

Special Economic Zones as a Tool for Sustainable Tourism Development in The Republic of Azerbaijan

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Abstract: The special economic zones of Azerbaijan are a multifunctional phenomenon of the economic sphere of this state, the concept of which was created in 2009. They are a place of free trade and attracting foreign investment. The dynamic growth of these zones contributes not only to an increase in investment inflows but also boosts tourism, which is a promising sector of the economy. However, the specifics of the relationship between the special economic zones of Azerbaijan and the tourism industry have not yet been sufficiently explored in scholarly theory. This is the rationale behind the relevance of the article. The purpose of this study is to examine the organisation and further development of the institution of special economic zones in the Republic of Azerbaijan and their impact on the evolution and transformation of the tourism component of this state. The methodological basis of the research is represented by general scientific (system analysis, content analysis) and special (critical-dialectical, problem-chronological, historical, and logical methods of economic research) methods. The paper established that economic reforms in 1993-2003 led Azerbaijan out of a financial crisis, helped stabilise the state and establish special economic zones, which, in turn, had a positive impact on the development of the tourism industry and its role in filling the state budget.

Keywords: Caucasus Region, Investments, Ilham Aliyev, Market Reforms, "Road Map".

JEL Codes: Z3; Z32.

1. INTRODUCTION

The Azerbaijani state opted for a capitalist (market) system of relations at the very outset of declaring its independence, as the administrative-command (planned) model was not consistent with the economic and socio-political environment (Pipes, 1997). By drawing on the dynamic economies of Western Europe, the USA and Asia, the government has managed to establish a national identity in the newly emerging format of economic relations, combining elements of different approaches to economic growth. Compared to the early post-Soviet years and considering all the context surrounding the then situation in the region, the economic reforms under the patronage of Presidents Heydar and Ilham Aliyev, which have resulted in increased exports and a stable investment climate with the attraction of foreign capital, have been a major factor in the development model that the country has followed for some 30 years (Rezvani, 2014). These reforms and the associated formation, strengthening and flourishing of Azerbaijan's statehood have resulted in the transformation of the region's geographical location (including transport routes, neighbouring states and the like), natural resources, climate, history, culture, and traditions into an integral "economic organism", enabling it to work fully for the country's financial development and thereby successfully integrating the national economy into the world economic system (Madiyarova et al., 2015; Shinwari et al., 2022).

Solving present challenges of socio-economic development, including that of tourism, is important for the Republic of Azerbaijan. In the process of implementing the state-wide regional policy of the Republic, all kinds of administrative-territorial innovations are introduced while maintaining the original state legislative and executive basis, and often these are regional preferential innovations (in the format of which customs duties on imported goods are reduced or abolished) caused by the desire to stimulate active business activities within certain boundaries (Gambarova, 2019; Kanatay et al., 2019).

One of these varied innovations are the "special economic zones" (SEZs), which emerged as a result of the progressive aspirations of the state apparatus towards the establishment and evolution of market relations. In Azerbaijan, Special Economic Zones are national economic spaces dominated and promoted by a defined, clearly delineated system of benefits, incentives (and, most importantly, one that is not used in other areas). There is also a clear trend towards consciously organised specialised production of goods, services, entrepreneurship, and the free exchange of goods in these zones. The result of such transformations is the generation, strengthening and development of the import and export base, the increase of the "currency cushion" of a certain region through domestic, foreign, and other capital investments, and, finally, a rise in tourism in certain regions of the state (Veliyev, 2021; Kisiołek et al., 2022). The essential elements of the current economic model of the Republic of

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Azerbaijan are the country's efficiently functioning financial, production and resort markets, which include budgetary and private (including foreign) finance (Akimbekova et al., 2016; Gambarova, 2019).

This subject has been addressed by scholars such as N. Abdullayev (2021), who has examined the dynamics of Azerbaijan's economic development in the context of the legal component of the state's cooperation with the European Union (EU) in the energy sector. Azerbaijan's energy policy as a factor of its economic growth was also examined by A. Azimov (2021). An important component of the development of the state's economy was the oil and gas contract of 1994, which became a significant impetus for the restart of the economic sphere. The concept of special economic zones as a phenomenon of the globalised economy has been highlighted by O.V. Kachur and S.I. Rudakov (2021). This issue was also addressed by V. Veliyev (2021). At the same time, all the relevant sources used during the study reveal this subject only partially, often indirectly and not comprehensively, which in turn determines the scientific novelty of this article, which consists of a comprehensive, holistic analysis of the achievements of the SEZ institution of Azerbaijan in the tourism component of economic development.

Proceeding from the above, the examination of the process of creation, organisation, and further development of the institution of Special Economic Zones in the Republic of Azerbaijan, and their impact on the evolution and transformation of the tourism component of this state is the purpose of this study. The subject of the study is the process of introducing SEZs into the life of Azerbaijan and their impact on tourism within this state. The object is the special economic zones as a mechanism for reforms.

