

THE EURASIAN ECONOMIC UNION: OPPORTUNITIES FOR INCREASING THE RUSSIA-ARMENIA TOURIST FLOWS

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Abstract. Currently the issue of increasing tourist flows between Russia and Armenia has gained particular significance. The Republic of Armenia and the Russian Federation are the Eurasian Economic Union (EAEU) member-states, so development of tourism between the two countries will serve better understanding and will create conditions for further steady development and business cooperation. Analysis of tourism role in the economy of different countries shows that inward tourism plays an important role for national economies. It is very important for Armenia to ensure future growth of tourist flow from Russia. According to the National Statistics Service of the Republic of Armenia the majority of visiting Armenia tourists are Russian tourists. Development of integration processes within EAEU is directly related to the increase of tourist flows within the Union. On the one hand inward tourism contributes to the economic growth of a country (a tourist destination, acting as the receiving party), which increases the living standards of the population. On the other hand – tourism development is important for EAEU as an integration group, as it ensures socio-cultural development, sustainability and stability of international and cross-cultural communications, better understanding, it becomes a booster of business cooperation between countries.

Keywords: the Eurasian Economic Union, tourist flows, Russia, Republic of Armenia, development

JEL: F15, L84, Z32

1 Introduction

Currently the issue of increasing tourist flows between Russia and Armenia has gained particular significance. It has become even more relevant upon the January 1, 2015 enactment of the Treaty on the Eurasian Economic Union (EAEU) [1]. According to the Treaty [2], the Union was established with the following main objectives: to create proper conditions for sustainable economic development of the Member States in order to improve the living standards of their population; to seek the creation of a common market for goods, services, capital and labour within the Union; to ensure comprehensive modernisation, cooperation and competitiveness of national economies within the global economy” [2]. Currently, the Member-States of the Eurasian Economic Union are the Republic of Armenia, the Republic of Belarus, the Republic of

Kazakhstan, the Kyrgyz Republic and the Russian Federation. Many countries (including Albania, China, Egypt, the European Union, India, Israel, Iran, Jordan, Korea, Mongolia, Pakistan, Syria, Tunisia, Turkey, Vietnam and Zimbabwe) have declared their intention to cooperate with the EAEU and to use various interaction mechanisms.

The Republic of Armenia and the Russian Federation are EAEU member-states, so development of tourism between the two countries will serve better understanding and will create conditions for further steady development and business cooperation.

2 Global Tourism Industry

The United Nations Statistical Commission has defined tourism as activity of persons who travel and stay in places outside their usual environment for a period of under one year in a row, with the aim of recreation, for business or other purposes.

According to the WTO (the World Tourism Organization), tourism is one of the most rapidly developing spheres of economy, its share in the global GDP keeps growing with every year (UNWTO, Tourism Highlights, 2014 edition). The origin of tourism goes back to the ancient world, when the main incentives of tourism were trade, medical treatment, education and pilgrimage. The history of tourism comprises several phases of development, which differ by the purpose of travels, means of transportation and other features characteristic of certain development phases. Tourism showed significant growth after Second World War, when it became a large-scale activity, the number of tourism companies and travelers increased sharply. In the modern world tourism as a social, economic and political phenomenon demonstrates great impact on development of a number of states and regions, and plays an important part in vectoring sustainable development overall. (Durovich, 2011).

According to the 2014 data, tourism, with account of multiplicative effect, accounted for 9% of the global GDP, 1 in every 11 jobs in the world is in the tourism sphere (UNWTO, Tourism Highlights, 2014 edition).

Tourism development is regarded as a potential way to ensure countries' development and growth (Filosofova TG Belousova MS, 2013). For many developed and developing countries tourism currently presents the basis of economy and ensures growth. It has been proved that inward tourism plays a special role in a country's economy. The positive impact of inward tourism is obvious, as the inflow of foreign citizens, due to the growth of national tourism product, the inflow of foreign currency and the growing investment potential of a country's tourism industry definitely have a positive impact on economy.

