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Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

### Empfohlene Zitierung / Suggested Citation:

Khokhobaia, M., & Gugushvili, T. (2021). Tourism Transformation in Georgia During the Soviet and Post-Soviet Eras. *Caucasus Analytical Digest*, 122, 3-8. <https://doi.org/10.3929/ethz-b-000506344>

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## Tourism Transformation in Georgia During the Soviet and Post-Soviet Eras

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DOI: 10.3929/ethz-b-000506344

### Abstract

This article outlines the stages of tourism development in Georgia before and after its independence. The emphasis is on the transformations in this economic field in the wake of four major highlighted turning points: I) during the Soviet era, II) after the beginning of independence, III) during reform acceleration and IV) as part of the focus on new markets. Research on changes in tourism development has been carried out in several directions. In this regard, the article outlines the structure of tourism by analysing the primary actors participating in it and the reforms that have occurred. Furthermore, the sector's scale was determined according to various indicators, including the amount of tourism infrastructure and number of destinations, accommodation units and visitors. Additionally, this article will shed light on the objective of tourism development and its significance outside of the industry. Using this approach, we will be able to reveal the insights of each time period and uncover similarities and differences based on their comparison. A thorough examination of these topics will be conducted using a variety of sources, including official documents, publications concentrating on the study periods, and statistics.

### Tourism in Soviet Georgia

Tourism became a priority sector of the Georgian economy during of the Soviet era. New resorts were built, and older resorts were renovated. Apart from the Second World War era, the number of resort/tourism establishments increased steadily over this period (Kobakhidze, 1971). Since then, hotels, sanatoriums, and tourist camps have been opened in various locations in Georgia. In the 1980s, there were 624 hotels with over 152,000 beds in Georgia. An overview of the historic development of Georgian resort and tourist establishments is given in Figure 1 at the end of this article on p. 7.

It should be noted that initiatives executed by various Soviet government entities such as the Republic Board of Tourism and Excursions, "Intourist", "Sakkurorti", and several Soviet Union ministries also had tourist bases and resorts. The allocation of the tourist industry to several entities resulted in tourist development based on those entities' own interests (Shubladze, 2004). Nevertheless, such projects prepared the ground and created an important precondition for the development of mass tourism in Soviet Georgia. For instance, in the late 1920s, Tsaklubo was a touristic spa resort well known throughout the Soviet Socialist Republics among exclusive consumers. As Soviet residents were required to take at least two weeks of vacation each year, state-funded health programs encouraged enormous Soviet tourism at "Tskaltubo Spa Resort" (Zachos, 2018). Much the same can be said for Borjomi, famed for its mineral springs, diverse environment, and mineral baths. Borjomi was a well-known and enticing destination for former nobility and upper-middle-class people under the Soviet period tourism system (Applis, 2021). First, Georgia's attractiveness was based on the systemic peculiarities of the command economy and the

management style of so-called "organized tourism" (e.g., the Soviet travel agency "Intourist" centrally distributed the tickets for the different target groups in society). Second, the diversity of Georgia's historical monuments, climate and local cuisine made the country very interesting for Soviet and other travellers (Orlov et al., 2007).

In terms of the spatial distribution of Georgia's tourism, Kobakhidze distinguishes seven resort-tourist clusters in the 1970s (Abkhazia, Adjara, Kolkheti, Zemo-Racha, Borjomi-Abastumani, Tbilisi, and East Caucasus), which have expanded in recent years; in addition, new areas are likely to arise. Among the specified clusters, the resort-tourist area of Abkhazia dominates since it contained 30% of the total accommodation infrastructure. The main attractions among Soviet travellers were seaside resorts and medical tourist destinations, which enjoyed great popularity (Adeishvili et al., 2011). The availability of mountaineering training bases intensified the attraction of organized large groups from Soviet countries in different regions of Georgia.

Local tourism in the Soviet Union was viewed as part of sports and healthcare, aiming to involve young people in mountaineering, hiking, cycling, and other outdoor activities (Eristavi, 1954). The first resort development began around the turn of the century with "balneoclimatic" resorts. International tourism was utilized as propaganda by organized tourism to show the achievements of the Soviet peoples to incoming visitors (Kobakhidze, 1971).

