

SUSTAINABLE DEVELOPMENT OF TOURISM POTENTIAL AS THE MAIN FACTOR OF ECONOMIC POLICY

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ABSTRACT: *Sustainable formation and development of tourism and digital modification of this sector are important tasks facing the state. In developing and solving such problems, coordination, government efforts, and close partnership with the private sector are not just necessary but crucial. The productivity of local tourism destinations is an important factor in the state's economic policy. The growth of the travel and tourism industry is reflected in the increase in population demand for a broader range of goods and services than ever before, stimulating the manufacturing and service sectors and contributing to the growth of economic activity and consumption. This factor in the tourism sector, caused by the seasonal mass movement of tourists to specific tourist destinations and the increase in the number of tourists, supports the comprehensive economic development of the country's tourist destinations. The growing demand for tourism services is accompanied by the gradual formation of a distinct offer of tourism services, the number and structure of which require constant improvement of the relevant organizational and economic programs and organizations capable of orienting the services offered to tourists. One of the main negative factors that has significantly impacted the global travel industry was uncertainty caused by the coronavirus. Cross-border tourism has declined sharply as countries have imposed strict travel bans to limit the spread of the disease. The stagnation of global public life has affected the tourism industry and visits to restaurants, theater performances, and events.*

KEYWORDS: *sustainable tourism development, COVID-19 pandemic, government policies, tourism entrepreneurship.*

INTRODUCTION

The coronavirus outbreak has disrupted economic activity worldwide and damaged tourism in many parts of the world. To restore the global economy, it was necessary to agree on global policies to increase travelers and ensure economic and environmental stability. This underscores the urgent need for global cooperation in the recovery process. The COVID-19 pandemic itself was devastating in terms of human losses. The pandemic also had a physical and emotional impact on many people worldwide, forcing them to live in isolation from society. At the same time, governments in developed countries were forced to bear the financial costs

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of preparing for the pandemic and assisting businesses and citizens. In 2020, the travel and tourism industry were affected by the coronavirus epidemic. Many parts of the world have imposed travel bans and restrictions to control the rapid spread of the disease, which in turn has had a sharp negative impact on business relationships in many countries, including the tourism industry. Thus, it should be noted that in the first five months of 2020, there was a significant decrease in the number of travelers from all over the world compared to the same period in 2019. It should be noted that from January to May 2020, the number of tourist arrivals worldwide decreased to 300 million compared to 2019. Economic losses in international tourism revenues reached US\$320 billion. The global financial and health crisis has caused unprecedented disruptions to the economies of the world's leading countries.

Tourism can positively and negatively impact society (Mtapuri et al., 2023). The limitations and gaps in tourism research are systematized in a review study published in 2023 (Khizar et al., 2023). L. Alves sees community-based tourism as a means to achieve the Sustainable Development Goals set out in the United Nations 2030 Agenda (Alves et al., 2024). In his research, V. Vrana noted the need to identify tourism's shortcomings and take measures to reduce them (Vrana, 2023). S. Han, H. Ramkissoon, E. You, and M. Kim believe that to ensure sustainable tourism development, it is necessary to consider the impact of tourism on all aspects of residents' lives, both tangible and intangible, and to focus on ensuring long-term benefits (Han et al., 2023).

METHODOLOGY

Sustainable formation and development of tourism, digital modification of this industry are important tasks facing the state. In developing and solving such problems, coordination, government efforts and close partnership with the private sector are necessary. The productivity of local tourism destinations is an important factor in the state's economic policy. The growing demand for tourism services is accompanied by the gradual formation of a clearly defined offer of tourism services, the number and structure of which require constant improvement of the relevant organizational and economic programs and organizations capable of orienting the services offered to tourists. In the post-pandemic period in Azerbaijan, the tourism sector is seen as a way to further develop the country's non-oil sector. Thus, given the rise in oil prices and the need to generate additional income by attracting more tourists to our country, the state strategy for tourism development has become a priority. The main methods used in this study are statistical analysis methods. Data banks, which are publicly available on the websites of the

National Bureau of Statistics of the Republic of Moldova and the State Statistics Committee of the Republic of Azerbaijan, were used to identify trends in tourism development. To better assess the scale of the impact of COVID-19 on the tourism sector, the dynamics of the main indicators characterizing tourism activity for 2010-2022 were analyzed. The subject of the study is tourism in Azerbaijan and Moldova. The choice fell on these countries, since there are common characteristics between them. Firstly, in both countries, agriculture is one of the leading industries, which is very relevant today, from the point of view of the development of rural tourism. Secondly, wine tourism is currently developing in Azerbaijan and Moldova.

