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Enabling Sustainable Economic Growth in Developing Countries: Targeted Tourism Management in the Caucasus Region

Abstract

Once declared the “number one economic reformer in the world” by the World Bank, Georgia has yet to live up to the great growth and modernization expectations established during the country’s rampant economic catch-up phase after the Revolution of Roses in 2003. With its rich cultural history, beautiful landscapes, and unparalleled centuries-old customs, Georgia is well set up to benefit from the globally growing tourism industry and has worked with international organizations to craft a comprehensive tourism strategy intended to create foreign interest in the tiny Caucasus nation to help it emerge from the massive shadow cast by its much larger and more prominent neighbor, Turkey. Providing an in-depth analysis of Georgia’s historical and current economic situation, its complicated relations to the Russian Federation, as well as a portrait of its demographic and cultural context as background, this paper takes note of a series of systematic challenges, including but not limited to, the disparity of average labor productivity levels across sectors and the associated imbalance between total employment and economic contribution of different industries, the lack of diversification in the targeted tourism base and the resultingly high sensitivity to regional political tensions, as well as an inequitable education system that fails to efficiently cater to both, individual and national interests. Further, this paper proposes a number of interconnectedly designed solutions to capitalize on the resulting not-yet realized economic potential, most prominently emphasizing the acquisition of new traveler interest through globally targeted marketing strategies relying on the value proposition associated with intangible cultural heritage, the restructuring of the national education system to integrate an international focal point across all school levels and to offer a separate track of vocational training as a foundation for careers in the tourism industry, as well as a modernized approach to data collection and analysis to more effectively extract relevant patterns from tourism flows and the management of heritage sites. It is hoped that the presented insights can assist Georgia to emerge on to a path of sustainable economic growth, in turn generating economic development for the local population and helping the country establish itself as a global player in the post-pandemic world’s tourism industry.

Keywords

Georgia, Caucasus, Tbilisi, Tourism, Marketing, UNESCO, Intangible Heritage, Education, Labor Productivity, Vocational Training, Gavrilov’s Night, Revolution of Roses, Sustainability, Data Analysis

Disciplines

Advertising and Promotion Management | Bilingual, Multilingual, and Multicultural Education | Business | Curriculum and Instruction | Hospitality Administration and Management | Human Resources Management | International Business | Tourism and Travel

**Enabling Sustainable Economic Growth in Developing Countries:
Targeted Tourism Management in the Caucasus Region**

**University of Pennsylvania
The Wharton School**

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Abstract

Once declared the “number one economic reformer in the world” by the World Bank, Georgia has yet to live up to the great growth and modernization expectations established during the country’s rampant economic catch-up phase after the Revolution of Roses in 2003. With its rich cultural history, beautiful landscapes, and unparalleled centuries-old customs, Georgia is well set up to benefit from the globally growing tourism industry and has worked with international organizations to craft a comprehensive tourism strategy intended to create foreign interest in the tiny Caucasus nation to help it emerge from the massive shadow cast by its much larger and more prominent neighbor, Turkey. Providing an in-depth analysis of Georgia’s historical and current economic situation, its complicated relations to the Russian Federation, as well as a portrait of its demographic and cultural context as background, this paper takes note of a series of systematic challenges, including but not limited to, the disparity of average labor productivity levels across sectors and the associated imbalance between total employment and economic contribution of different industries, the lack of diversification in the targeted tourism base and the resultingly high sensitivity to regional political tensions, as well as an inequitable education system that fails to efficiently cater to both, individual and national interests. Further, this paper proposes a number of interconnectedly designed solutions to capitalize on the resulting not-yet realized economic potential, most prominently emphasizing the acquisition of new traveler interest through globally targeted marketing strategies relying on the value proposition associated with intangible cultural heritage, the restructuring of the national education system to integrate an international focal point across all school levels and to offer a separate track of vocational training as a foundation for careers in the tourism industry, as well as a modernized

approach to data collection and analysis to more effectively extract relevant patterns from tourism flows and the management of heritage sites. It is hoped that the presented insights can assist Georgia to emerge on to a path of sustainable economic growth, in turn generating economic development for the local population and helping the country establish itself as a global player in the post-pandemic world's tourism industry.

Introduction

Georgia and the Tourism Industry

Nestled into the mountainous South Caucasus region, Georgia is situated at the crossroads between Asia and Europe and has often found itself at the center of political rivalries throughout history. After gaining independence following the collapse of the Soviet Union in 1991, the country's economy was left in shambles with low economic growth and high unemployment rates. However, following the Revolution of Roses¹, a pro-Western power transition that took place in 2003, Georgia emerged on to a path of economic transitions that made way for a rampant catch-up phase characterized by exponential economic growth. During this time, the World Bank declared Georgia the “number one economic reformer in the world”² as the ongoing progress on market reforms and democratization allowed the country to jump 94 ranks forward in the Ease of Doing Business Index³ within a single year. However, thus far, Georgia has not managed to match the economic success of its neighbors as despite this change, part of the country's economy is still heavily dependent on agriculture and mining industries, sectors which are unlikely to experience significant growth over the next few years.

One sector that does, however, have very high growth potential is tourism. In the past twenty years, tourism arrivals have skyrocketed from 100,000 visitors annually to about 8.7

¹ Wheatley, J. (2006). *Georgia from National Awakening to Rose Revolution: Delayed Transition in the Former Soviet Union*. Ashgate.

² Top reformers from Doing Business 2008. (2009). Retrieved February 3, 2020, from <https://www.doingbusiness.org/en/reforms/top-reformers-2008>

³ World Bank. (n.d.). Ease of Doing Business Rankings. Retrieved February 21, 2020, from <https://www.doingbusiness.org/en/rankings>

million in 2018⁴. However, in terms of total economic value contributed, Georgia's tourism industry still lags behind its neighboring countries Turkey, Azerbaijan, and Armenia. Determined to reverse this situation and take on a more prominent position as tourism hub in the Caucasus, the Georgian government devised a comprehensive tourism strategy in conjunction with the World Bank and hopes to "maximize tourist satisfaction, diversify markets and products, increase the size and profitability of the industry, and increase opportunities for job creation"⁵ through 2025. In order to achieve these goals, it will be absolutely essential for Georgia to establish a prominent point of differentiation to Turkey, a country that not only benefits from better transportation connectivity to the West than Georgia but is also home to a well-structured tourism sector that capitalizes on Turkey's unique landscapes and highly developed infrastructure.

Experts have suggested that significant value can be extracted from the strategic implementation of tourism offerings that introduce visitors to the unique cultural and social background of Georgia. Particularly interesting in this regard is the expansionary trend of mountain tourism, equestrian tourism, and culinary tourism which, respectively, aim to capitalize on Georgia's untouched nature tracks, long-standing cultural roots and folklore, and hearty and locally sourced cuisine. With the recent ban of all Russian flights⁶, Georgia of course faces a particularly challenging environment to grow its tourism revenues, making the successful

⁴ Bregadze, G. (2019). *Georgian Tourism in Figures: Structure and Industry Data 2018* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

⁵ World Bank. (2015, December 7). A Tourism Strategy for Georgia – New Path Ahead. Retrieved February 2, 2020, from <https://www.worldbank.org/en/news/feature/2015/12/07/a-tourism-strategy-for-georgia-new-path-ahead>

⁶ The Moscow Times. (2020, August 23). Putin Suspends Passenger Flights from Russia to Georgia. Retrieved February 2, 2020, from <https://www.themoscowtimes.com/2019/06/21/putin-suspends-passenger-flights-from-russia-to-georgia-a66111>

implementation of a plan to “create unique and authentic visitor experiences centered on Georgia’s natural and cultural heritage”⁷ more important than ever.