### Dynamics of the Tourism Industry in Post-Soviet Georgia

Following the collapse of the Soviet Union, Georgia was thrown into chaos as a result of civil war, the large number of internally displaced persons (IDPs), and the

transition to a market economy, resulting in political and economic instability that hampered the progress of the tourist sector. The country's tourist infrastructure was devastated as a result of the civil war. Furthermore, due to political tensions and conflicts in the 1990s, governmental agencies were forced to accommodate IDPs in hotels, sanatoriums, and tourist zones, significantly impacting tourism infrastructure development (Shubladze, 2004; Khokhobaia, 2015). Georgia's transition from a command to a market economy has presented new challenges. Considering the pressure resulting from the civil war, the geopolitics of the country have become strategically significant issues related to state policy development in the tourism industry, service quality improvement, infrastructure development, tourism marketing strategies, etc.

It should be noted that during this period, fundamental bases of the organizational and institutional framework of the tourism sector were established and elaborated in Georgia. New approaches were strengthened by the government; the purpose of the tourism sector was established in 1995 by the "Law on Tourism" (Parliament of Georgia, 1995), which after two years was replaced by a completely new "Law on Tourism and Resorts" (Parliament of Georgia, 1997). The first explicitly outlined the objective of tourism development and lawmakers' expectations. More specifically, the purpose of the Law on Tourism was to promote the following issues: revenue growth; overcoming regional inequality; environmental protection; and cultural, political, and economic strengthening of cross-country relations. This does not hold for its successor, since the goals and objectives of the law were not clearly defined.

Some years previously, in 1993, the first international collaboration on tourism-related issues with neighbouring countries (Armenia and Turkey) and China was initiated. In the same year, Georgia became a member of the World Tourism Organization (UNWTO). In the early 1990's and early 2000's, the government attempted to create mechanisms for promoting tourism as a priority economic sector by celebrating dedicated special events, such as the "the Year of Tourism in 2002". As a result, around the turn of the previous century, the number of visitors to Georgia grew modestly, indicating that the first steps in this direction had been taken (see Figure 3 at the end of this article on p. 8). Furthermore, during the same period, Georgian and international investors began to make investments in the face of major hurdles, such as poor infrastructure, a confusing tax system, corruption, etc. (Shubladze, 2004). Despite this

revival of the tourism industry, accommodations could not meet the market's existing demand, particularly outside the capital. Unfortunately, the country was failing to address the high crime rate (see Figure 2 at the end of this article on p. 8) at the time, which was a significant hindrance to tourism. Overall, it was not easy to revive the traditional name "tourist Mecca" (Quentin Peel, 2007) within a restructured economy.

### The Rose Revolution and Turning Reforms

Following the Rose Revolution in 2003, ambitious economic reforms were launched. Human rights, anti-corruption legislation, government openness, good governance, market efficiency, and a secure business environment were all addressed. Indeed, the conducted initiatives provided some momentum to the country's economic transformation system, which in turn had a favourable influence on the tourism and hospitality industries (Papava, 2013). Notable activities included the establishment of an industrial strategy in the tourism sector. Consequently, the "National Concept and Action Program for Tourism Development in Georgia" was developed based on several initiatives<sup>1</sup>. In 2008, specialists from the US-Georgia Business Council and SW Associates LLC created the second and most crucial strategy document, "Tourism Development and Investment Plan and Strategy," which was eventually given to the Georgia Department of Tourism and Resorts (SW Associates, LLC). The post-Rose Revolution period is mostly associated with a notable increase in international tourist flows and the entry of international brands into the Georgian tourism market.

Therefore, as mentioned, systemic reforms implemented in the country rapidly enhanced the tourism industry development process. Launching infrastructural projects, rehabilitating the central highway and improving tourism infrastructure at the regional and national levels unlocked new opportunities for industry players. Furthermore, reduction in crime and the creation of a safer environment (see Figure 2 at the end of this article on p. 8) have had a particularly positive impact on the development of the tourism industry. It should be noted that this has always been a hindering factor when positioning the country as a safe destination.

Improving the business environment, promoting entrepreneurship, fighting corruption, and enhancing the privatization process have lent momentum to the growth of Georgia's economy as a whole. This was appropriately reflected in the international rankings of Georgia. According to the World Bank 2006 Ease of Doing

1 "Tourism Development and Hotel Networking in Georgia"—US Agency for Trade and Development (TDA)—1998; "Georgian Tourism"—Ministry of Tourism of Israel—1999; "Strategic recommendations for Tourism Development in Georgia" (TACIS)—2000; Tourism Development Strategy (TACIS)—2001 (Legislative herald of Georgia).