Traveling helps tourists see not only the world around them. Traveling is a great opportunity to change their usual environment. You don't need to take a vacation or wait for one. You can go to a neighboring city or region for the weekend or walk along a locally known route, and this will also be a trip. It is not enough for a real traveler to just see something with his own eyes, it is also important for him to feel the atmosphere, the energy of the place and immerse himself in the local flavor. In this context, it is important to work among the local population to popularize rural tourism. Various forms of attraction are possible here, from television to billboards on city streets.

RESULTS AND DISCUSSION

The share of tourism in Azerbaijan's GDP by the end of 2022 was 1.6%, while in 2019 it was 2.4%. In this regard, studying tourism's role in Azerbaijan's modern economy is vital. The increase in health-related travel has led to the growth of the hotel market. Another industry that has benefited from tourism is air travel. With the digitalization of the travel industry, many travelers now use the services of online travel agencies to book their trips. The leaders in the online travel market are Booking Group and Expedia Group. These two companies occupy first and second place with revenues of USD 6.8 billion and USD 5.2 billion, respectively 2020.

In 2022, the number of tourists and participants in tourism organized by travel agencies and tour operators from Moldova recorded 477.2 thousand people, 48.7% more than in 2021. The largest share is for outbound and domestic tourism (68.0% and 25.9%) (Figure 1); the lowest share is inbound tourism - 6.1% (Tourism, 2023). The dynamics of this type of tourism are reflected in Figure 2.

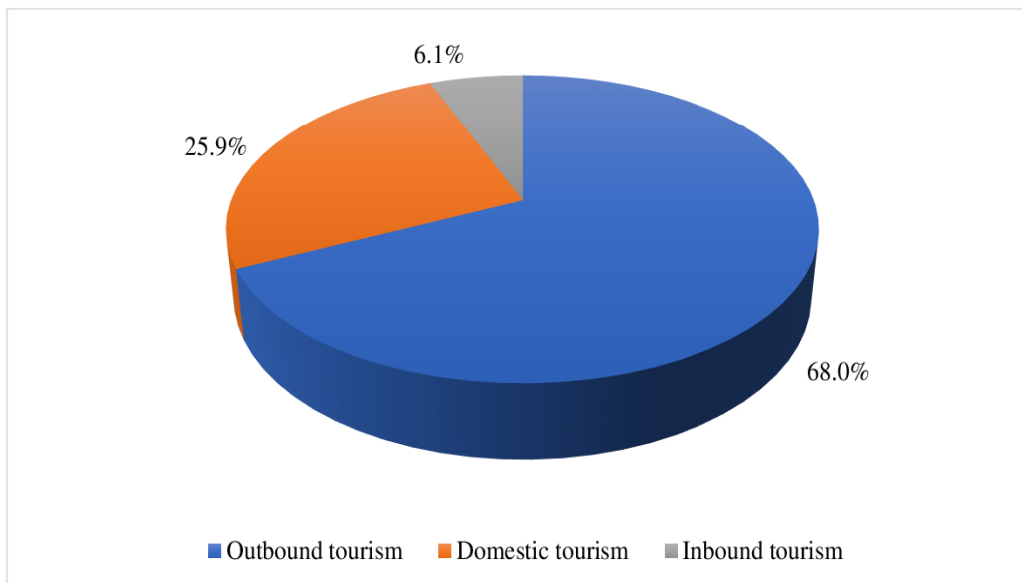


Fig. 1. Tourism structure (number of tourists) by types of tourism in Moldova, 2022 (%)

Source: Elaborated using data (Tourism, 2023)

According to the State Statistics Committee data, inbound tourism accounted for 53.5% of Azerbaijan's total in 2022, while domestic tourism accounted for 46.5%, which is 7% less than in 2021 (Samadov (www.anarsamadov.net), n.d.). This is evidence that the tourism sector tends to increase inbound tourism.

