and providing an opportunity to consider regional tourism in Azerbaijan, both in the global and the local context. At the same time, the concept of regional tourism is directly linked with the concept of economic region, which acts as either Azerbaijan as a whole, or economic regions within it.
- Research methods for regional tourism is both qualitative and quantitative. The most effective is the use of modern quantitative methods such as factor analysis, cluster analysis, decision trees, followed by a qualitative interpretation of the results.
- Statistical data on tourism, despite the problems associated with the reliability, completeness and comparability of data, allowed to build a large database that can be used as secondary data in empirical studies.
- Factors, affecting the development of regional tourism, are numerous, varied, have different weights and was subjected to different classifications. The author considers all the factors discussed in the chapter are either global or local in nature, or act on two levels (global and local), so the study of the impact of regional tourism factors was analyzed at both levels. In the study of tourism on a global basis a classification of TTCI indicators was used for the base, but for the study of tourism in the local context, in its turn, a classification of statistics and indicators of State committee of the Republic of Azerbaijan were used.
- TTCI index data was used not only for the analysis of the tourism industry on the basis of rating indicators, but also as secondary data for the formation of an empirical survey of copyright framework.
As a result of the factor analysis application to TTCI components of 14-dimensional quadric forms in dimension of competitiveness was reduced to two factors: Enabling environment and Natural and cultural resources.

A two-step cluster analysis in the space of these factors allowed to group 75 countries selected for analysis in three homogeneous cluster. The comparative analysis of these clusters using TTCI indicators allowed to describe the model of competitiveness formation in the tourism sector.

A proposed research methodology, based on reducing the dimension of the competitiveness components and the formation of homogeneous clusters in the particular space allowed to emphasize the non-linear, multi-dimensional nature of the phenomenon.

The idea of calculating Porter factors on the basis of TTCI indicators allowed to analyze the competitiveness of the tourism industry through the use of Porter's clusters to TTCI components. The relationship between the Porter factors and indicators of TTCI competitiveness is established.

Application of techniques, developed for the analysis of Azerbaijan's tourism industry, allowed to determine the position of a country in the space of competitiveness components, relate it to one of the clusters, make a detailed comparative analysis and provide recommendations to improve the competitiveness of tourism in Azerbaijan.

Assessment of the effectiveness in the tourism industry was performed by calculating the contribution of tourism to the balance of payments, contribution to GDP, employment, and contribution to the analysis of the tourist multiplier.

The relationship between the competitiveness of the tourism industry and its effectiveness was analyzed by comparing the performance of indicators in the clusters identified in the space of competitiveness components.

Effectiveness analysis of the tourism industry in Azerbaijan is important not only in terms of absolute figures, but also in terms of the efficient use of the country's tourism potential.

The impact of tourism on the economy was estimated to increase employment and contribution to the national income.

A set of measures that allowed putting into practice the benefits inherent in the favorable development of tourism factors outlined above in Azerbaijan, as well as to obtain the maximum benefit from their practical use can be offered on the basis of SWOT- analysis for the tourism industry in Azerbaijan.

Cluster analysis of Azerbaijan regions in the plane of the variables: Once capacity of hotels and hotel types of enterprises (bed places), Number of accommodated persons in hotels and hotel types of enterprises, reflecting the elements of tourism infrastructure and tourist flows, revealed regions, which can be considered most promising and most effective in terms of tourism development at the moment.

The differences in the development of tourism into inner regions of the Republic of Azerbaijan allows to refine the national strategy for tourism development based on the peculiarities of each domestic region.
PROBLEMS AND PROPOSALS FOR THEIR SOLUTION

Problem 1:
A set of indicators that is reflected in the tourism statistics of the Republic of Azerbaijan and its regions significantly differ from international statistics (TTCI), which greatly complicates the application of author approaches to the analysis of the competitiveness to the regions of Azerbaijan.

Proposals for solution:
State Committee on Statistics should harmonize, i.e. bring into line tourism statistics of the Republic of Azerbaijan with international standards.

Problem 2:
The uneven development of the tourism industry in the regions of Azerbaijan.

Proposals for solution:
Ministry of Culture and Tourism of the Republic of Azerbaijan, basing on the characteristics and the tourism potential of each region, should develop a program of development of tourism for each region to clarify the country's tourism development strategy.

Problem 3:
Assessing the competitiveness of the tourism industry in Azerbaijan, researchers and practitioners prefer the study of competitiveness in the local context. Western researchers mostly examine the competitiveness of regions in a global context, ignoring local features.

Proposals for solution:
Assessing competitiveness of tourism in Azerbaijan, researchers, practitioners and analysts need to provide research of competitiveness both in the local and global level.

Problem 4:
Despite of high potential and possibilities of tourism development in Azerbaijan and its regions low efficiency of the use for this potential can be identified.

Proposals for solution:
The responsible authorities and the entities implementing the activity tourism on the basis of this study (Development of Regional Tourism in Azerbaijan) should develop measures to improve the effectiveness of regional tourism in the local and in global context.


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