Business rankings, Georgia was ranked 122; however, the country moved to 15<sup>th</sup> in the 2015 rankings. In 2009, the World Bank recognized Georgia as a leading reformer in Europe and Central Asia (World Bank, 2020). It should be noted that the trend has been positive in recent years. According to 2020 data, Georgia ranked 7<sup>th</sup> out of 190 countries, which is a distinguished result for the country in the last decade (World Bank, 2020). This exemplifies the significant progress the country has made due to the systemic reforms. Further indicators also support the idea that notable progress has been achieved in the country: for instance, Georgia is ranked 6<sup>th</sup> among 45 countries in the European region according to the World Economic Freedom Index (Heritage Foundation, 2020), and is one of the leading countries in the Open Budget Index, ranking 5<sup>th</sup> out of 100 countries with 81 points (Open Budget Survey, 2019).

The post-Rose Revolution period was linked to a dramatic increase in international arrivals, which created new opportunities for small and medium-sized companies engaged in the service sector. The particular activities conducted by the country, such as an international marketing campaign, participation in international exhibitions, and organizing press tours significantly contributed to raising the awareness of the country among international tourists. According to the Georgian National Tourism Administration, 559,753 international traveller trips were recorded in 2005; in 2007, the number exceeded one million for the first time, an enormous success for the country (see Figure 3 at the end of this article on p. 8). It should be noted that the growth dynamics of international arrivals have been maintained according to the indicators of recent years.

### Tourism Dominance

In the last decade, tourism has been gaining continual institutional empowerment. In 2010, an independent entity—the LEPL Georgian National Tourism Administration—was established. This laid a solid foundation for further systemic development and reforms through coordinating tourism advancement by ensuring strong connection between the various sectors. Institutional development has also been observed in the private sector. Notably, the number of sectoral associations has increased in the last ten years, with a focus on the advancement of tourism subfields such as eco-tourism, agri-tourism, gastro-tourism, etc.

Along with the multiple series of development initiatives aimed at strengthening many sectors, the advancement of the road infrastructure and opening of new airports enabled the promotion of the distribution of tourism in different regions. However, an uneven allocation of tourist infrastructure and services is still visible

(Salukvadze and Gugushvili, 2018). Constant growth in the number of visitors made the tourism industry a dominant economic field. Attention to sustainable tourism development caused the reconsideration of the dominating orientation of the sector. In this regard, alternative forms of tourism and a focus on attracting new markets (e.g., European visitors), including high-spending tourists, have been considered (Salukvadze and Gugushvili, 2018).

The expenditures of foreign visitors in the country have a significant impact on Georgia's balance of payments. Approximately 71.8% of Georgia's service export revenues come from the tourism industry, which confirms the dominance of tourism in the country compared to other economic sectors (National Bank of Georgia, 2019). According to the World Travel & Tourism Council (WTTC), the share of the direct contribution of tourism to Georgia's gross domestic product has been growing since 2008. It should be emphasized that in 2011, this number exceeded one billion GEL for the first time. Between 2011 and 2012, the direct contribution indicator increased by 26%, and the number of international visitors to Georgia by 57%. Between 2018 and 2019, the total value added in the tourism sector increased by 16.9% (3.53 billion GEL). This was mainly the result of increased demand. With this increase, the share of the tourism sector in Georgia's GDP grew from 7.8% to 8.1% (GNTA, 2019).

The number of visits to Georgia, from both neighbouring and EU countries, has increased in recent years. In 2019, 66% of trips made by international visitors were tourist visits (overnight) and 34% were one-day visits, a figure far greater than that of previously due to the development of the country's aviation market (GNTA, 2019). Before the outbreak of Covid-19, the top countries of origin of international visitors to Georgia were the neighbouring countries Azerbaijan, Russia, Armenia, and Turkey (in this order), followed by Ukraine, Israel, Iran, Kazakhstan, and Germany. There are three international and two domestic airports in the country that meet the standards of the International Civil Aviation Organization. The influx of low-cost airline companies has increased international arrivals from around the world. The following low-budget airline companies operate flights to the Georgian market: Wizz Air, Air Arabia, Pegasus, Fly Dubai, Pobeda Airlines, Air Baltic, Buta Airways, Salam Air, Flynas, Ukraine International Airlines, and SkyUp Airlines.