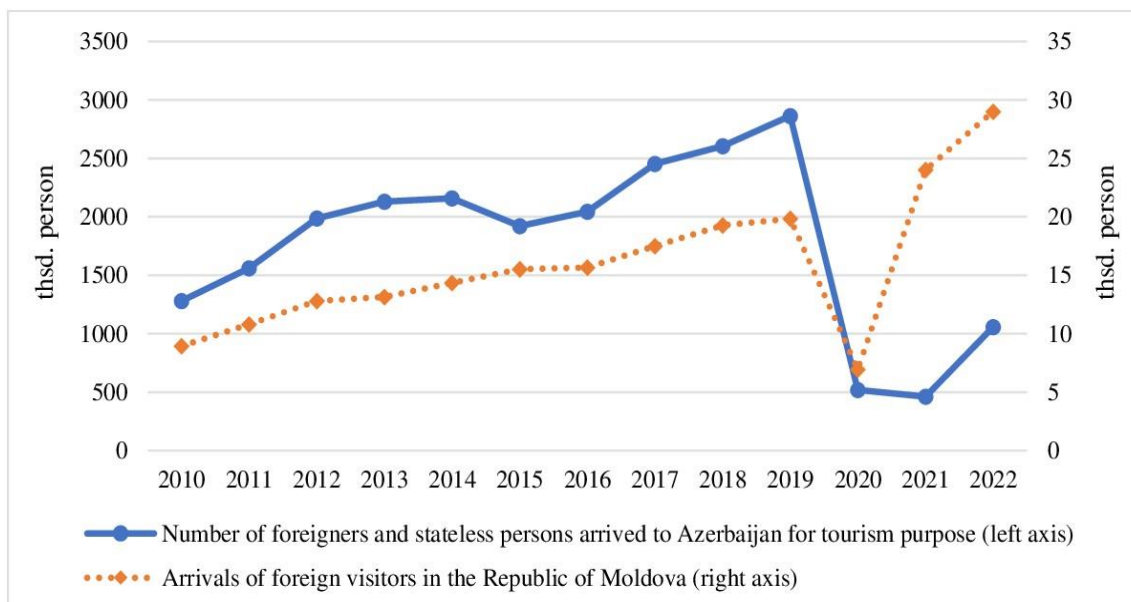


Figure 2. Arrivals of foreign visitors in Azerbaijan and Moldova

Source: Elaborated using data (Tourism, 2023) and (Samadov (www.anarsamadov.net), n.d.)

The data in Figure 2 shows that the pandemic has sharply reduced the number of tourists visiting both countries. The 2022 data is more than the 2020-2021 data, but for Azerbaijan, it is less than the 2010-2019 data. To achieve sustainable tourism, management, marketing, promotion, product development, and capacity building must be fully integrated with ethical and responsible approaches and must meet the requirements of the current global situation.

The legal framework for the tourism sector in Azerbaijan was formed on June 27, 1999, when the Law “On Tourism” was adopted. This law defined the foundations of state policy and aimed at defining the principles of using tourism resources to ensure the effective socio-economic development of the Republic of Azerbaijan. Based on this and considering the country's great potential, many local and international companies and organizations have focused on new projects and programs to promote Azerbaijan as a tourism brand.

In 2001, Azerbaijan was admitted to the membership (UN-WTO), which was the first stage of Azerbaijan's entry into the world tourism arena. Membership in the UN WTO has been important for promoting Azerbaijan as a major tourist destination. In 2002, with the participation of international tourism companies and the support of the UN WTO, the first international tourism exhibition called “Azerbaijan International Travel and Tourism Fair” (AITF) was organized, becoming the region's most prominent tourism exhibition. In light of the AITF, industry professionals participate in this event every year and find new partners and clients.

To activate the process of developing the tourism sector in the formalization of state budgets and stabilization of the trade balance for 2010-2014, a new State Program was developed and adopted in Azerbaijan. According to the state strategy, the volume of investments in the tourism industry has increased significantly; in 2014, the increase was 38%. Accordingly, the number of tourists has increased. According to the State Statistics Committee, tourist flows to the country expanded rapidly. In 2018, 2.605 million foreign tourists visited Azerbaijan, 23% more than in 2016. Increasing the flow of tourists, indicating the activation of this sector, simultaneously brought to the fore the problems associated with the proper organization and management of tourism infrastructure. To adequately receive many tourists, the country's government reformed the Ministry of Culture and Tourism and created the State Tourism Agency. These measures were necessary legislative and executive steps to change Azerbaijan's tourism policy. The state program served as the basis for implementing the new state policy in the field of tourism.

In 30 years, the Moldovan tourism industry has gone from an undervalued activity to an effective sector promoting Moldovan culture. The Government of the Republic of Moldova has approved the National Tourism Development Program “Tourism 2026” for 2022-2026 (Particip.gov.md, 2022), which aims *to develop the tourism sector as competitive, sustainable, and resilient* to challenges caused by external factors.