2. MATERIALS AND METHODS

The methodological basis for this study consists of a combination of general historical, economic, and political science methods, with economic analysis, retrospective and institutional methods predominating. A structural-functional analysis of the available source base was carried out through them, thus contributing to a coherent presentation of the material. The theoretical basis of the study consists of a number of scientific works by Kazakh, American, British scholars, which have a historiographical, political and economic orientation, thematically and chronologically covering the activities of the Republic of Azerbaijan as an entity in the field of economic relations and tourism.

This study was conducted in several stages. The first stage consisted of compiling a database of sources of all the above types, represented by the works of both Azerbaijani and Western legislators, historians, political scientists, and economists. In processing the sources, a systematic analysis method was used to highlight the main problem, identify the purpose, the relevant main objectives and, to uncover all the above, the relevant literature sources. The content analysis method helped to structure the existing array of information in accordance with the set goal and objectives, to collect a list of keywords, and a database of necessary source data. Thus, the choice of the listed methods at this stage of the work provided for the identification of problems, and objectives, highlighting relevance and novelty, studying and sys-

tematising sources in chronological order, which helped to organise the work plan.

The second stage was characterised by the actual analytical work with materials, the allocation of specific works for each of the tasks and, finally, the use of special historical, economic, and political research methods – critical-dialectical, problem-chronological, the historical method of researching economic phenomena proper and the logical method that goes with it. The use of the critical-dialectical method in this work has highlighted the issues of independent Azerbaijan in its domestic, foreign policy and economic aspects, as well as in the worldview-political background on which all relations of this state are based. The historical and logical methods of economic research have helped to analyse the internal state of Azerbaijan as an integral subject of international relations, to differentiate the varieties of activities aimed at ensuring economic development in accordance with the specifics of mentality, traditions, relations with neighbouring countries, the motivational component of the Azerbaijani leadership in the development of tourism, the features of implementation of certain strategies and plans in line with the challenges. In turn, the problem-chronological method provided the basis for a successful analysis of the literature according to the problem units, highlighting and systematising the genesis of the issues and considering them in a strict chronological dimension. The critical-dialectic and economic analysis method played a decisive role in this study, allowing for a qualitative in-depth analysis of the individual areas of possible impact on tourism development in special economic zones: geographical location, security, production, and financial sectors. This led to an extension of the definition of the social factor, which essentially considered the conditions and motivational component of resource mobilisation for the development of such an area of activity. Consequently, the second phase of the study provided baseline data on the relevant work of the Azerbaijani leadership regarding its problems and how to address them in terms of ensuring quality economic development, and the trend towards internal structural changes at the state level to ensure effective viability of the institution of tourism in the regions.

The final, third stage of the study helped to produce the results leading to the final conclusions. This stage employed a method of synthesising the information obtained. These results are a solution to the aims and objectives of the research undertaken from the outset. The conclusions drawn during this study can be used in further research on the topic of the Republic of Azerbaijan and the Caucasus region as a whole in the context of globalisation.

3. RESULTS

Wide-ranging reforms of the economic system since 1993 have permitted Azerbaijan to rank among the states with high rates of economic growth, to gain large foreign investment and, most importantly, a high degree of economic liberalisation over the next 10 years (Zurcher, 2007). As a result, the Azerbaijani economy grew to a leading level between 1995 and 2003, with GDP (gross domestic product) increasing by 90.1 per cent, foreign exchange reserves expanding 85-fold, foreign trade fourfold, and inflation falling to around 2-3 per cent a year (King, 2006). Further imple-

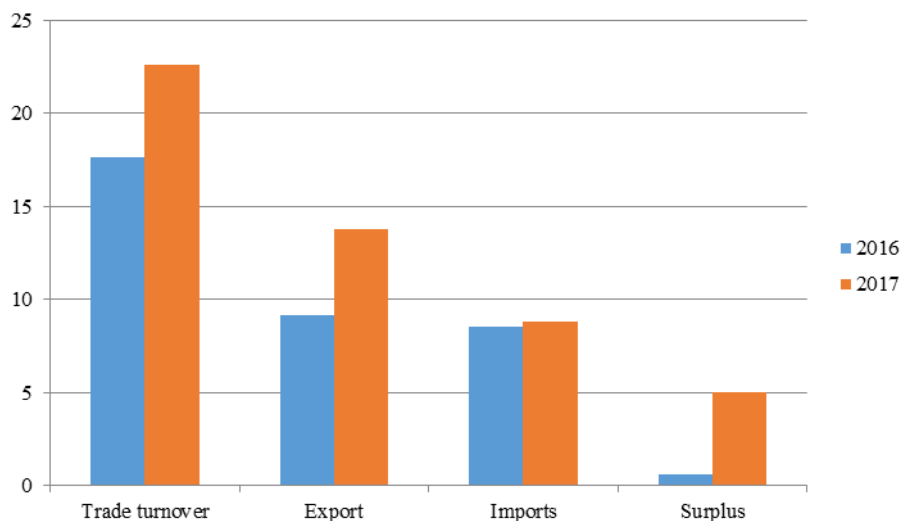


Fig. (1). Foreign Trade Turnover, Billion USD.