It should be noted that Georgia has rich natural and cultural resources, and the maximized use of the mentioned resources will incentivise industry representatives to develop and create new tourism products and offer them to travellers with different interests. To this end, the Georgian National Tourism Administration is actively working

on the development of various types of tourism products, such as MICE, wine tourism, ecotourism, adventure tourism, etc. This will generate new opportunities for the further development of the tourism industry in the country.

## Conclusion

Tourism has shown its “worth” during both Georgia’s socialist and capitalist periods, both Soviet autocracy and independent democracy. Therefore, it has long been considered one of the most significant sectors in the country, deserving of support. Apart from economic prosperity, the authorities used tourism throughout the Soviet period to show international visitors how great republics were built and how nicely the working-class people were treated. As for independent Georgia, tourism is primarily used to boost its economy and service sectors, including those of rural and mountainous areas.

Various indications, such as the number of tourists and accommodation units, suggest that Soviet tourism peaked right before the Soviet Union’s demise. Fol-

lowing Georgian independence, the situation changed: tourism at first suffered a catastrophic collapse, but the numbers from the Soviet era were nevertheless eventually surpassed between 2010 and 2015.

Tourism was centralized and administered by the state throughout the Soviet era. Tourism management, however, was divided across several state institutions and ministries. Following independence, an institution was established to supervise the state’s tourism policy. At first, a department was formed under the Ministry, and later, in 2010, a new independent administration was established. The transition to a market economy and to democracy allowed new players to emerge such as the private sector, international donors, and sectoral association, which support tourism development.

The Covid pandemic has proven to be the most devastating blow to the global expansion of tourism of the new millennium. Covid-19 provided the basis for rethinking tourist development strategies and the beginning of a new phase to maintain it in the post-pandemic world.

## About the Authors

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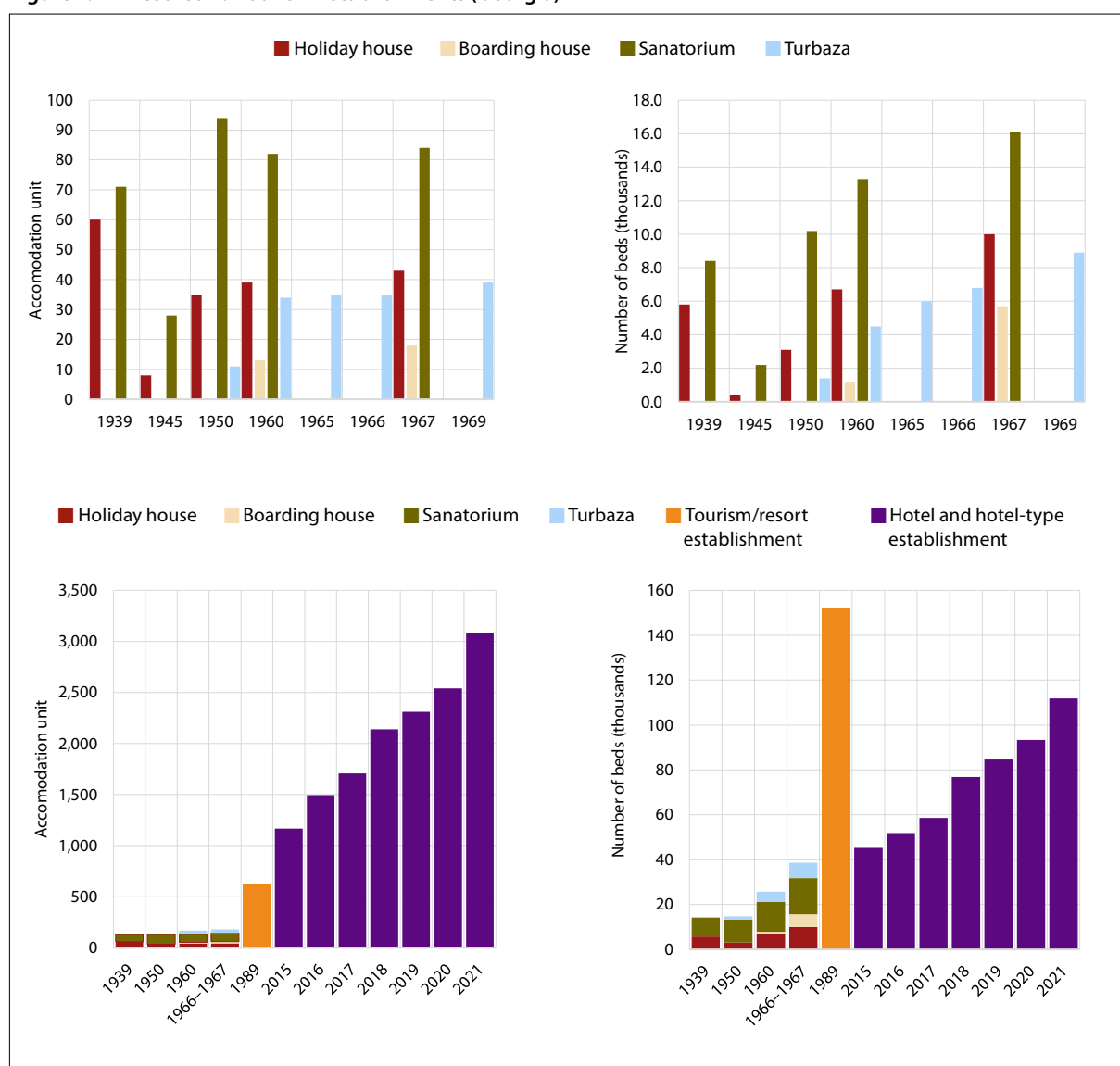
*Temur Gugushvili* is a Ph.D. candidate in the Department of Sociology at Tbilisi State University. His research interests include rural and mountain livelihood transformations in the contexts of urbanization, tourism development, protected areas, and climate change. Temur has been collaborating with the University of Bern’s Centre for Development and Environment (CDE) and Wageningen University’s Rural Sociology Group since 2019.

