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## **TOURISM ASSETS AND THE MAIN STEPS FOR INCREASING TOURISM COMPETITIVENESS IN THE RA**

*Nowadays tourism is developing rapidly worldwide. Tourism is announced as the main sector of economy in the Republic of Armenia. The number of tourists has increased in the recent years. More than one million tourists visited Armenia in 2014. This article discusses the current statistics of the tourism sphere in the RA and Armenia's tourism competitiveness index. Tourism multiplier analysis has been carried out. The main types of tourism which may be developed based on the existing assets are discussed in the given article. As a conclusion some suggestions have been made to increase tourism competitiveness and to advance tourism industry in Armenia.*

**Key words:** *tourism, competitiveness, multiplier effect, types of tourism.*

I31, L11, L83, L89

### **1. INTRODUCTION**

Tourism is a global phenomenon which develops very fast and year by year involves more and more people. It is considered to be one of the largest industries all over the world. International tourist arrivals reached 1,133 million in 2014, a 4.3% increase over the previous year. In 2014 travel for holidays, recreation and other forms of leisure accounted for just over half of all international tourist arrivals (53%). Some 14% of international tourists reported travelling for business and professional purposes and another 27% travelled for other reasons such as visiting friends and relatives (VFR), religious reasons and pilgrimages, health treatment, etc. The purpose of the visit for the remaining 6% of arrivals was not specified<sup>1</sup>.

The total contribution of Travel & Tourism to GDP was USD 7,580.9bn (9.8% of GDP) in 2014, and is forecast to rise by 3.8% p.a. to USD 11,381.9bn

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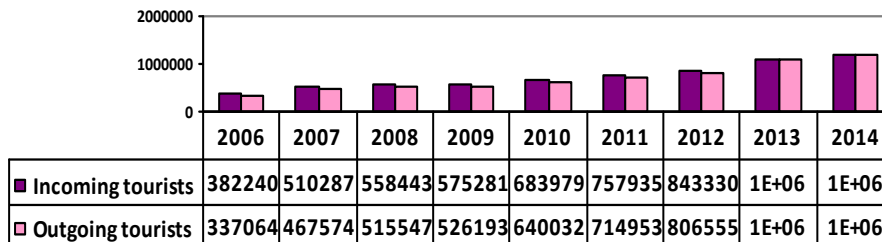
<sup>1</sup> UNWTO Tourism Highlights 2015 Edition, pp. 3, 5. <http://www.e-unwto.org/doi/pdf/10.18111/9789284416899>

(10.5% of GDP) by 2025. In 2014, the total contribution of Travel & Tourism to employment was 9.4% of full employment including jobs (276,845,000) indirectly supported by the industry. This is expected to rise by 2.3% p.a. to 356,911,000 jobs by 2025 (10.7% of total)<sup>2</sup>.

## 2. TOURISM SPHERE IN THE REPUBLIC OF ARMENIA

According to the law of the Republic of Armenia “About tourism and tourist activities” tourism comprises the activities performed by citizens, travelling in the informative, recovery, sports, religious, professional, business, leisure and other purposes, from the place (country) of permanent residence to another place (country) mostly for the term up to one year without interruption<sup>3</sup>.

In Armenia tourism was announced as the main sector of economy. In recent years the number of tourists has increased. In 2014 1,203,746 tourists visited Armenia and in 2013 only 1,085,985 tourists did<sup>4</sup>. The increase in the number of tourists is shown in the figure below.



**Figure 1. Incoming and outgoing tourists of the Republic of Armenia, 2006-2014<sup>5</sup>**

The number of hotel facilities was 268 in the RA in 2014, which included hotels, hostels, resorts, rest houses, etc. Their accommodation capacity was counted 14,395 places<sup>6</sup>. Here are some data of Armenia's tourism sphere analysis.