Research Relevance and Objectives

Currently ranked 70th on the Human Development Index⁸ (HDI), Georgia is considered a developing country. With a population of just 3.7 million people⁹, its GDP per capita ranks 105th in the world and experiences downward pressure from the high unemployment rate¹⁰. Almost half of the country’s working population is already employed in industries directly affected by travel and tourism and it is hoped that near-term growth in the tourism sector can add another 100,000 jobs. Currently still considered a very niche destination for most travelers, Georgia sees immense economic potential in growing their reach to include more travelers from Europe, North America, and Asia and seeks to build out the relevant infrastructure for this undertaking. However, thus far, Georgia’s international marketing has not yielded the hoped-for results as no immediate spikes in tourism have been recorded since the implementation of the World Bank’s plan. It is hoped that this research project will not only help to identify target tourist populations and devise effective strategies to actively attract them, but to do so while meeting the country’s self-stated objective of gaining better abilities to collect and analyze tourism data. In order for this targeting to be as effective as possible, it will be of utmost importance that Georgia firmly

⁷ World Bank. (2015, December 7). A Tourism Strategy for Georgia – New Path Ahead. Retrieved February 2, 2020, from <https://www.worldbank.org/en/news/feature/2015/12/07/a-tourism-strategy-for-georgia-new-path-ahead>

⁸ *Human Development Report: Georgia*. (2020). Retrieved from <http://hdr.undp.org/en/countries/profiles/GEO>

⁹ World Bank. (2020, April 16). Georgia Country Profile. Retrieved February 20, 2020, from <https://www.worldbank.org/en/country/georgia/overview>

¹⁰ *Georgia Unemployment Rate*. (2019). Retrieved from <https://www.ceicdata.com/en/indicator/georgia/unemployment-rate>.

establishes its points of differentiation to other countries in the Caucasus region before it becomes a mass tourism destination. Its neighboring country Turkey welcomes more than six times as many visitors¹¹ every year and enjoys a well-respected reputation as tourism paradise internationally. Since it is unlikely that Georgia will be able to build up the resources to compete with Turkey's family-oriented resorts in the short run, this research projects anticipates that more emphasis should be placed on the country's vast and very unique cultural heritage. As of 2020, 48 items are listed on Georgia's registry of cultural heritage¹², four of which are also protected by the United Nations Educational, Scientific, and Cultural Organization as Intangible Heritage Properties.

¹¹ Luty, J. (2020, August 3). *Number of foreign visitors arriving in Turkey from 2000 to 2019*. Retrieved from <https://www.statista.com/statistics/707699/foreign-tourist-arrivals-in-turkey/>.

¹² *Intangible Cultural Heritage* (Rep.). (n.d.). National Agency for Cultural Heritage Preservation of Georgia.

Context

Georgia's Economy

In a world more and more focused on industry and services, Georgia still sees around 41%¹³ of its over two million people strong workforce employed in the agricultural sector. In this sector, about three quarters of the workers¹⁴ are reported to be self-employed, meaning they are largely working on small family-owned farms. Despite the large employment, the agricultural sector only adds around 7.8%¹⁵ to the national GDP, pointing towards rather low labor productivity. Heavily reliant on the production of fruit and vegetables, cereals, rice, and wine, Georgia's exports, however, continue to be dominated by agricultural products, processed foods and beverages. The Deep and Comprehensive Free Trade Area (DCFTA) Agreement¹⁶ signed between Georgia and the European Union entails that all of these agricultural products may be exported to EU countries without duties. Here, wine in particular is a very popular export, totaling 197 million USD¹⁷ in 2018 alone. However, since 58% of wine exports were directed to Russia¹⁸ in the same year, this revenue stream cannot be viewed as stable as bilateral relations between the two countries continue to be strained and the 2019 imposed sanctions limit Georgia's ability to continue on its exponential growth trend in the field of international winery exports.

¹³ The Economic Context of Georgia. (2020, July). Retrieved August 2, 2020, from <https://www.nordeatrade.com/en/explore-new-market/georgia/economical-context>

¹⁴ Namchavadze, B. (2020). *Georgia's Agriculture Sector: Key Trends for 2012-2019* (Publication). Ministry of Foreign Affairs of the Kingdom of Norway.

¹⁵ Namchavadze, B., Natroshvili, L. (2020, March 12). Trends in Georgia's Agriculture Sector in 2012-2019. Retrieved July 10, 2020, from <https://transparency.ge/en/post/trends-georgias-agriculture-sector-2012-2019>

¹⁶ *Implementation of the 2014-2017 Action Plan for the Deep and Comprehensive Free Trade Area Agreement (DCFTA)* (Rep.). (n.d.). Ministry of Economy and Sustainable Development of Georgia (MoESD).

¹⁷ Transparency International Georgia. (2020). *Georgia's Economic Dependence on Russia: Trends and Threats* (Rep.). Swedish International Development Agency (SIDA).

¹⁸ *ibid*

Smallest in terms of employment is the industrial sector which has gone through intermingled periods of growth and decline throughout the past three decades. Especially struggling under the dismantling of the Soviet Union and the aftermath of the Revolution of Roses, the industrial sector employs 13% of Georgia's workforce as of 2019, contributing almost 20% to the GDP¹⁹. Georgia's mines for Manganese and nonmetallic minerals used to supply the raw materials to many of the former Soviet Union's industries across its entire territory and although this function of the Georgian economy has steadily declined in the years since the fall of the Soviet Union, Georgia continues to be a main supplier for countries of the Caucasus region as well as Russia and Ukraine. Additionally, Georgia's advanced fuel production facilities have served as main source of industrialization in the past decades as hydroelectric stations as well as coal and natural gas plants have sprung up all across the country. Yet, fuels count towards Georgia's main imports²⁰ while metals and fertilizers out of Georgia's active chemicals industry are among the country's largest exports²¹.