Back in the 1960-ies, the scientists already spoke about the advantages of tourism for the developing countries, stressing the importance of this sector for a developing economy (Mc Kinnon, 1964; Sinclar, 1998). Today many developing countries adhere to the policy of attracting foreign tourists and seek to develop their tourism sectors because of the crucial multiplicative effect of tourism on other branches of economy, the positive role of tourism in eliminating deficit in the balance of payments, increasing tax receipt, etc., (Cortes-Jimenez, Pulina, 2010). The Republic of Armenia is not an exception.

3 The special role of tourism for economy.

The impact of tourism on economic growth was studied by a number of specialists, among them Balaguer (Balaguer, Cantavella Jordu, 2002). The authors of this study formally turned to the hypothesis of economy growth by means of tourism expansion (Tourism - led growth hypothesis - TLGH), proposing theoretical and empirical link between inward tourism

development and economic growth. The authors pointed out that a country's economic growth may be ensured by means of "tourism export".

As a rule, export makes a positive contribution to a country's economy and ensures economic growth by various means: possibility to employ the economy of scale (Helpman & Krugman, 1985), lifting restrictions on currency (Mc Kinnon, 1964), creating competitive environment (Krueger, 1980), and aiding promotion of technical knowledge (Grossman & Helpman, 1991). Along with the above, another feature of tourism is that consumption takes place on site; a consumer himself covers the distance to the product and the consumption site, which substantially simplifies the task of a service producer and increases his income reducing the cost of product delivery. The impact of inward tourism on economy may be assessed by direct, indirect and induced income (Frechtling, 1987; Fletcher, 1994a; Archer & Cooper, 1998).

Analysis of tourism role in the economy of different countries shows that inward tourism plays an important role for national economies (UNWTO, Tourism Highlights, 2014 edition). In the countries, which utilize their tourism potential to the maximum, the revenue from tourism may provide a significant share of GDP (over 50%). The developing island states are a good illustration of that. Such countries as Germany, Spain, Greece and Great Britain should also be noted. They are characterized by a relatively large tourist sector and developed inward tourism, but the share of tourism in the GDP may not be very significant.

The study of inward tourism impact on the economic growth of some countries has shown several specific features, which explain the long-term economic growth ensured by inward tourism development:

- Inward tourism, as a source of foreign currency, contributes to the inflow of significant foreign currency amounts by means of purchased tours and exchanged currency, along with other daily expenses made by tourists on the destination site;
- Tourist expenses turn into revenue on the site of destination;
- Inward tourism leads to creation of new jobs in the country, and the sphere provides jobs for highly educated specialists and people with secondary vocational education. It creates job opportunities in related sectors, which ensures employment of most of the population.
- Inward tourism contributes to establishing the new and improving the existing infrastructure on the destination site, which is used not only by tourists but also by local population and builds up opportunities for business development in the country.

Another positive effect of inward tourism is maintenance of local culture and traditions, which, in essence, are often the tourist product, revival of local cultural values, more intense local cultural life, folk arts, crafts and customs development, and growing demand for locally produced goods.

4Armenian national policy in tourism

Tourism is one of the leading sectors in Armenian economy and is recognized at various government levels to be a priority.

Since the country possesses unique tourist resources, which attract tourists from different countries, back in 1997 it was decided that Armenia was to join the World Tourist Organization (UNWTO).

The priority of tourism as a national policy is stipulated in the Law of the Republic of Armenia "On Tourism and Tourism Activity". The 2008 Law, regulating tourism in the country and the Strategy for Tourism Development in the Republic of Armenia set forth the goals and tasks of state policy in the sphere of tourism.