Index	US \$mn	% of total
Travel & Tourism (T&T) direct contribution to GDP	396.6	3.6
T&T total contribution to GDP	1406.5	12.7
T&T direct contribution to employment (1000 jobs)	37.1	3.1
T&T total contribution to employment (1000 jobs)	133.7	11.3
Visitor exports	923.1	31.0
Domestic spending	173.9	1.6
Leisure spending	857.7	2.8
Business spending	239.3	0.8
Capital investment	79.9	3.5

**Figure 2. Travel & Tourism economic contribution in 2014, Armenia<sup>7</sup>**

<sup>2</sup> WTTC Travel & Tourism Economic Impact World 2015, p. 1, <https://www.wttc.org/-/media/files/reports/economic%20impact%20research/regional%202015/world2015.pdf>

<sup>3</sup> The law of the Republic of Armenia “About tourism and tourist activities”, Article 2, 2003, (in Armenian)

<sup>4</sup> “Socio-Economic Situation” of the RA 2015, p. 1, National Statistical Service of the Republic of Armenia, (in Armenian). [http://www.armstat.am/file/article/sv\\_01\\_15a\\_421.pdf](http://www.armstat.am/file/article/sv_01_15a_421.pdf)

<sup>5</sup> The data are based on the analysis on the “Socio-Economic Situation” of the RA by the National Statistical Service of the Republic of Armenia for 2007-2015, (in Armenian), [www.armstat.am](http://www.armstat.am)

<sup>6</sup> Statistical Yearbook of Armenia, 2014, Yerevan, p. 191, (in Armenian), <http://armstat.am/file/doc/99493628.pdf>

<sup>7</sup> WTTC Travel & Tourism Economic Impact Armenia 2015, p. 11, <http://www.wttc.org/-/media/files/reports/economic%20impact%20research/countries%202015/armenia2015.pdf>

It is very important to evaluate tourism multiplier effect (indirect and induced economic effects of tourism activity) in the economy. According to Stynes (1999) there are many different kinds of multipliers reflecting which secondary effects are included and which measure of economic activity is used (sales, income, or employment). For example<sup>8</sup>,

Type I - sales multiplier = (direct sales + indirect sales) / direct sales.

Type II or III - sales multiplier = (direct sales + indirect sales + induced sales) / direct sales.

Another way of calculating a multiplier is through the ratio of income or employment to sales.

Type III - income multiplier = (Total direct, indirect, and induced income) / direct sales

Type III - employment multiplier = (Total direct, indirect, and induced employment) / direct sales

Based on the data in above mentioned figure 2, we may calculate the GDP and employment multipliers in the RA.

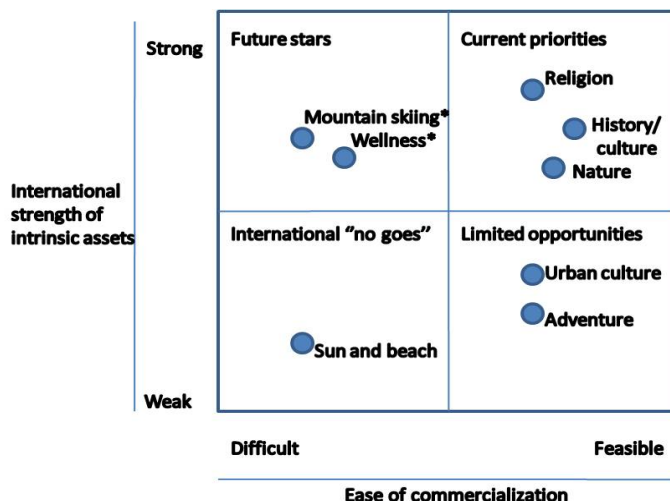
GDP multiplier =  $1406.5 / 396.6 \approx 3.6$

Employment multiplier =  $133.7 / 37.1 \approx 3.6$

Thus, this means that 1 new foreign \$ creates approximately 3.6 \$ inside the country and approximately 3.6 additional workplaces.

### 3. MAIN TYPES OF TOURISM TO BE DEVELOPED IN ARMENIA

On the initiative of “Armenia 2020” a thorough research on tourism sector was carried out by one of the world leading management consulting companies McKinsey&Co.. As a result the main intrinsic assets were mentioned for tourism development in Armenia: history/culture, religion, nature, wellness, mountain skiing, adventure, urban culture, sun and beach.



