

Tourism Policy and Strategy: Developmental Trends of Tourism of Georgia

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The economic policy of tourism of Georgia must be based on the theoretical foundations of economics and tourism development. The tourist market must be competitive, i.e. it must be maximally free, and the legislation must be oriented toward the protection of the competitive market. The tourist market development must be ensured at the expense of small business development in the first instance. For the tourist industry of Georgia to develop, the tourist product production technology (production culture) should be developed.

The policy of tourism development of Georgia must be oriented toward the regulation and promotion of tourism education system and innovations. Establishment of the innovative environment in the country is possible only in terms of vast scientific potential and state support.

The policy of tourism development must ensure the right view of the branch development, i.e. national traditions, values and trends so that to make tourism, as an interbranch complex, the basis for the economic development in the country.

Introduction

Travel & Tourism is one of the world's leading industries, or economic sectors, representing a major source of GDP, employment, exports and taxes. In 2011, the World Travel & Tourism Council (WTTC) expects it to contribute almost US\$6 trillion to the global economy, or 9% of global gross domestic product (GDP).

The rapid rise in global demand for Travel & Tourism over the past few decades has been spurred by the rise in living standards, in turn fuelled by growing wealth, coupled with the increased affordability of air travel. According to the World Tourism Organization (UNWTO), international arrivals worldwide have more than doubled since 1990, rising from 435 million to 675 million in 2000, and to 940 million in 2010. And these figures do not take account of domestic tourism which, by all accounts, generates up to ten times more arrivals than international tourism.

The impacts of Travel & Tourism run deep into our economies. It is not just about the money visitors spend on travel, accommodation, activities and souvenirs – visitor exports – which, in 2011, was US\$1.2 trillion around the world. But, by its very nature, the industry stimulates the engagement and collaboration of communities, tourists, governments, local suppliers and businesses throughout the supply chain. And the 260 million estimated people around the world whose jobs are supported by Travel & Tourism (100 million of whom work directly in the industry) all spend a proportion of their own income on goods and services from all parts of the economy.

Furthermore, demand for Travel & Tourism – both international and domestic – stimulates investment. In 2011 4.5% of total capital investment, or some US\$650 billion, will be driven by Travel & Tourism.

Travel & Tourism is one of the world’s largest industries accounting for 9% of global GDP. This is more than the automotive industry which accounts for 8.5%, and only slightly less than the banking sector which accounts for 11%.

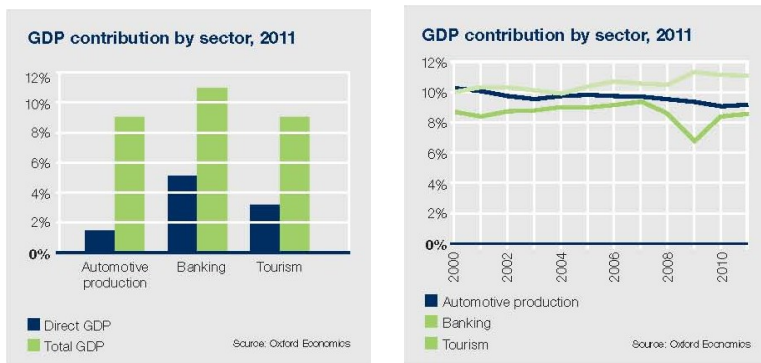


Figure 1. GDP contribution by Sector

(http://www.wttc.org/site_media/uploads/downloads/traveltourism2011.pdf)

More significantly, while the last ten years have seen strong global growth helped by a rising share of the fast-growing high-tech industry, as well as rapid growth in service sectors such as banking and global finance, the next ten years are forecast to see a slower performance from these sectors. Continued growth in Travel & Tourism will therefore result in an increase in the sector’s relative share of GDP. Travel & Tourism will become more important to the global economy over the next years.

WTTC’s latest Economic Impact Research shows that world Travel & Tourism continues to grow in spite of continuing economic challenges (WTTC, 2012).

- Despite progressive downgrades to growth forecasts through 2011, the industry grew by 3% over the course of the year (in terms of Travel & Tourism’s contribution to GDP).

- Tourism's direct contribution to GDP in 2011 was US \$2 trillion and the industry generated 98 million jobs.
- Taking account of its direct, indirect and induced impacts, Travel & Tourism's total contribution in 2011 was US\$ 6.3 trillion in GDP, 255 million jobs, US\$743 billion in investment and US\$1.2 trillion in exports. This contribution represented 9% of GDP, 1 in 12 jobs, 5% of investment and 5% of exports.
- Growth forecasts for 2012, although lower than anticipated a year ago, are still positive at 2.8% in terms of the industry's contribution to GDP.
- Longer-term prospects are even more positive with annual growth forecast to be 4.2% over the ten years to 2022.

Many countries have included the tourism development within the limits of the policy and strategy of economic development of the country, as its integral part. The developmental strategy implies planning the branch development at every level so that it should discharge its functions effectively. This means that besides meeting the tourists' needs, the developmental strategy implies employing the tourism to bring economic and social benefit to the destinations (places of destinations, tourist centres) and bring the ecological and social-economic impact to minimum.

The practice has demonstrated that where tourism was developed without any planning and control, the destinations faced not only a number of ecological and social problems, but after some time they found it difficult to attract tourists.

The development of tourism at the modern stage is characterized by the differentiation of the tourist product and growing competition on the tourist market. Under a long-term plan, the competitiveness in tourism is synonymous to the sustainability of the economic development of the branch.