For the purpose of promoting tourism development between Russia and Armenia, the Federal Agency for Tourism of the Russian Federation and the Republic of Armenia Ministry of Economy have signed a joint activity programme for the period of 2014-2016. The Russia-Armenia joint activity programme in 2014-2016, underlines the importance of growing tourist flows from Russia to Armenia and cooperation in the sphere of tourism¹.

The objective of government policy in the sphere of tourism is to increase tourism contribution to the national revenue, into harmonized development of the region, higher living standards and poverty reduction by means of:

- More intensive tourist flows into the country;
- Increased income from tourism;
- New job opportunities.

All of the above speaks of the interest of Armenia as a state in expanding tourism flows from Russia, which may lead to the significant breakthrough in the sphere of inward tourism.

5 Current status of the tourist sector in the Republic of Armenia (RA)

Inward tourism is the second large (about 24%) export sector of Armenian economy after the metal industry. Today tourism in Armenia can be viewed as one of the most rapidly developing sectors of economy. However the RA infrastructure is insufficiently developed, which significantly reduces the tourist flows. (A.Vanyan, 2009).

In 2013 the share of tourism in the GDP was about 7.6 % and it keeps growing. About 20 000 people are employed in the sphere of inward tourism which is 3% of total employment (WTO, Travel and Tourism economic impact 2014, Armenia). The share in the GDP is the largest value among EAEU countries. The Republic of Belarus estimates it to be 5.9%, in Russia the GDP share contributed by tourism is about 5.8%.

The number of international visitors to the country, ensuring inward tourism, grows steadily starting with 2001 when the country celebrated 1700 years of adoption of Christianity by the Armenians. In the period from 2001 to 2014, the average annual growth rate of the number of tourists is about 17.7%, which indicates a high potential of this sector development in the country. The number of tourists who visited Armenia in 2013 was by 13.5% more than the similar indicator in 2012.

According to the RA National Statistics Service and the expert assessments based on surveys in January-December 2014, Armenia was visited by 1,203,746 foreign tourists, which is a 28.4% growth of this indicator compared to the similar period in 2013 (see Chart 1).

The chart showing the number of foreign tourists visiting Armenia is a source of optimism and shows a growth trend, which also entails the growth of income from tourism. Nevertheless, one of the factors impeding tourism development in any country including Armenia is the absence of appropriate infrastructure.

Despite the fact that the government has adopted the Strategy for Tourism Development in Armenia, the Law on Tourism is constantly being improved, and new programmes for promoting tourism in Armenia are constantly being developed, there is still a number of problems hampering tourism development.

¹ Available on line: www.mineconomy.am

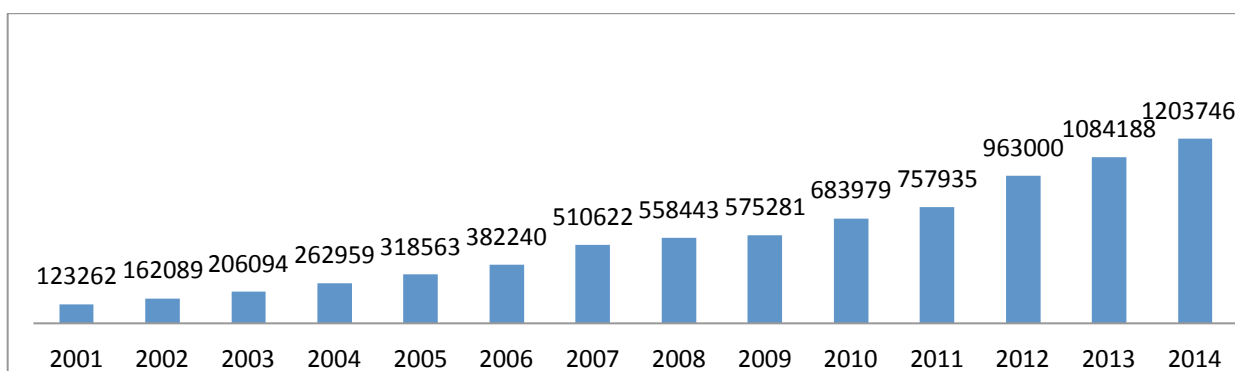


Chart 1. The number of foreign tourists visiting Armenia from 2001 to 2014

Source: compiled by the authors based on the data of the National Statistics Service of the Republic of Armenia.