\* Relative position on the "international strength" scale is tentative, as data is not sufficient for assessment

<sup>8</sup> Stynes J.D., 1999, *Economic Impacts of Tourism*. <https://www.msu.edu/course/prt/840/econimpact/pdf/ecimpvol1.pdf>

**Figure 3. Armenian tourism assets<sup>9</sup>**

We may represent the main types of tourism which have a great potential and prospects to be developed in Armenia based on the existing resources:

1. *Historical and cultural tourism.* Armenia has an ancient history. Armenia lies in the highlands surrounding the Biblical mountains of Ararat. Hayk (the legendary ruler of Armenia) creates the Armenian nation in the Ararat region in 2300 BC. The Book of Genesis identifies the land of Ararat as the resting place of Noah's Ark after the "great deluge" described there<sup>10</sup>. Armenia is very rich in historical, cultural monuments, churches. The Cathedral and Churches of Echmiatsin and the Archaeological Site of Zvartnots, Monasteries of Haghpat and Sanahin, Monastery of Geghard and the Upper Azat Valley are included in the World Heritage List of UNESCO. The archaeological site of the city of Dvin, the basilica and archaeological site of Yererouk, the monastery of Noravank and the upper Amaghov Valley, the monasteries of Tatev and Tatevi Anapat and the adjacent areas of the Vorotan Valley are submitted on the Tentative List<sup>11</sup>.

2. *Religious tourism.* Armenia was the first nation to adopt Christianity as a state religion (301 AD). According to tradition, the Armenian Church was founded by two of Jesus' twelve apostles - Thaddaeus and Bartholomew - who preached Christianity in Armenia between 40-60 AD. Because of these two founding apostles, the official name of the Armenian Church is called Armenian Apostolic Church. The Mother Cathedral of Holy Etchmiadzin was built and consecrated by St. Gregory the Illuminator and St. Trdat the Great in 303 AD. St. Gregory chose the location of the Cathedral in accordance with a vision that he had. In his dream he saw "Miatsin", the Only Begotten Son of God, with glittering light on his face descending from the Heavens and with a golden hammer striking the ground where the Cathedral was to be located. Hence comes the name "Etchmiadzin", which translates literally to "the place" where the Only-Begotten Son of God descended<sup>12</sup>. Armenia may become a religious tourism centre for Christian pilgrims with the most visited sites of Jerusalem, Rome and Santiago de Compostela in the world.

3. *Wellness, resort tourism.* Armenia has a great potency for the organization and promotion of resort tourism. There are 10 resorts in Armenia (Arzni, Tsakhkadzor, Jermuk, Hanqavan, Bjni, Dilijan, Sevan, Stepanavan, Syunik, Lori) all of which have natural curable resort resources: mineral water, curable mud, turf, good conditions for climate therapy<sup>13</sup>. Armenian resorts may become internationally known resort zones, as their resources are compared with universally known resort resources of Karlovy Vary, Zheleznovodsk, Pyatigorsk, Vichy, Abastuman, etc.

<sup>9</sup> Armenia 2020 – Armenian tourism sector: growth potential and required action 2005, Yerevan, p. 13

<sup>10</sup> History of Armenia., [https://en.wikipedia.org/wiki/History\\_of\\_Armenia](https://en.wikipedia.org/wiki/History_of_Armenia)

<sup>11</sup> UNESCO, Armenia: Properties inscribed on the World Heritage List. <http://whc.unesco.org/en/statesparties/am>

<sup>12</sup> The Armenian Church, *Mother Cathedral*. <http://www.armenianchurch.org/index.jsp?sid=1&id=2360&pid=4>

<sup>13</sup> B. Harutyunyan, 2010, *Atlas, climate and natural therapeutic resources of Armenia*, p. 124-133 Yerevan: STPM (in Armenian)

4. *Sport tourism.* Tsakhkadzor is the best place for sport lovers, snowboarders and ski riders in winter. For water sport, sun and beach lovers Lake Sevan is the best place, being one of the most famous and largest mountainous lakes in the world (situated at 1896m altitude). It is extraordinarily picturesque, with pure curative air and attracts a great number of visitors.