Finally, the tertiary sector of Georgia's economy has steadily been gaining importance and is now the focus of many state-sponsored projects and even foreign direct investment. Accounting for almost 60% of Georgia's GDP²², services, especially in the hospitality, gastronomy, transportation, and telecommunications sectors are now the main driver of Georgia's economic growth. Specifically the inflow of international tourism has led to an exponential increase in both, this sector's economic contribution and its total employment at

¹⁹ The Economic Context of Georgia. (2020, July). Retrieved August 2, 2020, from <https://www.nordeatrade.com/en/explore-new-market/georgia/economical-context>

²⁰ Howe, G., & Djibladze, M. (2019, September 10). Georgia: Industry. Retrieved July 23, 2020, from <https://www.britannica.com/place/Georgia/Industry>

²¹ *ibid*

²² The Economic Context of Georgia. (2020, July). Retrieved August 2, 2020, from <https://www.nordeatrade.com/en/explore-new-market/georgia/economical-context>

around 45%²³ of the total workforce. In 2017, almost eight million²⁴ international visitors were registered – a number more than twice the size of the country’s whole population. While still almost 80% of these internationally inbound tourist visits originate from neighboring countries²⁵, the fraction of visitors coming from other regions of the globe has been increasing steadily over the last decade. Since travelers from Azerbaijan, Armenia, Russia, and Turkey are the respectively largest represented groups, it is no surprise that more than three quarters of tourists still enter the country via land rather than air²⁶. The biggest increase in air-based tourism in 2017 has been noted after the lifting of the previously strict visa regime for Iran and the subsequent increase of direct flights, resulting in an growth of almost 120% in Iranian tourists²⁷, overtaking Ukraine as the fifth most influential country of tourism origin. With as much as 38%²⁸ of all international visits taking place for the explicit purpose of leisure and recreation, there is enormous potential for Georgia to grow its GDP through targeted and effective tourism management.

Impact of Russian Sanctions

On June 20th, 2019, Sergei Gavrilov, a member of the Russian Communist party in the lower house of the Federal Assembly, visited Georgia and sat in a chair reserved for the

²³ The Economic Context of Georgia. (2020, July). Retrieved August 2, 2020, from <https://www.nordeatrade.com/en/explore-new-market/georgia/economical-context>

²⁴ Bregadze, G. (2018). *Georgian Tourism in Figures: Structure and Industry Data 2017* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

²⁵ *ibid*

²⁶ The Ministry of Internal Affairs of Georgia. (2017). [Structure of International Visitor Trips by Borders]. Raw data.

²⁷ The Ministry of Internal Affairs of Georgia. (2017). [International Tourist Visits by Countries of Origin]. Raw data.

²⁸ National Statistics Office of Georgia. (2017). [Main Purpose of Visit]. Raw data.

Georgian Head of parliament according to protocol while praising the Orthodox Brotherhood of both countries²⁹. Later that day, members of the opposition called for the resignation of the Georgian government, calling upon citizens to protest. The night hours were characterized by clashes between law enforcement and demonstrators, leading to at least 240 injuries due to tear gas and rubber bullets shot into the masses as well as 305 arrests in what would later become known as Gavrilov's Night³⁰. Over the next four days, protestors continued to fill the streets of Tbilisi before calming down only after the ruling party, Georgian Dream, promised a revision of the electoral system. In November³¹ of the same year, however, it became evident that no such reform was on the way and the protests ignited anew.

On July 8th, 2019, Russian President Vladimir Putin responded to the Georgian unrests by issuing a decree suspending all passenger flights for Russian citizens headed to Georgia³². Subsequent actions which are said, but not officially confirmed, to be related to the Georgian protests include the increased quality reports of two of Georgia's largest exports, wine and mineral water, under the oversight of Russia's Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing³³.

This is particularly hurtful to the Georgian economy due to the country's heavy reliance on trade and tourism connections to Russia. In 2019 alone, Georgia exported goods worth 500

²⁹ Genin, A. (2019, July 26). Georgian Protests: Tbilis's Two-Sided Conflict. Retrieved May 23, 2020, from <https://calrev.org/2019/07/25/russian-impiety-georgian-riots/>

³⁰ Dzhindzhikhashvili, M. (2019, June 21). Georgians keep protesting despite speaker's resignation. Retrieved May 23, 2020, from <https://www.apnews.com/0fc953dda67c4535ad18b5c54b3537ac>

³¹ Antidze, M. (2019, November 17). Tens of thousands gather in Tbilisi to demand snap elections in Georgia. Retrieved July 21, 2020, from <https://www.reuters.com/article/us-georgia-politics-protests/tens-of-thousands-gather-in-tbilisi-to-demand-snap-elections-in-georgia-idUSKBN1XR0K1>

³² The Moscow Times. (2020, August 23). Putin Suspends Passenger Flights From Russia to Georgia. Retrieved August 3, 2020, from <https://www.themoscowtimes.com/2019/06/21/putin-suspends-passenger-flights-from-russia-to-georgia-a66111>

³³ Carroll, O. (2019, June 25). War on the grapevine? Russia ups control on Georgian wine imports. Retrieved August 3, 2020, from <https://www.independent.co.uk/news/world/europe/russia-georgia-wine-imports-protests-alcohol-trade-imports-a8972386.html>

million USD³⁴ to Russia, equaling 13.2% of Georgia's total exports of the year. Especially affected is the winery production, as more than half of its exports are usually directed to Russia. In the first quarter of 2020, Georgian wine exports to Russia fell 19%³⁵, mostly due to the increased quality controls introduced by Russia after the 2019 protests, making up a significant fraction of the 33% decrease in Georgia's total exports to Russia. While it is difficult to clearly attribute this decrease to the bilateral tensions rather than the overall slowdown in economic activity stemming from the COVID-19 pandemic³⁶ in the first quarter of 2020, one comparison that can be made easily persists in the domain of tourism. The total number of Russian tourists to Georgia fell by 11% in the second half of 2019³⁷ after Russian President Vladimir Putin banned all commercial flights to Georgia, leading to a decrease of almost 4% in Russia's share of total tourism arrivals³⁸ in Georgia. In a hypothetical scenario in which Russia were to ban all its citizens from travelling to Georgia and the COVID-19 pandemic were not to exist, the total economic loss in 2020 would amount to roughly 700 million USD³⁹, or 4% of the GDP. Since, however, most visitors have always entered the country via land rather than air⁴⁰, the decrease was not as drastic as feared at first.

³⁴ Transparency International Georgia. (2020). *Georgia's Economic Dependence on Russia: Trends and Threats* (Rep.). Swedish International Development Agency (SIDA).

³⁵ *ibid*

³⁶ Babych, Y., Keshelava, D., & Mzhavanadze, G. (2020). *The Economic Response to COVID-19: How is Georgia Handling the Challenge?* (Rep.). ISET - International School of Economics at TSU Policy Institute.

³⁷ Transparency International Georgia. (2020). *Georgia's Economic Dependence on Russia: Trends and Threats* (Rep.). Swedish International Development Agency (SIDA).

³⁸ *ibid*

³⁹ *ibid*

⁴⁰ The Ministry of Internal Affairs of Georgia. (2017). [Structure of International Visitor Trips by Borders]. Raw data.

Impact of COVID-19

From a public health point of view, Georgia handled the COVID-19 pandemic rather well. Banning flights from China in late January⁴¹ and imposing strict travel restrictions both internationally and domestically in March, Georgia was able to contain the spread of the virus better than most other nations. Additionally, schools and universities were also closed in March, shortly before public gatherings of any kind were banned across the country. Later, in April, all four major Georgia cities - Tbilisi, Batumi, Kutaisi, and Rustavi – were put under complete lockdown⁴². As of August 20, the country has registered merely 17 deaths and 1,370 total cases⁴³. Even after being adjusted by population, this puts Georgia at a significantly lower number of cases and deaths than most Western countries. In fact, Georgia’s cases/population ratio is 50 times lower than that of the US and 14 times lower than that of the UK while Georgia’s death/population ratio is even more impressive at 135 times lower than that of the US⁴⁴ and 152 times lower than that of the UK⁴⁵. Of course, due to the nature of the government, it cannot be said with certainty whether reporting of testing, cases, and deaths is reliable or truthful but from the officially reported numbers it at least appears as if the frequency of testing is approximately equal to European countries like the Netherlands⁴⁶ or Czechia⁴⁷.