As a result of promoting the State Complex Program on Tourism, 2011 was declared the “Year of Tourism.” Major international events were held, particularly the 10th Azerbaijan International Tourism and Travel Exhibition (AITF-2011) and the Eurovision Song Contest. These events increased the number of tourists.

On September 10, 2015, the Decree of the Closed Joint-Stock Company “Shahdag Tourism Center” was issued in Azerbaijan. Shahdag is a mountain of 4243 m in the northeast of Azerbaijan in the Guba-Gusar region. It is located in the Greater Caucasus in Azerbaijan next to the Shahdag National Park, which has excellent natural conditions for winter tourism. After the decree, new infrastructure was built in the region - 3 tourist hotels with a capacity of 500 people, seven cableways with more than 6,000 m length, and 11 ski areas with a length of 13,000 m of tracks. On November 29, 2016, the “ASAN Visa” system was approved, so foreigners could obtain an electronic visa by entering their data in the electronic application form posted in this system. This system is a fundamentally new introduction to tourism policy.

Developing the “ASAN Visa” system has become one of the most significant steps in developing Azerbaijan's tourism policy. Such simplification of the visa regime has caused an increase in the number of tourists from this region. In addition, tourists from Moldova, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkey, and Uzbekistan could visit Azerbaijan without a visa for up to 90 days. Applying the visa regime to many countries limits the flow of tourists from various destinations.

On September 21, 2018, the “Decree of the President of the Republic of Azerbaijan on ensuring the activities of the State Tourism Agency of the Republic of Azerbaijan” was issued. This agency is responsible for measures on administration and management in the field of tourism. The main areas of activity of the agency are participation in the formation of state policy in the relevant area, ensuring the implementation of this policy, and preparing targeted programs for developing inbound and domestic tourism in the Republic of Azerbaijan. This agency's essential task is to take appropriate measures to attract investment in the country's tourism infrastructure and industry.

As we can see, the income of Azerbaijani tour operators in 2022 compared to 2020 increased by 3.3 times, which is evidence that the income in 2022 is 10 million manat less than in 2019 (Figure 3). It should be emphasized that the capital, Baku, ranks first among all the regions of the country's tourism sector. It leads to the number of hotels and their capacity. Being the most developed economic region, the capital factor and its location on all major transport routes of the country make Baku, in terms of tourism infrastructure, the most developed region of Azerbaijan. In 2018, 955,105 tourists were accommodated in Baku hotels, which is 77% of the total number of tourists accommodated in hotels throughout Azerbaijan, indicating insufficient use of regional infrastructure.

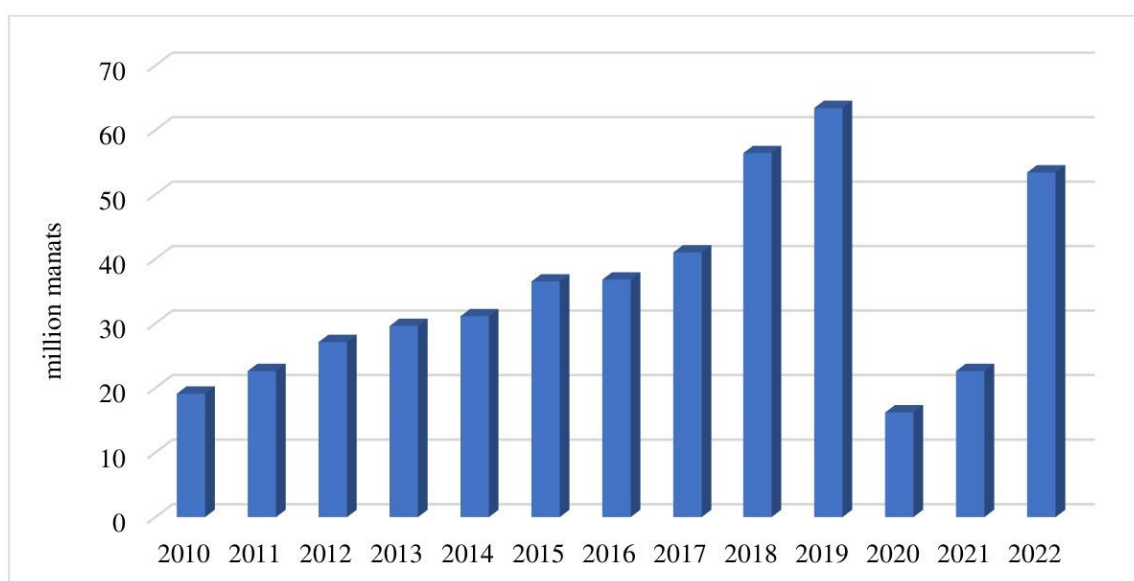


Fig. 3. Gross income of travel agencies and tour operators in Azerbaijan, million manat

Source: Elaborated using data (Samadov (www.anarsamadov.net), n.d.)