The competitiveness in tourism is, first of all, defined by economic efficiency and high profitability of the branch. If the tourism of the country fails to make an economic contribution to the preservation of the natural resources and cultural heritage and solution to the social problems, its development will be unstable over a long period of time.

A great volume of tourism activity based on the sustainable development is associated with the preservation of the cultural uniqueness of the nature, historical heritage and relevant territory. If the state of the mentioned resources deteriorates or the resources are destroyed, the tourist regions will be unable to attract tourists and the tourism therefore, will fail to discharge its function.

Tourism, as an integrated system has an increasing influence on the sustainable development of the society, improvement of the economic state and meeting spiritual needs. As the social-economic category, tour-

ism is a universally recognized sector of the world economy and a leader in the trade of international service.

The analysis of the economic, legal and organizational factors of the operation of the tourism branch, evaluation of its developmental peculiarities and trends and determination of its role in the country's economy has a special importance for the development of the national economy. A set of economic activities of tourism may be subject to analysis. For the economy of individual countries tourism is a significant source of foreign currency flow. In the countries with the developed tourist industry, the increase in the role of the input tourism creates the trend limiting the balance of payments deficit.

At Johannesburg Summit 2002 (the World Summit on Sustainable Development), tourism was officially included in the process of sustainable development of the world economy. Tourism, as a branch, makes a significant contribution to the UNO General Assembly "Millennium Development" world action plan 'Sustainable Development – Overcome of Poverty'.

By now, governments of many countries of the world, including that of Georgia have recognized the tourism as a priority sector in the development of the national economy, which should realize extremely important objectives of the social-economic progress of the country.

Tourism Policy: Developmental Trends of Tourism of Georgia Background

The development of tourism in Georgia is generally promoted by Georgian traditions, national and folk customs and traditions, great experience in hospitality; diversity of religious and historical monuments, attractive wild nature less succumbed to the civilization. The unique landscape of the Caucasioni, snowy peaks, Subtropical climate of the Black Sea, open valleys and high mountains are important factors to attract tourists.

The climatic factors are formed by moderate, wet and dry climate of the Mediterranean shore on the one hand and by Continental Caspian Sea basin, on the other hand. The climate in West Georgia is mostly wet and Subtropical and it is transient from Subtropical to moderate in East Georgia. The average air temperature in January is +3°C to -2°C, and that in August is +23°C to +26°C. The annual precipitations in West Georgia, which borders the Black Sea, are 1000-2800 mm, and 300-600 mm in East Georgia.

For such countries as Georgia is, tourism and resorts are closely interwoven. Every tourist route runs across a resort or resort zone. Similarly, resting, curing or health improvement on any resort seems impossible

without cultural-cognitive, nature awareness or other trends of tourism (Metreveli and Timothy, 2010).

The tourist potential of Georgia, by considering the natural, geographical and climatic conditions is determined by:

- (1) Black Sea coastline, with its length of 318 km along the country.
- (2) Greater and Smaller Caucasioni (Caucasus) Ranges, stretched from the Black Sea to the Caspian Sea with the length of 1.500 km. The mountainous region of Georgia creates extremely favourable conditions for the development of downhill skiing tourism and alpinism in the country. The Greater Caucasioni contains the peaks with the height of 4.000 meters.
- (3) Resorts and recreational sites. The rivers of Georgia belong to the basins of the Black Sea or Caspian Sea and the vegetation cover of the country is rich. The forests occupy more than 1/3 of the whole territory of the country. The broad-leaved forest (oak, hornbeam, beech and others) grows in the lower zone and coniferous trees (fir tree, spruce) grow in the upper zone, with the pine-tree forests growing in high mountains. Alpine meadows grow above 1800 meters. There are reserves created to protect flora and fauna on the territory of the country.

According to the health resort and recreational resources, there are 6 zones identified in the country:

- (1) Seashore health-resort zone (Georgia has 315-km-long seashore). There are wonderful climatic resorts located along the seashore – Gagra, Bichvinta, New Athos, Gudauta, Sukhumi in Abkhazia; Batumi, Kobuleti, Makhinjauri, Green Cape in Adjara; Ureki in Guria; Maltakva, Paliastomi in Megrelia. The bathing season in these resorts lasts for 5-6 months per annum.
- (2) Balneotherapeutic health resorts at 700 m above sea level (Nabeghlavi, Akhtala (412 m), Nunisi, Tskaltubo, Zvare, etc.).
- (3) Balneoclimatic resorts at 700-1000 m above sea level (Sairme (950 m), Surami (800 m), Borjomi (850 m), Betania (900 m), Utsera and others).
- (4) Mountain-climatic resorts within the range of 1000-1500 m above sea level (Abastumani (1500 m), Kojori (1400 m), Manglisi (1200 m), Tsaghveri and others).
- (5) Zone of mountain-climatic resorts and mountain-tourist routes at 1500-2000 m above sea level (Bakuriani (1700 m), Shovi (1600 m), Bakhmaro (2000 m), Lebarde, Gudauri and others).
- (6) Zone of mountain tourism and alpinism over 2000 m above sea level.

Until 1990, the basis for tourism in Georgia was mostly mineral waters and therapeutic course during one's leave. This was the time when Georgia hosted up to 4 million tourists. Tourism operated by the state means of tourists' accommodation and hotels and guesthouses owned by

the trade union. The tourist flows were organized around the year in a centralized manner (in Moscow). Tourist flowed to all mineral water and therapeutic resorts in a proportionate manner. Tourist trips to Georgia mainly implied having a rest and recreation on the health resorts.