⁴¹ Babych, Y., Keshelava, D., & Mzhavanadze, G. (2020). *The Economic Response to COVID-19: How is Georgia Handling the Challenge?* (Rep.). ISET - International School of Economics at TSU Policy Institute.

⁴² Keshelava, D., Mzhavanadze, G., & Babych, Y. (2020, May 21). COVID-19: The Case of Georgia. Retrieved July, from <https://freepolicybriefs.org/2020/05/21/covid-19-georgia-case/>

⁴³ Georgia. (n.d.). Retrieved August 20, 2020, from <https://www.worldometers.info/coronavirus/country/georgia/>

⁴⁴ United States. (n.d.). Retrieved August 20, 2020, from <https://www.worldometers.info/coronavirus/country/us/>

⁴⁵ United Kingdom. (n.d.). Retrieved August 20, 2020, from <https://www.worldometers.info/coronavirus/country/uk/>

⁴⁶ Netherlands. (n.d.). Retrieved August 20, 2020, from <https://www.worldometers.info/coronavirus/country/netherlands/>

⁴⁷ Czechia. (n.d.). Retrieved August 20, 2020, from <https://www.worldometers.info/coronavirus/country/czech-republic/>

Economically, the impacts of the coronavirus pandemic are more detrimental. Since two thirds of the Georgian GDP depend on household spending, a decrease in this consumption would bear a great negative effect on the overall economy. Industries like hospitality and gastronomy will feel the impact particularly strongly as the strict domestic movement regulations multiply the effect of the absence of international visitors. However, more locally focused industries such as transportation will be impacted just as much. This in turn is likely to cause a significant increase in unemployment, especially in the informal sector, causing a further decrease in collected taxes. This decrease will likely be accompanied by a decrease in remittances as employment in other countries will experience similarly challenging times. Such decrease in remittances will hit Georgia harder than most other countries, as almost 10% of the GDP⁴⁸ is made up of money being sent home by emigrated citizens, placing Georgia among the top receiver countries of foreign transfers.

⁴⁸ Babych, Y., Keshelava, D., & Mzhavanadze, G. (2020). *The Economic Response to COVID-19: How is Georgia Handling the Challenge?* (Rep.). ISET - International School of Economics at TSU Policy Institute.

Tourism Patterns

Relative to most other nations, Georgia's economy is heavily dependent on tourism revenues as around 7.6% of the GDP⁴⁹ are contributed through direct tourism expenditures, compared to less than 3% of the GDP⁵⁰ of the United States. However, the Georgian GDP share contributed by tourism still continues to grow as the country aims to diversify both, its tourism offerings and the targeted visitor base. Both of these points are centrally integrated into the 2025 economic plan of the government, as especially infrastructure projects are intended to increase Georgia's attractiveness to foreigners. Georgia competes in a difficult market as its neighbor Turkey has famously well built out tourism infrastructure with internationally praised resorts, well organized travel groups, and a diverse offering of tourism activities. However, Georgia can offer some unique activities as well as especially its mountainous terrain around the World Heritage Svaneti⁵¹ region is well suited for winter sports, a highly lucrative tourism subsector and its antique cities allow visitors to catch a glimpse of long passed but not forgotten times. For this purpose, Georgia's unparalleled riches of intangible cultural heritage offer a clear

⁴⁹ Bregadze, G. (2019). *Georgian Tourism in Figures: Structure and Industry Data 2018* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

⁵⁰ *United States Tourism Revenues: 1999-2020*. (n.d.). Retrieved from <https://tradingeconomics.com/united-states/tourism-revenues>.

⁵¹ UNESCO World Heritage. (n.d.). Upper Svaneti. Retrieved July 2, 2020, from <https://whc.unesco.org/en/list/709/>

competitive advantage as visitors can be entertained for days by partaking in traditional festivities, indulging in culinary treasures, or witnessing medieval crafting methods. This interest is reflected especially in the increasing popularity of Tbilisi (see Figure 1⁵²) as a travel destination, since the 1500 years old city⁵³ bears plenty of opportunity to participate in these activities, stemming from a high concentration of heritage sites in close physical proximity.

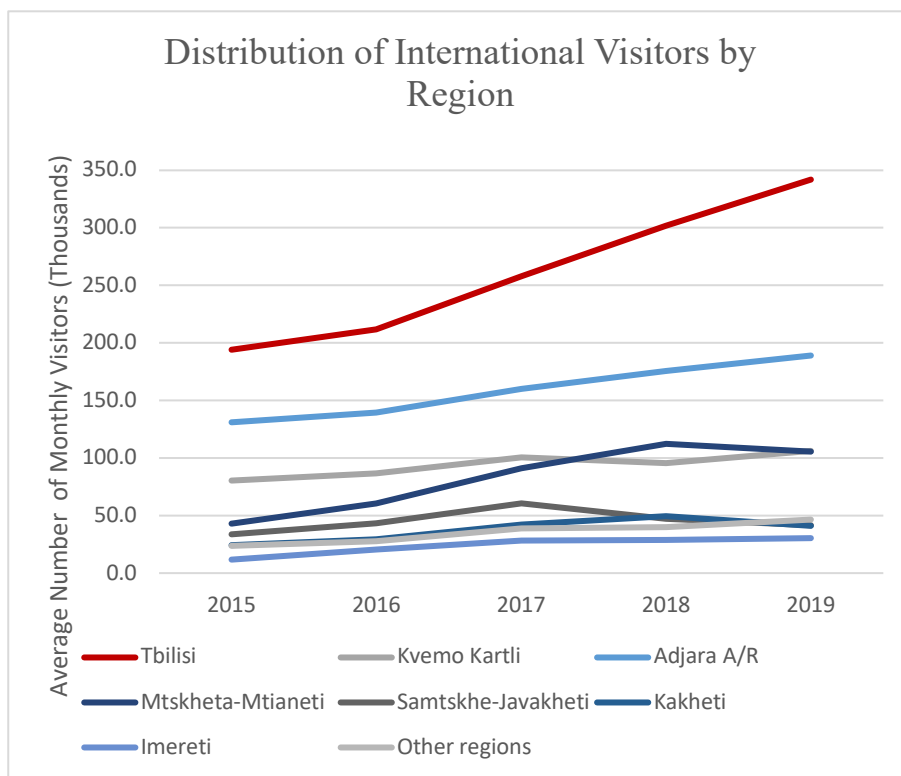


Figure 1: Distribution of Average Monthly Numbers of International Visitors By Region

However, as of 2020, not much has been done to support the further popularization as well as monetarization of these offerings, as many international tourism arrivals, especially those from neighboring countries, are still conducted with the explicit purpose of either visiting friends and family or enjoying a short term vacation by the beach or in the mountains. The average duration for a trip to Georgia was four nights in 2017⁵⁴ and over 37% of all visits⁵⁵ lasted less than a day – indicating plenty of transit and occasion tourism. Additionally, the largest fraction

⁵² National Statistics Office of Georgia. (2019). [Number of International Visitors by Region]. Raw data.