As a result, tourists mainly visit Baku and stay there, which also has a negative factor because the city itself suffers from “over-tourism.” In recent years, domestic tourism has begun to develop actively. Due to the coronavirus epidemic, domestic tourism in Azerbaijan decreased by 2.5 times in the first half of 2020 compared to the same period in 2019. The number of domestic tourists who traveled in January-June 2020 decreased significantly and amounted to 841.1 thousand people; in 2019, the figure was 2 million 97 thousand people. Such a significant decrease in domestic tourism was due to the coronavirus pandemic and restrictions on movement in the country's regions. During the same period of 2020, tourist spending decreased by 2.7 times - to 532.8 million manats. The bulk of expenses (25.2%) were spent on purchasing various goods – 134 million manats (a 2.8-fold decline), transportation costs – 100 million

manats (a 2.6-fold decline), and food – 108.7 million (a 2.6-fold decline).

The dynamics of hotel revenues show that the peak was in 2019, while the pandemic has sharply reduced the profitability of the tourism sector in both Azerbaijan and Moldova. A comparative analysis of 2022 compared to 2020 shows that hotel revenues have increased by three times in Azerbaijan, but at the same time, they have not reached the peak of 2019. We can also observe an increase in the length of stay of tourists, which is also a positive trend for the subsequent prosperity of tourism in our countries.

Until 2019, the number of hotel nights in Azerbaijan and Moldova had been trending upward (Figure 4). In 2020, however, due to the COVID-19 pandemic, the given indicator decreased considerably in both countries. In 2022, Moldova restored the level before the pandemic, but Azerbaijan still did not reach the level of 2019.

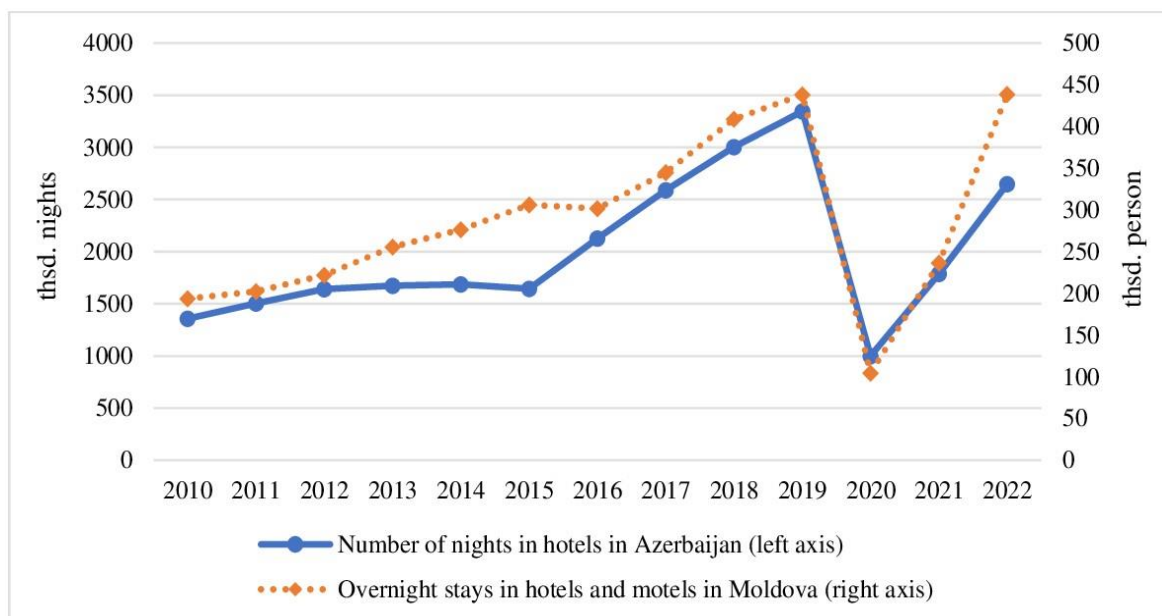


Figure 4. Number of nights in hotels in Azerbaijan and Moldova

Source: Elaborated using data (Tourism, 2023) and (Samadov (www.anarsamadov.net), n.d.)