5. *Eco- and agro- tourism.* In Armenia one can see majestic mountains and plains, meadows, broad-leaved forests, botanic parks, plant and animal life. There are many agricultural festivals and farmer's fairs which attract tourists to Armenian villages. Thanks to it ecotourism and agrotourism are becoming more and more popular.

6. *Cuisine and tourism.* Armenia attracts tourists having delicious cuisine. Our national dishes are barbeque and kebab, dolma, harisa, khash, qufta, ghaurma, khashlama, fish ishkan khorovats, lavash, etc.

7. *Adventure* lovers are provided with the opportunity of hiking and trekking tours in Armenia to climb to the highest point of Armenia – Mt. Aragats (4095m) with its four peaks, Mt. Ajdahak (3957m) with a fantastic lake in its crater, Mt. Khustup (3210m) which towers over the city of Kapan, Mt. Artanish (2460m) at the junction of Big and Small Sevens, wonderful rocks in Noravank gorge and in the canyon of the Hrazdan river, near the village of Bjni. Tourists may take a cycling trip along the perimeter of Lake Sevan (220km).

As a summary it is worth indicating that Armenia is a specific tourism destination based on the main and peculiar tourism resources.

#### 4. TOURISM COMPETITIVENESS AND THE MAIN CHALLENGES IN ARMENIA

The Travel & Tourism Competitiveness Index (TTCI) measures “the set of factors and policies that enable the sustainable development of the Travel & Tourism sector, which in turn, contributes to the development and competitiveness of a country”. According to the Travel & Tourism Competitiveness Report 2015 which was published by the World Economic Forum within the framework of the Global Competitiveness and Risks team and the Industry Partnership Programme for Aviation & Travel, Armenia was in the 89th place among 141 countries (in 2013 it was the 79th). Spain is the top of the 2015 edition of the TTCI global rankings for the first time, followed by France (2nd), Germany (3rd), the United States (4th), the United Kingdom (5th), Switzerland (6th), Australia (7th), Italy (8th), Japan (9th) and Canada (10th)<sup>14</sup>.

Armenia is ranked number one in the world in terms of population's access to clean drinking water and mobile network coverage and is at the bottom of the list in terms of the number of HIV-infected people. Armenia is also the 38th in terms of safety, 48th in terms of health care, 71st in terms of quality of human resources, 112nd in terms of ease of finding skilled employees, 73rd in terms of tourism services infrastructure, 77th in terms of price affordability, 83rd in terms of international openness, 92nd in terms of aviation infrastructure, 99th in terms of cultural resources and business travels, 117th in terms of effectiveness of marketing to attract tourists, 80th in terms of quality of roads, 125th in terms of

<sup>14</sup> Travel & Tourism Competitiveness Report 2015, World Economic Forum, Geneva, 2015, pp. 3, 5

quality of the natural environment<sup>15</sup>. Despite the decline of Armenia's position, there are some positive developments in the competitiveness of the tourism sector, particularly in terms of numbers of hotel rooms and the number of ATMs accepting Visa cards. The comprehensiveness of tourism data, price parity and fuel price indicators have been improved. Among the challenges that hinder the growth of Armenia's competitiveness in the tourism sector, are the following:

- Low level of current situation and conservation of the environment and natural resources,
- Low productivity of marketing efforts for tourism promotion,
- High air ticket taxes and airport charges,
- Low level of staff training and a lack of skilled labor<sup>16</sup>.