The famous events of Georgia at the beginning of the 1990s and generally, instable political environment in the country have drastically reduced the number of foreign visits to Georgia. Such state of affairs led to the unfavorable surroundings for the development of the branch of tourism. The given surroundings caused drastic changes in tourist products and markets; the form and essence of domestic tourism changed, and the domestic tourism was now controlled by market principles, with two types of dominant tourist products: 1. Summer recreation at the Black Sea side or in mountain resorts (e.g. Borjomi, Bakuriani, Abastumani, Bakhmaro, etc.) and 2) winter recreation in Bakuriani or Gudauri. One more tourist product, the medical tourism lost most of its function. In this period, the principal reason for limiting the domestic tourism was the fall in the purchasing capacity of domestic consumers of tourist products and lack of social insurance state programs.

Mostly so called "adventure tours" and "cultural tours" were offered on the international tourist markets. The tours (walking tours, mountain, environmental and nature familiarization tours and special-thematic itineraries) covered most of the territory of Georgia and were mostly organized with the similar programs offered by Azerbaijan and Armenia, i.e. as group or organized tours.

The lack of competitiveness of the Georgian tourist product was the result of poor service and high prices (this trend was maintained until 2011). At present, the Georgian tourist product is being transformed what in the near future must boost its competitiveness on the tourist markets of the neighboring and foreign countries. So far, the competitiveness of Turkish and Romanian touristic products is mainly the result of relatively low prices of air tickets and high-quality service (Metreveli, 2011).

Developmental Trends of Tourism of Georgia

Since 2004, the process to implement the promotional measures for Georgia, as a touristic country, and for Georgian tourist product has been activated. To date, an important obstruction for the tourist market growth has been inexpedient and inconsistent advertising strategy for tourism and measures of tourism promotion, as well as lack of identification of the country, as a tourist destination, abroad. This explains the few number of the market segments in foreign countries penetrated by Georgian tourist products before 2011.

Since 2004, due to the economic and political stabilization in Georgia, private property legalization, activation of non-governmental and public organizations, significant strengthening of the international bonds and reformative legislation the signs of revitalization of tourist and recreational infrastructure have been seen in the country.

The year of 2008 was marked with the onset of intense construction of reliable road and transport infrastructure in the country. This facilitates and reduces the journey time to the cultural, historical and ethnographic monuments of Georgia with respective reduction in tour prices.

Recently, the large-scale investments in the tourist industry have been intense, in particular the Georgian-Turkish company "TAU-URBAN-GEORGIA" invested 62 million USD to build Tbilisi Airport and 28,5 million USD for Batumi Airport. It should be noted that new Tbilisi Airport is for 2000 passengers an hour and Batumi Airport is designed for 500 passengers an hour what is a favorable indicator to meet the present demand in the country.

Israeli investment company NOVOMANAGEMENT GEORGIA invested 17 million USD to build Bazaleti complex and Youth Center in Tbilisi. The complex is designed to serve 2000 tourists at the same time. Besides, rehabilitation works were accomplished in Mtkheta and tourist infrastructure is being built in new winter resorts (in Svaneti, Ajara), etc.

From 2007 to present, major brands of the world's hotel networks operate in Ajara region. It should be noted that in 2010, Ajara region hosted 85% of the foreign tourists visiting Georgia.

As per the information of the Border Control Department, the number of visitors in Georgia in 2000 was 373 746; in 2003, 301 051 people visited Georgia and in 2004, the country had 364 512 visitors. In 2005, 559 427 people visited the country; 762 193 (in 2006), 1 05 036 (in 2007), 1 288 039 (in 2008), 1 497 415 (in 2009) and the number of tourists was 2 029 447 in 2010. The number of visits to Georgia in 2000-2010 increased by 5.4 and the share of tourism in the country GDP was 3,92% in 2006, 4,10% in 2007, 3,72% in 2008 and 4% in 2009, 2010, 2011. The number of tourists in Georgia in 2011 was 2 819 144 marked by 39% increase as compared to the previous year.

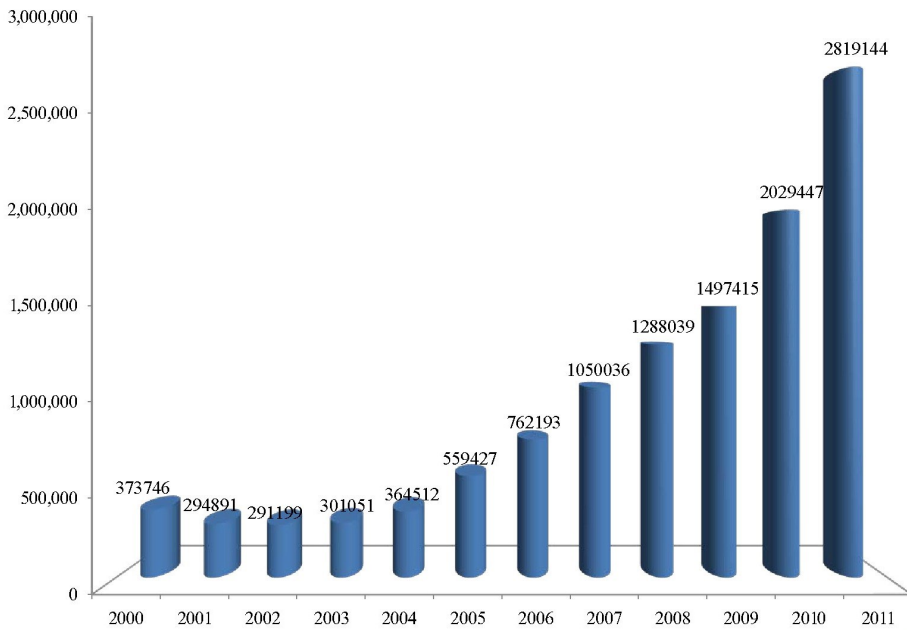


Figure 2. Number of incoming tourists in Georgia (Border Control Department of Georgia, 2011)