⁵³ Etheredge, L. (2019, July 23). Tbilisi. Retrieved May 23, 2020, from <https://www.britannica.com/place/Tbilisi>

⁵⁴ Bregadze, G. (2018). *Georgian Tourism in Figures: Structure and Industry Data 2017* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

⁵⁵ *ibid*

of overnight stays, around one third of the total, took place in the homes of friends and family (See Figure 2⁵⁶), leading to lower than desired tourism expenditures.

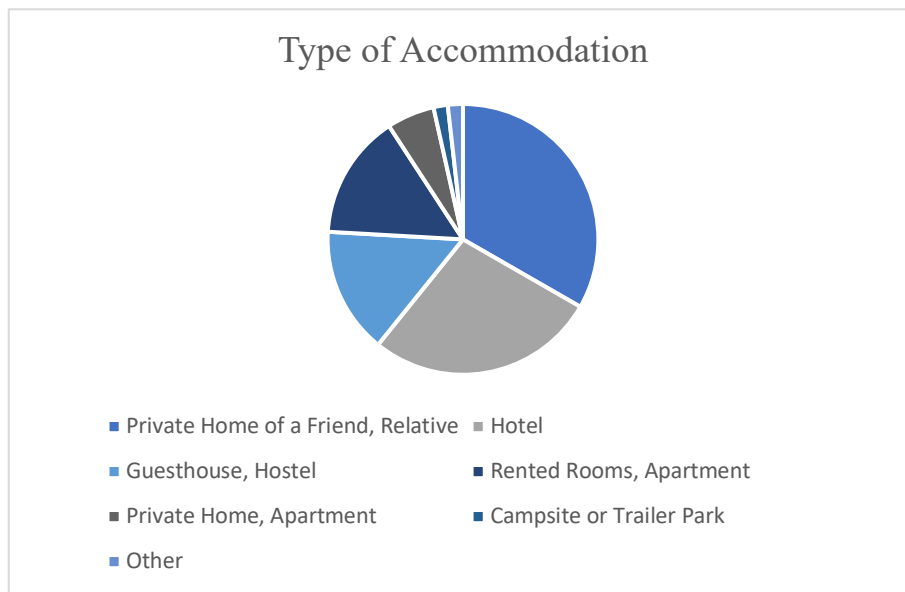


Figure 2: Type of Accommodation, Data from 2017

Efforts to better market the aforementioned unique opportunities to experience intangible cultural heritage could hence lead to a significant uptake in revenues, as especially tourists from previously less targeted, but high paying regions of the world such as the European Union, North America, and East Asia would experience more attraction to Georgia, setting the country up for a positive cycle of economic growth and resulting economic development should the administration find itself able to nourish a system in which revenues get reinvested into the maintenance and new development of tourism infrastructure and the existing education system is revamped to prepare the population for a shift in the economic composition of the country's proceedings. To Georgia's advantage, the country's rich cultural history has set it up perfectly to benefit off of a wide variety of unique heritage points spanning multiple categories and geographies.

⁵⁶ Bregadze, G. (2018). *Georgian Tourism in Figures: Structure and Industry Data 2017* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

Intangible Cultural Heritage

The United Nations Educational, Scientific, and Cultural Organization (UNESCO) was founded in 1946 with the mission to preserve and protect sites of outstanding cultural and natural value around the globe⁵⁷. Only officially included, and hence protected, under the Convention for the Safeguarding of Intangible Cultural Heritage in 2003⁵⁸, intangible cultural heritage was added as the third pillar of UNESCO's world heritage protection focus to preserve and celebrate nonphysical intellectual wealth of places, such as folklore, customs, beliefs, traditions, knowledge, and language. According to the UN, "Intangible Cultural Heritage means the practices, representations, expressions, knowledge, skills – as well as the instruments, objects, artifacts and cultural spaces associated therewith – that communities, groups and, in some cases, individuals recognize as part of their cultural heritage"⁵⁹. In the Convention, it is additionally pointed out that while intangible cultural heritage has developed out of historic times, it continues to be recreated and adapted as it is passed down from generation to generation⁶⁰. This, of course, provides a sense of both identity and continuity that is difficult, if not impossible, to recreate in external environments, hence demonstrating the value of cultural diversity around the globe and its protection through mutual respect.

⁵⁷ UNESCO. (n.d.). Retrieved June 1, 2020, from <https://en.unesco.org/>

⁵⁸ Text of the Convention for the Safeguarding of the Intangible Cultural Heritage. (n.d.). Retrieved June 2, 2020, from <https://ich.unesco.org/en/convention>

⁵⁹ What is Intangible Cultural Heritage? (n.d.). Retrieved June 2, 2020, from <https://ich.unesco.org/en/what-is-intangible-heritage-00003>

⁶⁰ Vrdoljak, A., & Logan, W. (2018). *Intellectual Property, Cultural Property and Intangible Cultural Heritage* (C. Antons, Ed.). Routledge.

Georgian Registry of Intangible Cultural Heritage

In addition to the four items officially recognized as UNESCO Intangible Cultural Heritage, Georgia maintains its own list of items considered culturally unique and historically important. As of 2020, this list, the Georgian Registry of Cultural Heritage⁶¹, contains the following 48 items in alphabetical order, four of which are also inscribed by UNESCO in the global List of Intangible Cultural Heritage and are marked with an asterisk below.

| <i>Item</i> | <i>Description</i> |
|---|--|
| <i>Abkhaz and Mingrelian adjika</i> | Spicy dishes served as traditional dips. |
| <i>Bazieroba</i> | Traditional Falconry. |
| <i>Berikaoba</i> | Masqueraded folk dance of fertility. |
| <i>Blue tablecloth manufacturing</i> | Tradition stemming back to the 17 th century. |
| <i>Changi</i> | Ancient harp from Svaneti region. |
| <i>Chidaoba*</i> | Georgian wrestling style. |
| <i>Chuniri</i> | Folk musical instrument from Svaneti region. |
| <i>Dambalkhacho</i> | Fermented curd from Pshavi region. |
| <i>Dedaena</i> | “Mother Tongue” – primer for the Georgina language published in 1876 and still used. |
| <i>Dedas Puri</i> | “Mother’s Bread” – bread in Kakheti region. |
| <i>Dila</i> | Children's literary magazine. |
| <i>Gantiadi</i> | Literary Magazine since 1915. |
| <i>Georgian corn</i> | Key ingredient in many traditional dishes. |
| <i>Georgian folk medicine</i> | Beliefs & customs associated with medicine. |
| <i>Georgian silk</i> | Sericulture dating back to 5 th century. |
| <i>Georgian–Jewish relations (26 centuries)</i> | Since exodus during the Babylonian captivity. |
| <i>Isindi, Tskhenburti, Kabakhi, Marula</i> | Horseback mounted team sports. |
| <i>Kakhetian Churchkhela</i> | Nut and grape candy from Kakheti region. |
| <i>Kakhetian hat</i> | Felted hat from Kakheti region. |
| <i>Kakhetian Mravalzhamieri</i> | Polyphonic folk song from Kakheti region. |
| <i>Khachapuri</i> | Traditional pastry. |
| <i>Khorumi</i> | Traditional war dance from Adjara region. |
| <i>Kubdari (Kubed)</i> | Meat filled pastry from Svaneti region. |
| <i>Kvevri</i> | Traditional vessel used in wine making. |
| <i>Kvevri wine-making method*</i> | Ancient tradition still practiced today. |
| <i>Lagidze Waters</i> | Brand of soft drinks established in 1887. |
| <i>Lelo burti</i> | Premiere mounted sport. |
| <i>Living culture of three writing systems*</i> | 3 writing systems of the Georgian Alphabet. |
| <i>Medicinal mineral springs</i> | Medical instrument from Svaneti region. |