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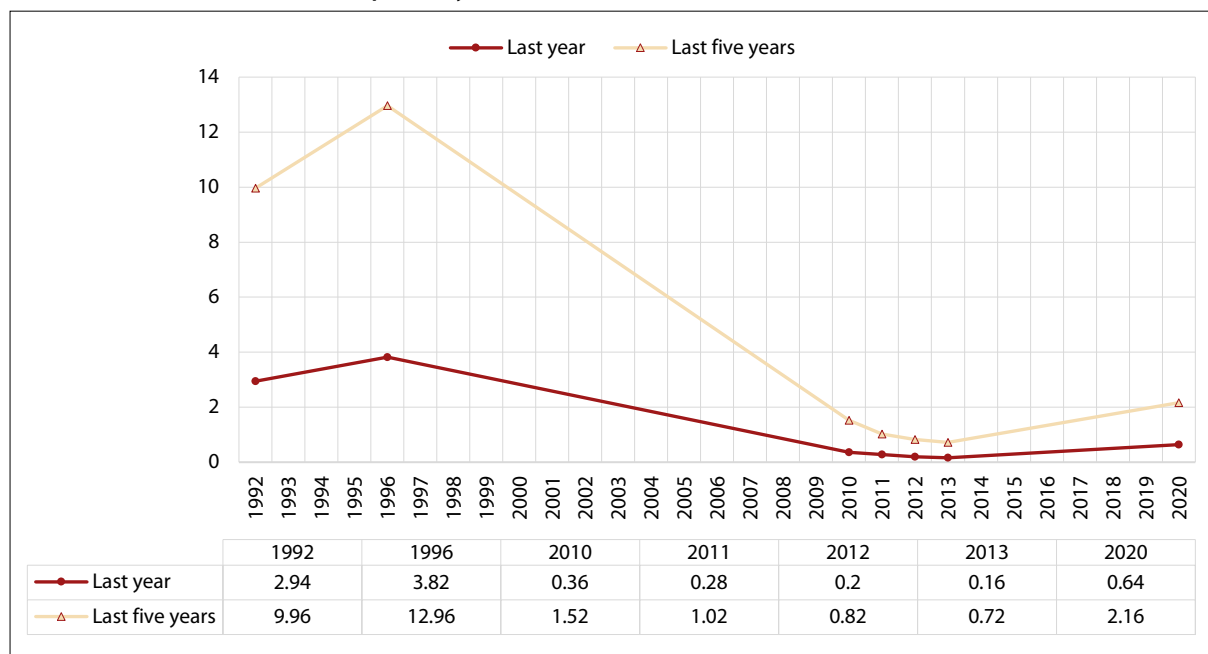
Figure 1: Resort and Tourism Establishments (Georgia)



Note: the data from 2015 to 2021 do not cover the occupied territories of the Abkhazian Autonomous Republic and Tskhinvali Region.