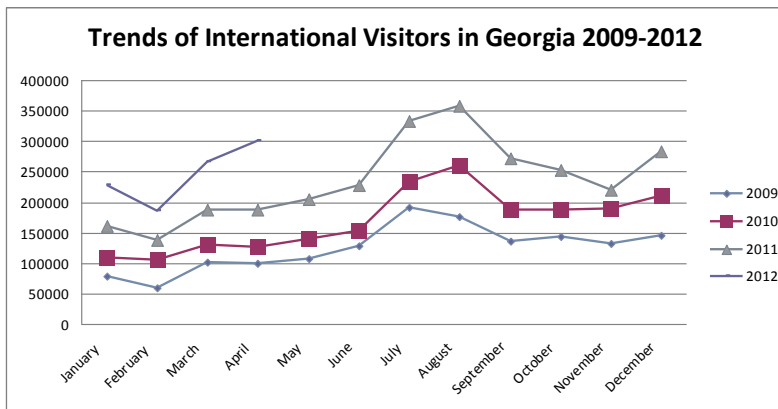


Figure 3. Trends of International Visitors in Georgia 2009-2012 (National Tourism Administration of Ministry of Economy and Sustainable Development of Georgia, 2012)

*Table 1. Arrivals of non-resident visitors at national borders of Georgia by country of citizenship (2012)
(Information Centre, Information and Analytical Department, Ministry of Internal Affairs of Georgia)*

Country	2000	2005	2006	2007	2008	2009	2010	2011	change 10-11	change% 10-11
Total	387258	560021	763231	1051749	1290108	150004 9	2031717	2822363	790646	39
EUROPE	347346	533127	726873	1009248	1243407	144749 6	1956128	2695235	739107	38
AMERICAS	10789	14842	14766	16881	17552	19653	24416	29286	4870	20
EAST ASIA/ PACIFIC	7145	3413	10447	9661	9733	11355	14394	19613	5219	36
MIDDLE EAST	2152	973	1515	2490	3245	3298	3413	5663	2250	66
SOUTH ASIA	6058	6641	8037	10873	13457	14572	27810	66073	38263	138
AFRICA	256	431	555	883	645	1041	2869	3799	930	32
CIS Total	221671	366054	498795	655742	784511	950751	1286148	1787666	501518	39

Armenia	72169	100508	180550	243133	281463	351049	547510	699382	151872	28
Azerbaijan	55193	153467	198062	281629	344936	418992	497969	714418	216449	43
Belarus	1193	1236	1278	1601	1981	2503	5016	5344	328	7
Kazakhstan	1579	2825	3393	5098	4523	5531	8411	18565	10154	121
Kyrgyzstan	407	1546	1328	736	787	1107	2222	3183	961	43
Moldova	2905	1589	1190	1185	1261	1880	2390	2737	347	15
Russia	64688	90277	88538	91361	114459	127937	170584	278458	107874	63
Tajikistan	175	267	222	150	194	237	333	540	207	62
Turkmenistan	3901	729	774	451	468	375	1287	1126	-161	-13
Ukraine	18098	12431	22436	28932	32988	39339	47596	58966	11370	24
Uzbekistan	1363	1179	1024	1466	1451	1801	2830	4947	2117	75

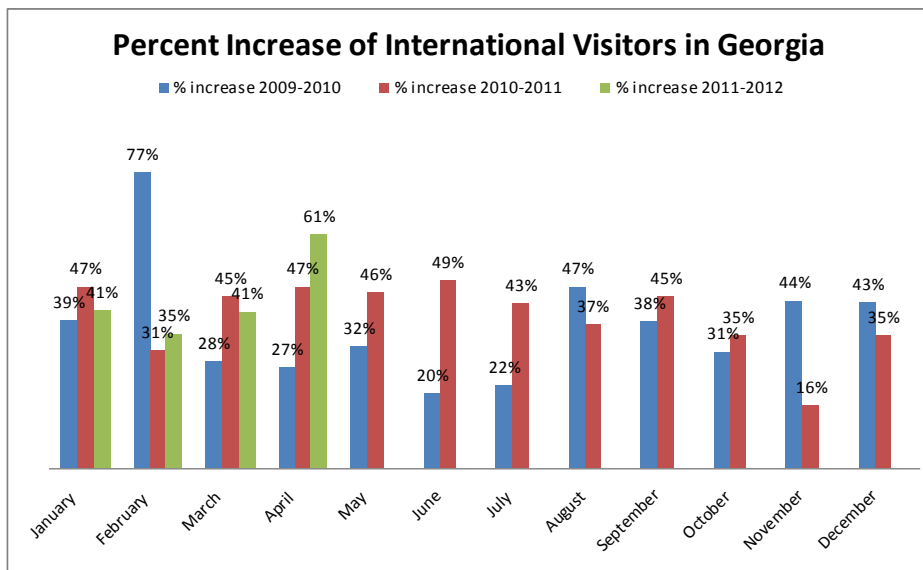


Figure 4. Percent Increase of International Visitors in Georgia (National Tourism Administration of Ministry of Economy and Sustainable Development of Georgia, 2012)