⁶¹ *Intangible Cultural Heritage* (Rep.). (n.d.). National Agency for Cultural Heritage Preservation of Georgia.

| | |
|---|---|
| <i>P'etvraal</i> | Cheese filled bread from Svaneti region. |
| <i>Perkhuli</i> | Folk dance for men. |
| <i>Polyphonic singing*</i> | Overtone throat singing. |
| <i>Shota Rustaveli Theatre and Film University students' induction ceremony</i> | Annual Ceremony held at Marjanishvili Memorial Museum in Kvareli. |
| <i>Supra</i> | Traditional Feast. |
| <i>Svan cuisine: Tashmjab</i> | Crème of potatoes from Svaneti region. |
| <i>Svan hat</i> | Felted wool hat making from Svaneti region. |
| <i>Svanetian wood carving</i> | Middle Age tradition of wood ornaments. |
| <i>Svanuri Marili or Lushnu Jim</i> | Traditional spicy salt from Svaneti region. |
| <i>Tenili</i> | Cheese originating from Meskhetian region. |
| <i>Tsiskari</i> | “The Dawn” – literary magazine since 1852. |
| <i>Tskhavati pottery</i> | Pottery in Tskhavati village. |
| <i>Ulami in the Ksani valley</i> | Collective work in Shida Kartli region. |
| <i>Urban Mravalzhamieri</i> | Polyphonic folk song from Tbilisi. |
| <i>Vardisubani</i> | Traditional pottery center in Kakheti region. |
| <i>Vepkhistaosani</i> | 12 th century national epic. |
| <i>Women councils</i> | Concerned with the emancipation of women. |
| <i>Zari</i> | Funeral chant from Svaneti region. |

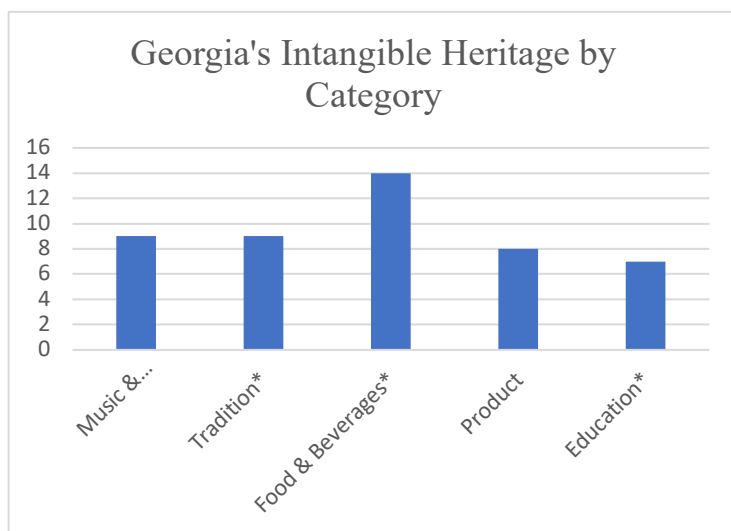


Figure 3: Distribution of Items on the Registry of Georgia's Intangible Heritage by Category

When sorted into five representative categories (See Figure 3⁶²: Music & Entertainment, Tradition, Food & Beverages, Product, Education) as depicted, it becomes apparent that the items on Georgia’s registry of intangible heritage cover a wide variety of origins and cultural significances.

Interesting to note is especially the emphasis on food and beverages, an industry that is far less represented in the heritage of other nations and regions. According to the National

⁶² National Agency for Cultural Heritage Preservation of Georgia. (2020). [Heritage by Category]. Raw data.

Statistics Office of Georgia, tasting Georgian cuisine and wine is the single most popular activity among leisure travelers, with over three quarters of all tourists counting the ability to enjoy regional specialties as one of their main purposes of travel⁶³. Additionally, more than a quarter of total tourist expenditures stems from served food and drink⁶⁴, not taking into consideration the large amount of food and beverages, especially wine, that are purchased for later consumption by visitors. Due to the multicultural influences that have characterized Georgia throughout its tumultuous past, the national dishes are said to skillfully combine the flavors of the Arabic world with the filling cooking of Eastern Europe and the famous cheese varieties of the Caucasus region. Particularly famous dishes include P'etvraal, a freshly baked bread variety filled with local cheese, Kubdari, a pastry filled with minced meat, and of course Abkhaz and Mingrelian adjika, spicy dips served with various meals.

However, other categories are equally interesting to examine as especially Music and Entertainment as well as Tradition leverage what the United Nations refer to as “human treasures”⁶⁵: the intangible parts of culture that can only be experienced through what is often described as a human vehicle. These forms of expression, such as dance, song, and celebration, are especially pronounced in Georgian culture. Famous examples include Polyphonic singing, a regional variety of the ancient art of throat singing popular throughout central Asia, the Perkhuli folk dance for men practiced around the year at festivities, and Berikaoba, a masqueraded folk dance to celebrate fertility.

⁶³ Bregadze, G. (2018). *Georgian Tourism in Figures: Structure and Industry Data 2017* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

⁶⁴ Bregadze, G. (2019). *Georgian Tourism in Figures: Structure and Industry Data 2018* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

⁶⁵ Vrdoljak, A., & Logan, W. (2018). *Intellectual Property, Cultural Property and Intangible Cultural Heritage* (C. Antons, Ed.). Routledge.

Tourism Solutions

In order to fully take advantage of the existence of these culturally, but also commercially, valuable activities, Georgia must develop a consistent tourism strategy that takes into account all aspects of a visitor's journey. To attract more international visitors, this strategy primarily needs to focus on the acquisition of new traveler interest through targeted marketing campaigns. As Georgia aims to diversify its visitor base, partially to reduce dependency on Russia in a preemptive strike against further sanctions, and partially to increase average spending per tourist by appealing to wealthier nations, special focus is put on Europe. In recent years, there has been an uptick in the interest in Georgia from the EU region, however, still only around 1% of all international visitors come from Western Europe⁶⁶, the region best known for its spending propensity. Even so, a large fraction of the arrivals from Germany, France, or the Netherlands, the three most represented nations of the region, stem from emigrated Georgians visiting friends and family. To better cater towards the desires of this region, Georgia needs only to apply an attractive marketing strategy relying especially on Georgia's long-standing history and exceptional cuisine. The countries of Western Europe are famously fond of their own ancient and medieval histories and carry in their culture an almost innate desire to learn more about and experience places similarly characterized by tradition. Southern European visitors, on the other hand, make up less than 0.5%⁶⁷ of current arrivals in Georgia, would likely be highly interested in Georgian folklore, dance, and song, as these countries derive great cultural value from their own community focused entertainment. East Asia, also accounting for less than 0.5% of current

⁶⁶ Georgian National Tourism Administration. (2018). [International Visitors, Western Europe]. Raw data.