Sources: chart by Temur Gugushvili, based on data from Kobakhidze, E. (1971). *SSR Resort and Tourism of Georgia*, Metsniereba. Shubladze, V. (2004). *Georgia and Tourism*, Gump. Georgian National Tourism Administration.

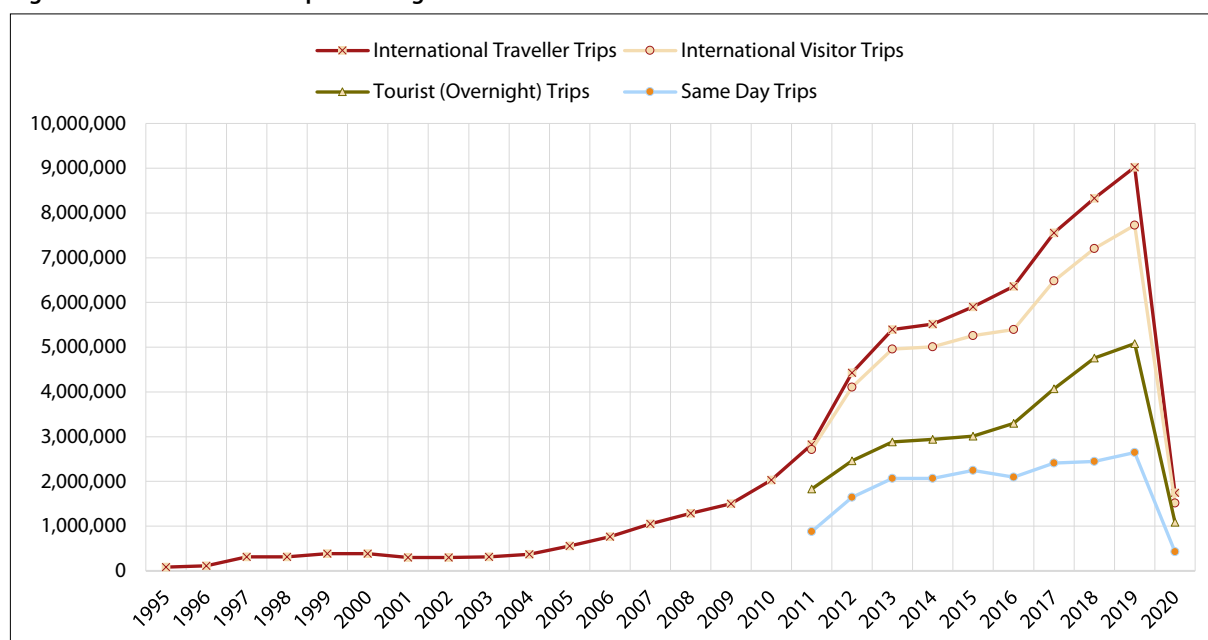
**Figure 2: Victims of Common Criminal Acts: Share of Total Population Claiming To Be a Victim During the Last and the Last Five Years Respectively**



Note: Common criminal acts include car theft, burglary, robbery, other personal theft and assault/threat to physical health.

Source: chart by Temur Gugushvili, adapted from J. van Dijk, T Chanturia, G. Glonti (2021): Report "Support to The Security Sector Reform Programme Preparation", p. 19.

**Figure 3: International Trips to Georgia 1995–2020**



Notes:

**International Traveller Trips:** an international traveller is someone who moves between different geographic locations for any purpose and any duration. It excludes foreign citizens who are Georgian residents and includes Georgian citizens who are foreign residents.

**International Visitor Trips:** the international visitor is a traveller taking a trip to the main destination outside his/her usual environment, for less than a year, for any main purpose (business, leisure or other personal purposes) other than to be employed by a resident entity in the country or place visited. The usual environment of an individual, a key concept in tourism, is defined as the geographical area within which an individual conducts his/her regular life routines. For defining the usual environment in Georgia travellers conducting 8 and more trips are excluded from the data.

**Tourist (Overnight) Trips:** a visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor) if his/her trip includes an overnight stay.

Sources: chart by Temur Gugushvili, based on data from World Bank, Georgian National Tourism Administration, Ministry of Internal Affairs of Georgia