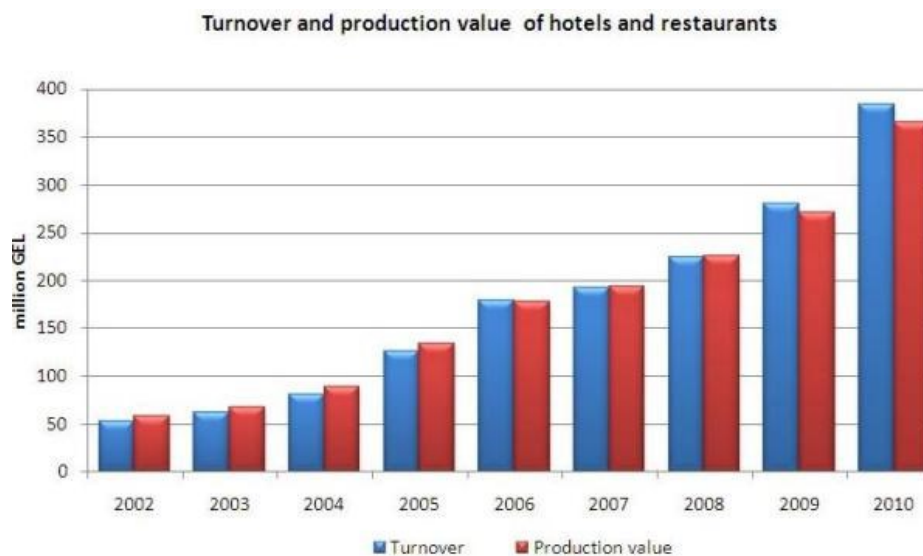


Figure 5. Turnover and Production Value of Hotels and Restaurants (www.geostat.ge)

Table 2. Number and Percent Increase of International Visitors in Georgia 2009-2012 (National Tourism Administration of Ministry of Economy and Sustainable Development of Georgia, 2012)

	January	February	March	April	May	June	July	August	Septem.	Octob.	Novem.	Decem.
2009	78615	59146	101760	100343	106411	127729	191872	176495	136035	143556	131693	146394
2010	109083	104919	129920	126978	140097	152835	233519	259836	188067	187394	189202	209867
2011	160605	137067	188163	187122	204162	227915	333560	357187	272128	252310	219722	282422
2012	227006	185123	265149	301243	-	-	-	-	-	-	-	-
% 2009-2010	39%	77%	28%	27%	32%	20%	22%	47%	38%	31%	44%	43%
% 2010-2011	47%	31%	45%	47%	46%	49%	43%	37%	45%	35%	16%	35%
% 2011-2012	41%	35%	41%	61%	-	-	-	-	-	-	-	-

The non-realistic nature of the above-listed data for many years has been a problem for the tourist executive authority of the country and is problematic when planning the branches of tourist business activity and purposeful realization of the tourist policy in the country. Aiming at solving this problem, in 2010, the National Tourism Agency of the Ministry of Economy and Sustainable Development (together with other interested organizations and experts) started its works to develop the methods to calculate the number of tourists visiting Georgia. As these methods are developed, it will be necessary to develop the methods to estimate other major indicators of the tourist market (share of tourism in the country DGP, number of the industry employees, volume of investments attracted to the branch and budgetary income gained from tourism) what is a necessary condition for specifying the role of tourism in the country economy and drafting the right policy to develop the given branch.

The Department of Business Statistics of the National Statistics Office accomplishes the study for hotels and hotel-type establishments. Following the specifics of the country, the types of accommodation should be specified and the number of visitors should be registered quarterly, as the accommodation facilities are loaded seasonally, particularly in the regions.

Besides, the income from letting hotel rooms is different in different seasons. At present, we do not have such important indicator at hand, as accommodation load index. (See figure 5 on page 132).

The competence of the National Bank of Georgia includes drafting the quarterly tax balance. This document includes the estimation of tourism export (receiving international visitors) and import (costs borne by the citizens of Georgia during their trips in foreign countries). Assessment of the tourism export is important for developing the tourism satellite accounts system. At present, a tourism article is evaluated by using "The shuttle-like study of foreign trade and foreign tourist service" of 2006. Similar studies were conducted in 2000 and 2006. Such a long interval between the studies of foreign travelers may lead to the false evaluation of the amounts spent by them. Moreover, the shuttle-like study of foreign trade and foreign tourist service of 2006 carried out along 10 borders from July to November demonstrated that the costs of foreign travelers significantly vary in different months and seasons.

The statistical study of the Revenue Service of the Ministry of Finance of Georgia is about the budgetary incomes received from tourist companies.

Through 2009, the budgetary incomes received from the tourist companies could be registered according to the types of taxes to the budget. In this way, the hotels, hotels with restaurants, tourist agencies and travel agencies were registered.

Table 3. Hotels and Restaurants (www.geostat.ge)

	2004	2005	2006	2007	2008	2009	2010	2011	01. 2012
Turnover, mil GEL	81.3	126.7	179.0	192.8	224.6	280.0	383.9	406.3	135.7
Production value, mil GEL	88.3	134.6	177.4	193.5	225.7	271.5	365.6	387.1	130.5
Value added, mil GEL	38.4	56.7	74.8	84.1	93.7	114.3	149.9
Intermediate consumption, mil GEL	49.9	77.9	102.6	109.4	132.0	157.2	215.7
Fixed assets, mil GEL	232.7	309.6	222.9	186.0	379.0	591.3	646.8
Number of employed persons	7920	11437	11993	11554	11184	13540	16106	13709	22567
Average monthly remuneration of employed persons, GEL	155.5	153.1	196.7	238.5	333.7	364.9	377.9	501.0	391.8