⁶⁷ Georgian National Tourism Administration. (2018). [International Visitors, Southern Europe]. Raw data.

arrivals⁶⁸, is renowned in tourism terms for group travel and organized activities. To cater towards these interests, the Georgian tourism bureau needs to focus its local advertising campaign on travel agencies rather than individuals, stressing the access to the traditional feast Supra, the Annual Ceremony held at Marjanishvili by the Shota Rustaveli Theatre and Film University, or spectacles featuring Isindi, Tskhenburti, Kabakhi, or Marula mounted sports.

Following the implementation of such or similar marketing strategies to catalyze demand, creating infrastructure on the way to, and subsequently in, Georgia is the most essential step of converting interest into action. In recent years, Georgia has poured significant efforts into encouraging partnerships with international airlines in order to increase access especially for European and Asian travelers. In 2017, there were 53 international airlines⁶⁹ operating in Georgia, and in 2018, this figure even increased to 56⁷⁰ as more Middle Eastern airlines such as Omani Salam Air, Saudi Arabian Flynas, and Kuwaiti companies Kuwait Airways and Jazeera Airways added Tbilisi to their list of destinations, before suffering the loss of Russian airlines like Aeroflot and UVT Aero in late 2019. Within the country, domestic airlines offering comparatively cheap flights ease relocation between beaches, cities, and mountains, which is hoped to increase the average stay duration for visitors. In order to generate accommodation options for the hoped-for increasing numbers of tourists at the various locations, the Georgian government has given contracts to a number of international hotel chains dispersed across the price spectrum in the hope of keeping up with neighboring countries' tourism offerings. As of 2018, Georgia has 86,772 beds nationwide, with 6,436 beds contributed by the 34 international

⁶⁸ Georgian National Tourism Administration. (2018). [International Visitors, East Asia]. Raw data.

⁶⁹ Bregadze, G. (2018). *Georgian Tourism in Figures: Structure and Industry Data 2017* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

⁷⁰ Bregadze, G. (2019). *Georgian Tourism in Figures: Structure and Industry Data 2018* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

brand hotels⁷¹. Registering a large increase in the informal hospitality industry, Georgia saw 10,289 properties listed on Airbnb in the same year, an increase of more than 60% to the previous year's figure⁷².

Finally, an important factor somewhat considered too little by the official tourism strategy so far is the acquisition and training of hospitality personnel. In a country with a language and writing system so unique it is considered intangible world heritage, only very few people are comfortable communicating in English. In fact, less than 20% of Georgians⁷³ self-report being able to hold a conversation, indicating that the true percentage of Georgians able to interact with international visitors is potentially even lower. Of course, however, there is a significant generational gap when it comes to English proficiency as the younger generation, especially those under 25 years old, were born and educated after the fall of the Soviet Union while those educated before usually learned Russian as primary foreign language. Additionally, there is pronounced socio-economic skew to the data as less than 5% of low-income household members are able to speak English while about a third⁷⁴ of those in the middle- and upper-income brackets are at least informally proficient. This difference is largely due to the necessity of having a private tutor in order to acquire some level of foreign language proficiency due to the lack of resources, instructors, and modernity that have differentiated the local educational system from those of developed economies for too long.

In a recent push from the government, namely from Prime Minister Giorgi Kvirikashvili and the National Tourism Administration, a renowned Swiss hospitality school was recruited to

⁷¹ Bregadze, G. (2019). *Georgian Tourism in Figures: Structure and Industry Data 2018* (Rep.). Tbilisi: Research and Planning Department of the Georgian National Tourism Administration.

⁷² *ibid*

⁷³ Wayne, S. (2018, August 20). The Language Barrier. Retrieved August 1, 2020, from <http://georgiatoday.ge/news/11919/The-Language-Barrier>

⁷⁴ *ibid*

create a course in conjunction with the Tbilisi Business and Technology university to set up what is called The Hotel Management Program for Executives⁷⁵, a program specifically targeted at middle and upper level managers in Georgia to increase the share of nationals in top management positions, especially in the international chain hotels concentrated around Tbilisi. Another internationally active institution, French originated Vatel International Business and Hospitality School⁷⁶, announced plans to open Bachelor's and Master's programs for students interested in Tourism Management in Tbilisi, though all instruction would take place in English. While interesting in theory, such system would be more useful to establish Tbilisi as an international educational center for expats than it is to actually educate the Georgian public.

In order to enact real change to benefit the local population, the Georgian education system starting in Kindergarten needs to be revamped completely. Data from PISA indicates that Georgian students performed over 80 points worse than the OECD average⁷⁷, equaling more than two years of school education. More than half of all students are considered low achievers in the domain of science and less than one percent of all Georgian students are considered top performers internationally, while the OECD average is above 8% for this measure⁷⁸. In terms of socio-economic disparities, Georgia's education system is very inequitable as students needing to generate income and especially students from linguistic minorities seem to be left behind, performing significantly worse on both national exams and international base line tests. Further, there exists a significant gap between urban and rural education as schools in Tbilisi are well staffed and highly funded due to high enrollment numbers while small rural schools continue to

⁷⁵ Swiss tourism and hospitality school Les Roches to start operating in Georgia. (2018, May 19). Retrieved August 10, 2020, from <https://agenda.ge/en/news/2018/1070>

⁷⁶ International Hospitality Management University To Open in Georgia. (2017, May 29). Retrieved August 10, 2020, from <https://old.cbw.ge/tourism/international-hospitality-management-university-to-open-in-georgia/>

⁷⁷ OECD Reviews of Evaluation and Assessment in Education: Georgia (Rep.). (2019). OECD.

⁷⁸ *ibid*

lack access to resources. With over 40% of the country's population living in rural areas⁷⁹, this leaves behind enormous potential, both for individual households and for the national economy.

Implementing a more equitable school system in which particular attention is paid to fluency of both Georgian and English from an early age on would benefit the country immensely in the medium to long term. In an early screen system that would detect which schools require immediate attention to increase attendance, the Ministry of Education would have better data to measure the effectiveness of various educational campaigns and could reevaluate centralized allocation decisions in real time. This would also increase the government's ability to stay true to its educational plan, motivating more students to stick with the academic track after age 15 if they had prior successful experiences with the school system. The most important change that would benefit the tourism industry, however, would be the creation of a new track for the vocational training already popular after age 15. In the Georgian school system⁸⁰, mandatory education ends after ninth grade, after which further academic training is entirely voluntary. Many young Georgians hence choose to learn a trade after finishing their academic training at age 15 instead, focusing usually on manual labor jobs. Since those jobs, however, largely have very low labor productivity, and consequentially low salaries associated with them, they are neither attractive for the individual nor for the economy as a whole. If students instead enrolled in tourism schools at that age, they would become highly educated personnel, ready to take on any roles from hotel management officials to chefs, waiters, or even administration officials. A similar system can for example be found in Austria or Germany, both countries praised internationally for their high-quality service personnel.