6 Russia-Armenia Tourist Flows

It is very important for Armenia to ensure future growth of tourist flow from Russia. According to the National Statistics Service of the Republic of Armenia the majority of tourists visiting Armenia are Russian tourists (Table 1).

Table 1: Inward Tourism Flow Structure, Armenia, 2006-2013, (%).

	2006	2007	2008	2009	2010	2011	2012	2013
CIS	23.9	24.8	21.6	18.4	21	19.9	21.8	27.8
<i>Inc.</i>								
Russia	19.6	18.3	18.9	16.2	18.3	16.8	18.5	22.7
Other countries	76.1	75.2	78.4	81.6	79	80.1	78.2	72.2
<i>Inc. EU</i>								
France	14.8	12.1	11	13.4	9.4	10	8.6	7.7
Germany	5.3	6.7	6.5	7.5	5.7	5.5	5.5	6.1
Great Britain	5.3	6.4	5	3.3	4.3	4.7	7.6	3.4
<i>Inc. other countries</i>								
USA	21.6	21	17.8	18.1	14.4	14.8	13.1	12.2
Iran	5.3	5	5.3	7.7	10.4	7.4	6.8	5.8
Geogia	-	-	5.1	3.8	3.6	2.6	2.8	3.1
Turky	1.2	0.9	1.4	1.2	2.8	1.4	0.8	0.7
Canada	2.1	1.9	1.7	1.9	2	1.7	0.3	1.3

Source: compiled by the authors based on the data of the National Statistics Service of the Republic of Armenia.

Russia for a number of years has been ahead of other countries by the number of citizens who visited Armenia as tourists, which back in 2013 already accounted for 27.8% of the total inward tourist flow. The other countries are far behind Russia by this indicator, which certifies how significant this segment is for RA inward tourism and determines the interest in its further expansion.

Upon joining the EAEU, in the course of the 3-rd Interregional Conference “Russia, Armenia, Eurasian Union” in December 2014 the RA Ministry of Economy arranged a round-table discussion on the topic “Cooperation between Armenia and Russia in the sphere of tourism”, in the course of which the participants discussed a number of issues including:

- Tourism as a basis for socio-cultural and economic development of a region.
- Cooperation of countries in the sphere of tourism at the national and regional levels.
- Development of mutually beneficial marketing policy at the tourism markets of two states.
- The growth of economic results in the tourism sphere of the region.
- Cooperation between private sectors of both countries.
- Close cooperation in the sphere of education and staffing of tourism sector.

The above requires a focus on issues of tourist flow development between Russia and the Republic of Armenia.

7 Conclusion

Development of integration processes within EAEU is directly related to the increase of tourist flows within the Union. On the one hand inward tourism contributes to the economic growth of a country (a tourist destination, acting as the receiving party), which increases the living standards of the population. On the other hand – tourism development is important for EAEU as an integration group, as it ensures socio-cultural development, sustainability and stability of international and cross-cultural communications, better understanding, it becomes a booster of business cooperation between countries. Therefore, in the current conditions of growing and deepening global competition it is important to form a tourist destination from the viewpoint of attracting tourists, maintaining their loyalty and motivation to come back and to recommend the others to spend vacation in the country.

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Filosofova Tatiana G., Gasparian Lusine A The Eurasian Economic Union: Opportunities For Increasing The Russia-Armenia Tourist Flows // International Relations. 2015 Current Issues of World Economy and Politics. Smolenice Castle - Bratislava: Publishing Econom, 2015. – P.259-265 ISBN 978-80-225-4219-7