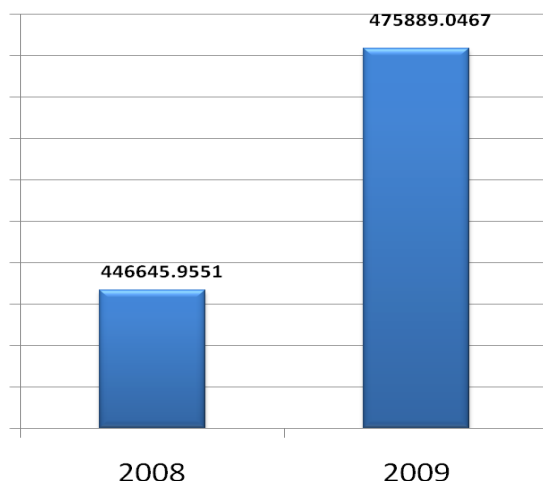


Figure 6. Tourism Share in Total Export (National Bank of Georgia, 2010)

In 2010, the clause about specifying the type of one's economic activity at registration was canceled. Accordingly, the registration of incomes gained from the newly registered companies in the aspect interesting for the branch will become impossible.

The Information-Analytical Department of the Ministry of Internal Affairs of Georgia and Border Control Policy accomplish the study of crossing the border by resident and non-resident citizens and registers the data about crossing the state border of Georgia with the following characteristics: period (year, month, citizenship), movement (entry, exit), border release point, type of transport.

The United Transport Administration of the Ministry of the Regional Development and Infrastructure of Georgia explores the statistics of air trips. It has the Civil Aviation, Road Transport and Marine Transport Departments. The statistics of conveyed passengers is to be perfected at the Road and Marine Transport Departments. In addition, the citizenship of the passengers, types of vehicles used and number of trips are to be specified.

The national museum of Georgia studies the number of the visitors (domestic and foreign) to the museums of the Georgian National Museum; however, the origination of the visitors, i.e. the country of residence is not known.

LEPL Agency of Protected Territories of the Ministry of Environmental Protection of Georgia registers the statistics of visitors to the protected territories.

Table 4. The Number of Domestic Tourists (%) (Ministry of Economy and Sustainable Development of Georgia, The National Tourism Agency, 2011)

Regions	Achara	Shida Kartli	Kakheti	Imereti	Guria	Kvemo Kartli	Samtskhe javakheti	Samgrelo	Racha	Tbilisi	Aphkhzeti	Svaneti	Pshavi	Tusheti
Number %	24,3	23,6	17,7	17,3	9,5	8,0	7,7	7,7	4,4	3,6	2,2	0,9	0,6	0,1

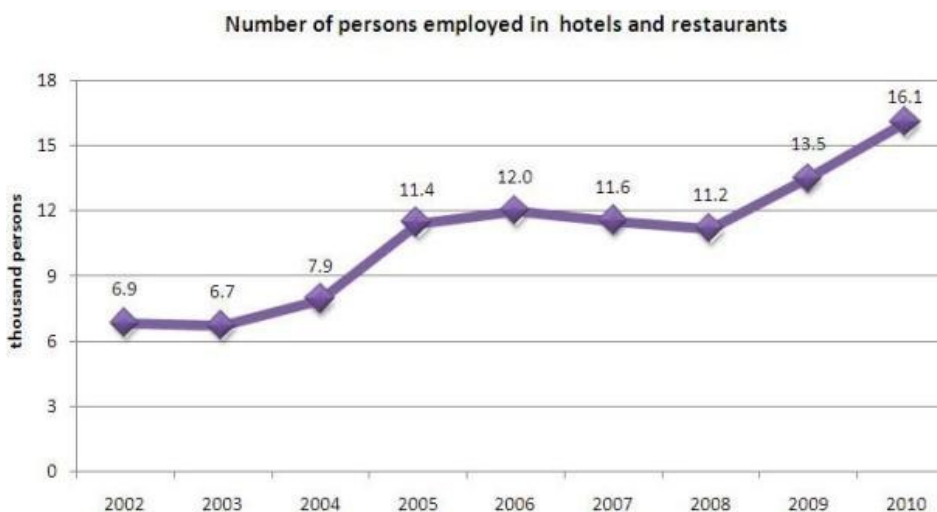
On the order of the National Tourism Agency, in 2010, a study about the problems of tourism development in the regions of the country was accomplished by BGG RESEARCH. On the order of the National Tourism

Agency of the Ministry of Economy and Sustainable Development of Georgia, the study aimed at revealing the interest of Tbilisi population (3382 respondents) in domestic trips.

For the accuracy and reliability of the above-given data, the study of the international trips is desirable to accomplish jointly by the National Tourism Agency of the Ministry of Economy and Sustainable Development of Georgia, National Statistics Office of Georgia and National Bank of Georgia. Such an initiative will abolish the doubts of whether the full influence of foreign visitors is reflected in the tax balance account and if the basic data are supplied for the development of the tourism satellite accounts. The studies about the international travelers are necessary to carry out four times a year at major border points, as the major trends of the entry of foreign visitors must be shown depending on seasonal changes.

Today the state policy of tourism development in Georgia is oriented on the maintenance of the liberal trend in the sector and supporting investments. The direct foreign investments in the branch of tourism amounted to 132 million USD in 2009. The income gained from tourism in 2004 (147 mln. USD) has almost tripled to amount to 470 mln. USD in 2009.

The tourist industry is a dynamically developing field of trading with international service. The tourist industry is able to employ human



resources in a major part of small business and develop it.