⁷⁹ Plecher, H. (2020, July 7). *Georgia: Urbanization from 2009 to 2019*. Retrieved from <https://www.statista.com/statistics/441760/urbanization-in-georgia/>.

⁸⁰ The National Center for Educational Quality Enhancement. (n.d.). *The Georgian Education System*. Retrieved August 2, 2020, from <https://eqe.ge/eng/static/7/education-system>

Long Term Consequences and Conclusion

Being able to focus on their education and complete secondary school successfully, with the option of pursuing high quality tertiary education, would greatly benefit young Georgians, especially those from historically underprivileged communities such as farming villages, immigrants, and members of ethnic and linguistic minority groups. This would in turn help the country find unity in a time when political opinions divide people along a variety of issues and the economy threatens to contract as a consequence of the coronavirus pandemic. While it is obvious that short term tourism arrivals are unlikely to rise in light of the global health situation as well as a worldwide economically challenging time, this change of education should be seen as a long-term investment into Georgia's future. With ambitions of transitioning into a developed economy, it is essential that Georgia increases the economic importance of the tertiary sector while also strengthening interconnectivity with the rest of the world. Georgia has in the past voiced interest in getting closer with the European Union⁸¹ on both a political and an economic level. For this to happen, however, Georgia must jump forward in the HDI index ranking, where it currently occupies the 70th place⁸². Education as well as the resulting increases in national income would certainly be two very influential factors for this purpose, advancing national political and economic objectives.

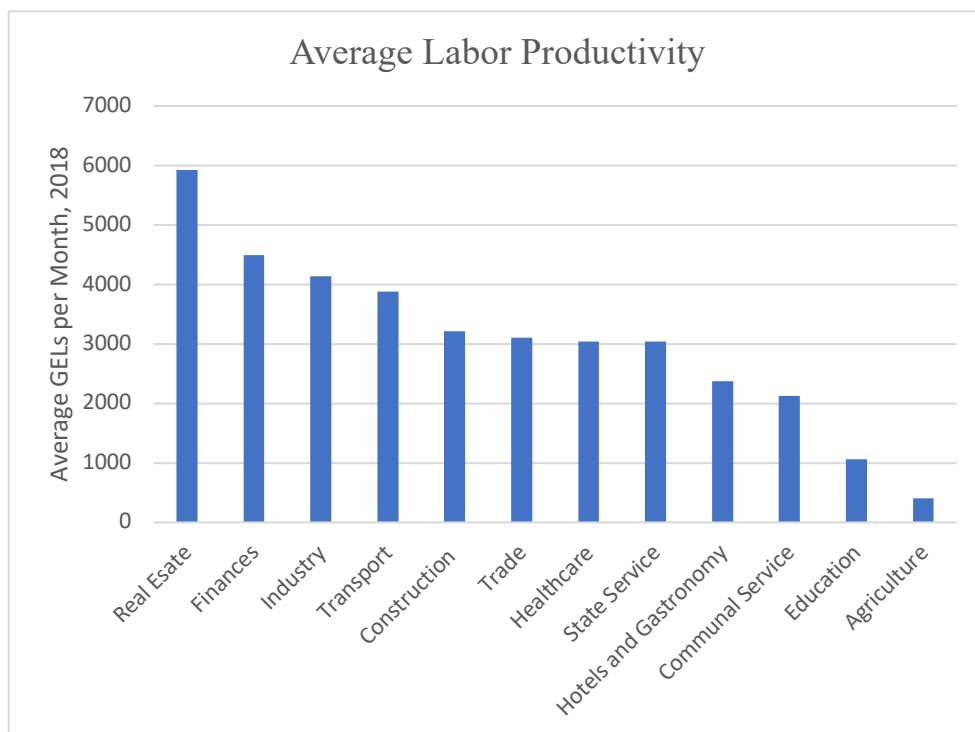
A shift away from agricultural professions towards tourism and associated industries would not only benefit individual incomes and education opportunities but the productivity of the Georgian economy as a whole. Agriculture has a very low average labor productivity⁸³,

⁸¹ EaP Eastern Partnership. (n.d.). *Facts And Figures About Eu-Georgia Relations* (Rep.). Council of the European Union.

⁸² *Human Development Report: Georgia*. (2020). Retrieved from <http://hdr.undp.org/en/countries/profiles/GEO>

⁸³ Namchavadze, B. (2020). *Georgia's Agriculture Sector: Key Trends for 2012-2019* (Publication). Ministry of Foreign Affairs of the Kingdom of Norway.

measuring almost six times less than hospitality and gastronomy industries (See Figure 4⁸⁴). This means that even a 10% relative decrease in agricultural employment in favor of the tourism industry would have tangible positive benefits



for the national economy. Figure 4: Average Labor Productivity in GELs per Month, Data from 2018

With more productively applied human capital, Georgia would be better prepared for a potential decrease in the workforce stemming from a prolonged average education duration as well as a general increase in competition following the hardships caused by economic contractions as a direct consequence of the coronavirus pandemic.

Finally, the intrinsically valuable nature of the hence achieve economic growth as well as its fundamental ties to the local culture and people would create a system of prolonged and sustainable economic progress, in turn stimulating economic development for Georgia and the Caucasus region as a whole. Encouraging the economic integration as well as systematic protection of intangible cultural heritage, which is particularly prevalent in Georgia’s rural areas, would allow the country to leverage its existing competitive advantage while building out infrastructure and encouraging education in its less developed regions. Additionally, it would

⁸⁴ GeoStat. (2018). [Average Labor Productivity by Sector]. Raw data.

allow Georgia to anticipate future tourism booms by proactively diversifying its tourism offerings and redirecting the people flow to not endanger the preservation of historic sites in its urban centers. Ultimately, this redirection of tourism movements would cause further growth in the transportation and accommodation industries, creating jobs for both manual and intellectual labor and hence advancing opportunities for people of all ages and education levels in both the short and long run.

To continue on this path of rapid economic growth and cultural integration, Georgia will find itself required to collect and analyze vast amounts of data, to track not only basic tourism statistics such as arrival demographics, accommodation statistics, and expenditure data but will need to implement tracking mechanisms able to closely monitor the behavior and movement of visitors. Through skilled analysis of these data sets, Georgia will be able to track the effectiveness of various policies and be able to anticipate changing visitor demands and adapt accordingly. Of course, these systems would only prove effective when implemented in conjunction with the aforementioned education reforms and appropriate employment incentives. Once integrated in a consolidated way through an integrationist approach, each individually mentioned pillar would become more valuable as inefficiencies in the system can be addressed from a much broader perspective. Finally, it is essential to note that any actions mentioned above are only preliminary suggestions as much more in-depth analysis from an insider perspective must be conducted before potential consequences can be predicted accurately.

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