<i>Index</i>	<i>Rank (out of 141)</i>	<i>Score (1–7)</i>
<b>Travel &amp; Tourism Competitiveness Index</b>	89	3.42
<b>Enabling Environment</b>	57	5.00
Business Environment	50	4.62
Safety and Security	38	5.80
Health and Hygiene	48	5.92
Human Resources and Labour Market	71	4.48
ICT Readiness	69	4.16
<b>T&amp;T Policy and Enabling Conditions</b>	95	3.90
Prioritization of Travel & Tourism	80	4.43
International Openness	83	2.78
Price Competitiveness	77	4.58
Environmental Sustainability	97	3.79
<b>Infrastructure</b>	84	3.14
Air Transport Infrastructure	92	2.26
Ground and Port Infrastructure	97	2.98
Tourist Service Infrastructure	73	4.18
<b>Natural and Cultural Resources</b>	130	1.63
Natural Resources	136	1.88
Cultural Resources and Business Travel	99	1.38

**Figure 4.** *Travel & Tourism Competitiveness Index of the Republic of Armenia*<sup>17</sup>

## 5. CONCLUSION AND SUGGESTIONS

Obviously, our analysis and calculations indicate the significance of the tourism sphere for our economic development. Thus, the following steps must be undertaken in order to eliminate the obstacles and increase the competitiveness of the sphere:

- marketing performance in order to promote the tourism product in national and international markets, thus attracting a huge number of tourists,
- enabling investment policy in the sphere,
- development of tourism infrastructures,
- increase of the conservation of the environment and natural resources,
- staff training programs according to international practice,
- improvement of price and quality indicators of tourism services, etc.

<sup>15</sup> Travel & Tourism Competitiveness Report 2015, World Economic Forum, Geneva, 2015, p. 79

<sup>16</sup> Armenia was the 89 among 141 countries with its tourism competitiveness, 2015, <http://civilnet.am/2015/05/07/travel-tourism-competitiveness-report-2015-armenia/#.VkR7n9yLSUk>

<sup>17</sup> Travel & Tourism Competitiveness Report 2015, World Economic Forum, Geneva, 2015, p. 78

In conclusion it is worth mentioning that by accomplishing the above mentioned steps Armenia may become a specific touristic destination (a comparatively new and widely used term) in the world based on its tourism assets, natural resources and ancient history.

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**ԳԱՅԱՆՆԵ ԹՈՎՄԱՍՅԱՆ**

*ՀՊՏՀ հակաճգնաժամային և զբոսաշրջության  
կառավարման ամբիոնի դասախոս,  
տնտեսագիտության թեկնածու*

**Ջրոսաշրջային ակտիվները և զբոսաշրջության մրցունակության բարձրացման հիմնական քայլերը ՀՀ-ում.** Ներկայում զբոսաշրջությունն ամբողջ աշխարհում զարգանում է արագ տեմպերով: ՀՀ-ում դա տնտեսության գերակա ոլորտ է հայտարարվել: Վերջին տարիներին զբոսաշրջիկների թիվն աճել է. 2014 թ. Հայաստան է ժամանել ավելի քան 1 մլն մարդ: Հոդվածում քննարկվել են ոլորտի առկա վիճակը, զբոսաշրջության մրցունակության համաթիվը Հայաստանում, վերլուծվել է համապատասխան բազմարկչի էֆեկտը: Դիտարկվել են զբոսաշրջության այն տեսակները, որոնք կարող են զարգանալ եղած ռեսուրսների հիման վրա: Արվել են առաջարկություններ Հայաստանի զբոսաշրջության մրցունակության մակարդակի բարձրացման և զարգացման նպատակով:

**Հիմնաբառեր.** զբոսաշրջություն, մրցունակություն, բազմարկչի էֆեկտ, զբոսաշրջության տեսակներ:  
I31, L11, L83, L89

**ГАЯНЕ ТОВМАСЯН**

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**Туристические активы и основные шаги для повышения конкурентоспособности туризма в РА.** В настоящее время туризм развивается быстро во всем мире. В Армении туризм объявлен приоритетным сектором экономики. В последние годы число туристов возросло: в 2014 году более одного миллиона туристов посетили Армению. В статье рассматриваются текущие статистические данные сферы туризма в РА, индекс конкурентоспособности туризма Армении, проанализировано воздействие туристического мультипликатора. Основные виды туризма, которые могут развиваться на основе существующих активов, рассматриваются в статье. В заключении сделаны некоторые предложения по повышению конкурентоспособности туризма и продвижению индустрии туризма в Армении.

**Ключевые слова:** туризм, конкурентоспособность, мультипликативный эффект, виды туризма.  
I31, L11, L83, L89