*Figure 7. Number of Persons Employed in Hotels and restaurants
(www.geostat.ge)*

The development of tourist industry and infrastructure particularly needs the favorable investment environment in the country. The governmental document of Georgia "Principal data and trends of the Georgian government in 2011-2014" says: "Boosting the investment and touristic attractiveness of the country is an important precondition for boosting foreign investments. The measures helping the demonstration of the existing investment and touristic potential of the country on the one hand and creating the new perspectives and promoting the investment flow in different branches of the country's economy on the other hand are necessary to implement at the international level and in the country locally."

Aiming at attracting investors to Georgia and creating favorable investment surroundings in the country, a law "On supporting the development of free tourist zones" was passed. Under the given law, an investor investing 1 million USD for building a hotel on the territories of Kobuleti, Anaklia or Ganmukhuri, 140 m from the sea coastline will receive 0.2 ha of land at a symbolic price of 1 Georgian lari. In addition, such investors are allowed building design documents free of charge. The state undertakes laying the communications and necessary infrastructure to the site. An investor of the building object completed before August 1, 2011 is relieved of income and property taxes for 15 years. It should be noted that a new Anaklia-Zugdidi airport and a yacht club will be built in Anaklia-Zugdidi free tourist zone. The land on these territories given to the investors is situated along the boulevard designed by a Spanish architect.

The development of high-mountainous regions in addition to the Black Sea coastline is one of the top priorities for the Georgian government. At the beginning of 2011, they started to construct a ski resort across Goderdzi Pass in Ajara, which will be completed by the end of 2012. The region of Upper Svaneti, which is an attractive site for tourists with its unique nature and ancient historical monuments, deserves a particular attention of the central and local governments.

By the decision of the government, active work is underway to attract investments to develop Mestia. This region has the characteristics typical to only several European countries. In particular, it has a summer skiing track on Ushba plateau (meeting the Olympic standards). In 5 or 6 years' time, ten super ski resorts are planned to build here.

In 2010, Mestia airdrome with interesting development perspectives was built on a magnificent location. The airport is designed for daily flights promoting Mestia and Ushguli to become important tourist centers. In addition, the airport links Svaneti with other regions of Georgia. In 2010, in Hatsvali, Mestia, a cableway was constructed and they started to build ski training school. In 2011, they started to restore an old district of Lanchvali to be finished in 2012. In 2011, the rehabilitation of motor

roads in Mestia and Lanchvali was over; a hostel “Seti” was built (in Seti square, Mestia) and they finished building the hotel “Mestia”, etc.

Before 2010, such famous brands of international hotel networks, as Radisson (4+*), Intercontinental (5*), Kempinski (5*), Hayat (5*) and Hilton (5*), were introduced in Georgia. The investments in the hotel business development in Georgia in 2011 exceeded 300 million USD.

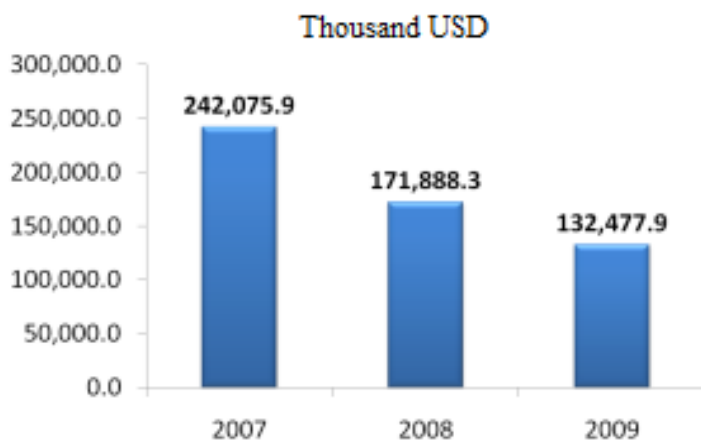


Figure 8. Foreign Direct Investments in Hotel and restaurant business (www.geostat.ge)

Generally, the tourism development policy in Georgia must be in line with the policy of the country development. The national and regional objectives should be dominant with the local and branch interests subordinate to them. At the given complex stage of development of the country's economy, the right ratio between the price and the quality of tour-products making the product competitive on the domestic market in the first instance is of great importance.

In connection to the above-mentioned, the country government, in terms of the present political and economic situation in the country, considers the development of domestic tourism, creation of such a product for the country's residents and non-residents, which is competitive on domestic and neighboring countries' tourist markets, as one of the priorities for the tourism development.

The development of domestic tourism in the regions of the country is very important to develop international tourism in the country, as the increase of the country's tourism share on the international market much depends on the increase of the local demand. Increased demand for domestic tourism creates favorable conditions to develop international

tourism, as there develop old and emerge are new tourist centers, cultural, accommodation and catering facilities, means of transportation and attractions. Thus, the countries with great demand for domestic tourism are able to meet the international demand, as well. It should be noted that domestic tourism in the developed tourist countries accounts for 80% of the total tourist flow.

In respect of the development of domestic tourism and international tourism for Georgia, stimulating the agricultural tourism, agro-tourism and wine tourism is important. In this respect, the traditional houses (private houses) of the village residents are being prepared to receive local and foreign holiday-makers, and the owners are trained to improve the service quality and skills to represent local sights. In addition, advertising and informational campaigns are realized. Aiming at developing wine tourism and agro-tourism, the network to identify farms is being developed.

Development of medical tourism at climatic health resorts and balneal resorts is one of the most important trends in Georgia in respect of development of domestic as well as international tourism. However, the scales of development of the given type of tourism due to the scarcity of the relevant tourist infrastructure are limited at present.