Wine tours are popular in both Azerbaijan and Moldova. The best gastronomic and wine tours in Azerbaijan are Yasıl Bazar Green Market, Yasıl Bazar Green Market, Vedra Bazaar, Vedra Bazaar, etc. The most popular in Moldova are underground wineries “Cricova” and “Milestii Mici.” In 2005, “Milestii Mici” was registered in the Guinness Book of Records, which has the world's most extensive collection of wines, approx. 1.5 million wine bottles (Guinness World Records, 2005). In the fall of 2024, the Republic of Moldova will host 22 member states of the “ITER VITIS” Federation and representatives of the Council of Europe.

On October 17-19, 2024, the General Assembly of "ITER VITIS - Les Chemins de la vigne," which integrates the wine heritage of the member countries, will take place in Moldova.

The type of tourism that has not yet been developed in Moldova is medical tourism (Gutium and Gojaeva, 2023), although the healing properties of grapes and honey have been known since ancient times.

An analysis of the situation in the tourism sector in Azerbaijan shows that the shortcomings in the existing strategies and developments are:

- Concentration on tourist structures, mainly in Baku.
- Low quality of services and infrastructure.
- Deficit of tourism infrastructure in the regions of the country.
- High prices for air tickets.
- Lack of differentiation and a structured system for classifying hotels.
- Visa regimes to many countries.

Azerbaijan's participation in many mega-projects, in addition to great opportunities in trade and transport, will increase the influx of tourists into the country, attract investment in the tourism industry, and promote the development of tourism entrepreneurship.

Disadvantages faced by tourism in Moldova:

- Insufficiently developed infrastructure.
- Restricted air messages. Although many tourists say Chisinau airport is very cozy and beautiful, there are few direct flights to other countries.
- Compared to countries where tourism is developed, Moldova has a low-quality service.
- Limited range of entertainment for active recreation.
- Political instability in the neighborhood with countries where military actions are introduced.

For the stable development of tourism in Moldova and Azerbaijan, the following strategic steps must be taken:

- The development of infrastructure starts with the rural environment.
- In the era of digitization, tourism needs digitalization.
- Invest in the tourism sector.
- Further development of domestic tourism.
- Improvement of service quality.
- Promotion of the country at the international level.

But still, despite this, speaking about the great tourist potential of Azerbaijan and Moldova, it is important to note that there are many ways to achieve this goal. It is necessary to find non-standard approaches to attracting tourists. It would be great if, following this logic, the regions that we know as the most attractive for tourists developed "their own brand", by which they would be recognized outside the country. As examples, the regions of Azerbaijan that are attractive for their specificity. For example, the tradition of holding regional events, such as the Pomegranate Festival in Goychay, the Apple Festival in Guba, the Jam Festival in Gabala, etc.

CONCLUSIONS

The pandemic has impacted tourism internationally, forcing policymakers to rethink innovation in sustainable development strategies. The pandemic has damaged stock markets and fueled inflation. It has also impacted social assistance programs. Scholars involved in travel and tourism research typically focus on the influence of perceived socio-economic and cultural factors and their impact on the population of a destination. The coronavirus outbreak has impacted tourism and travel, leading to a decline in global travel in mid-March 2020. The coronavirus epidemic has made travel and tourism one of the hardest-hit sectors worldwide, with countries suspending all domestic and international flights. Travel bans existed in almost all countries, and tourist destinations worldwide were closed. Many airlines almost went bankrupt due to flight cancellations. Shipping was severely affected worldwide, and rail services to most destinations were also suspended. Thus, amid fears about the disease, an unimaginable threat has emerged for the tourism industry worldwide. The outbreak has resulted in the tourism industry losing revenue. This has sent shock waves through the entire global economy.

In addition, an intensive short-term increase in the number of tourists can lead to high tourism density and may exceed this sector's capacity. Rapid tourism growth can have a negative impact on tourist destinations, complicate the lives of citizens, and reduce the quality of visitors' experiences.

Azerbaijan and Moldova are rich in nature, flora and fauna, ancient architecture, unique national culture, national cuisine, ancient monuments. Therefore, tourism is a source of both direct and indirect state income, stimulates the development of various industries not directly related to tourism infrastructure, but due to the multiplier effect.

Thus, the legislative framework and the measures taken at the present stage create favorable conditions for the development of tourism in Azerbaijan and Moldova. This sector is becoming an important factor contributing to the creation of additional jobs, accelerated development of road and hotel construction, stimulation of the production of all types of vehicles and the promotion of the national culture of the country.

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