With the purpose of modernization and rehabilitation of resort infrastructure, they try to get local and international investors interested in the resort factors of Georgia by extensive advertising and promotion of the natural and curative resources of Georgia locally and at the international level.

Following the initial stage, when the tourist centers of the country become relatively popular, the impact of the tourism development on the environment will boost vigorously. The right strategy of tourism development in respect of the environment should ensure relatively harmless ecological environment in the regions of the country than any other branch of economy, as protection of the environment falls within the field of interests of tourism.

As we know, generally, the economics of the developed countries are based on knowledge, and the economic growth is reinforced with studies and inventions, growth of innovative activities and investments to reach the relevant level of education and improve staff qualification.

One of the factors hampering the tourism development in the cities, resorts and tourist centers of Georgia is the poor service quality of the accommodation and catering facilities demonstrated by the Georgian and foreign tourists' impressions.

The poor service quality (non-qualified service personnel, lack of proper technical appliances, failure to observe sanitary and hygienic standards in particular) of guesthouses and family guesthouses in the regions of Georgia is worth particular concern. Periodic consultations for

the hotel and family house owners are important. This would significantly improve the service quality. Another important problem is attendants' and guides' poor professionalism, and training and retraining of the guides specialized in skiing, summer mountaineering, town and other kinds of tourism is much needed.

Recommendations

The Georgian Law "On tourism" should specify the state policy principles to be implemented in the branch directed towards the formation of the legal fundamentals for the single tourist market and regulation of the relations occurring in holidaymaking, traveling, and free movement of the local people, foreign nationals and stateless people and in realization of their other rights. The law should set the conditions of tourists' insurance and safe tourists' movement and rules of tourist product formation and realization, and stimulate the development of touristic companies and tourist infrastructure. Under this law, the state should recognize tourism as one of the priorities in the country's economy, support tourist business and set favorable conditions to develop tourism; specify and support tourism priorities; form the views of Georgia as those of an attractive country; support and protect tourist businesses and their associations on the territory of Georgia.

The tourism developmental strategy in Georgia should be oriented on the regulation of the tourism enlightening system and support of innovations. Creating innovative environment in the country is possible only in terms of high scientific potential and state support. It is such environment allowing us estimating short- and long-term branch developmental strategies by considering any hampering factors or expected crises.

The economic policy of tourism in Georgia should be based on the theoretical fundamentals of economics and tourism. A tourist market must be competitive, i.e. a tourist market must be as free as possible, and the legislation should be oriented on protection of a commercial market.

Development of the tourist market should mostly take place at the expense of small business development, with the monopolistic competition market at the next stage of development (meaning the competition between different brands of the same product).

Based on the right policy of tourism development, the gross demand for tour-products and tourist services should be increased in the domestic market (i.e. a competitive market is to be created) resulting in high gross demand for tour-products (improving the tour-product and tourist service quality and making it competitive in the global market). This will lay a foundation to the formation of a monopolistic competitive market in tourism.

As there is no chance to gain mass effect for a tour-product in Georgia (i.e. no mass tourism cannot be established in the global market), the state policy for tourism development should be oriented on creating competitive advantage of Georgian tourist product in the global market.

The state economic policy should render maximum help to the establishment of the tourism market as a competitive market (no state policy in a short-term perspective is meant, as in the near future, due to many reasons, large companies cannot have competitive advantage to compete successfully in the global market).

At present, the tourist market of Georgia is oligopolic, as it is controlled by 2 or 3 companies (even more so when the business of these companies is limited to inbound tourism for small foreign tourist groups, not domestic tourism) damaging the state interests. Controlling the Georgian tourist market by several companies may be justified in a long-term perspective (in 25 years' time), i.e. the interests of several companies at present are fully realized at the expense of limiting state interests, i.e. limiting the development of tourism as that of a branch.

The tourist industry of Georgia can be developed through the development of tourist product production technology (production culture: transport industry, roads, communications, service standards, distribution and diversification of accommodation facilities, wet points and pictograms along tourist itineraries, etc.).

Georgian tourist product can be introduced to the domestic and global markets through advertising and promoting the tourist products and conducting target marketing studies what will help identify the target tourist groups and potential tourist groups.

The state should extensively advertise the country's tourist capabilities resulting in the increased international and domestic tourist flows. Besides, the advertising campaign should take the world trend into account, i.e. orientation on the growth not only of the number of tourists, but also of the incomes gained from tourists. For the country with a small territory and unique natural and cultural resources, as Georgia is, an economic growth through the increase in the tourists' expenditure and not through the sharp increase in the number of tourists is the priority. This can be achieved by diversifying the tourist product, improving service quality and prolonging the seasonal period. The state investments (budgetary funds) in the promotion of tourist product and tourist infrastructure will yield the desirable result only after several-year permanent investing. The major characteristics of efficiency of the given advertising campaign are emphasis on the major target markets and volume and time of advertising investments. The advertising campaign must be focused not only on boosting tourism incomes, but also on maintaining these incomes.

The policy of tourism development should ensure the right view of the branch development, in particular of the national traditions, values and trends so that tourism, as an inter-branch complex should really become the basis for the country's development.

Conclusion

While the state has declared the development of branch of tourism as one of the priorities, implementation of the tourism policy based on the existing legislative base is absolutely inadmissible, as it is not in line with the international standards chosen by the government of the country. The frame law for the branch of tourism, due to the above-sited gaps, cannot limit itself by individual changes only, but needs renovation as a whole.

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