Source: R. Gambarova (2019).

mentation of the system of socio-economic transformations allowed Azerbaijan to maintain the dynamics of accelerated economic growth. Compared to 2003, in 2008 GDP grew 2.6 times, with a nominal volume of AZN 4440 (Roy, 2007). Already in 2009, the economy of Azerbaijan represented 2/3 of the economy of the entire South Caucasus. All this has been achieved through the complete abandonment of the methods of the command economy; the creation of a legal framework characteristic of market relations and its adaptation to international standards; the liberalisation of foreign trade, ensuring free movement of financial flows, labour, lower import tariff rates; the formation of a variety of ownership forms and conditions for a healthy competition of enterprises of all these forms (Akiner, 2004; Akimbekova et al., 2021; Koshkinbaeva et al., 2019).

In the same year 2009, the Law of the Republic of Azerbaijan "On Special Economic Zones of the Republic of Azerbaijan" (2009) was formulated and adopted. Within Azerbaijan's borders, a SEZ is a limited part of the state, in which a special legal regime is used for a wide range of sectoral production and related business opportunities. Companies registered in the SEZ as residents receive tax benefits: for long-term periods determined by internal regulations, they are exempt from payment of transport, land, and property taxes (Kachur and Rudakov, 2021). The study revealed that the foundations of special economic zones in the Republic of Azerbaijan are the so-called "economic regions", of which there are 14: Baku (aka metropolitan economic region); Nakhchivan; Absheron-Khizi; Mountainous Shirvan; Ganja-Dashkasan; Karabakh; Gazakh-Tovuz; Guba-Khachmaz; Lankaran-Astara; Central Aran (the largest among the existing ones); Mil-Mughan; Shaki-Zagatala; East Zangezur; Shirvan-Salyan.

The special economic zones of the industrial-industrial and tourist-recreational type are promising in terms of development. With insignificant intra-state investment, they are attractive to private companies, especially those planning to expand their businesses into foreign markets (Azimov, 2021; Shahini et al., 2022). Analysing the dynamics of the growth

of the share of exports in the economy of Azerbaijan in 2016-2017, R. Gambarova (2019) focused on both the state's oil industry and its impact on the activities of special economic zones. In particular, the researcher highlighted the statistics of Azerbaijan's foreign trade turnover for the specified years (Fig. 1). She stressed that these trends indicate both the presence of macroeconomic stability and the growth of the country's financial resource potential and are an illustrative example of an effective symbiosis of state protection of the leading oil-producing industry on the one hand, and the policy of liberalization regarding free economic zones on the other hand.

It should be emphasised that with the effective development of the tourism industry on the scale of the special economic zones of Azerbaijan, the authorities have ensured that many social, cultural and sometimes even diplomatic objectives are realised. Furthermore, tourism is both attractive from the point of view of business and strategically important for the stable economic recovery of the state (LaPorte, 2016; Miethlich, 2022). The main economic areas where tourism accounts for a significant part of activity (or the main activity) are Baku, where due to the good geographical location of the locality (port city) there are good conditions for the development of this sector of the economy. Baku has a well-developed tourist infrastructure in the form of hotels, hostels, and other temporary accommodation, a customer-oriented (for foreign customers) structure of shops, pharmacies, coherent and accurate tourist routes, and access to medical facilities. Besides Baku, the cities of Ganja, Nakhichevan, Gabala and Sheki and their agglomerations can claim to have a highly developed tourism sector (Abdullayev, 2021).

In implementing tourism development plans, it became clear that these measures passively contributed to the improvement of other sectors of the economy – public infrastructure, silk production and traditional silk products, carpet weaving, national confectionery production, and banking (both domestic and international) (Nutfullaeva et al., 2019; Mykolayovych et al., 2020; Rakhimberdinova et al., 2022). There are also measures foreseen to create special economic zones of

the recreational and tourist type, where a coherent public-private partnership mechanism will be an important step in their functioning, with the state undertaking to build an infrastructure network and campaign to attract tourists, and the private sector to set up conditions for investors and tourists to operate (Kachur and Rudakov, 2021; Zhansagimova et al., 2022). The main objectives of such a large-scale project are:

1. Increase the share of the tourism sector and related industries in Azerbaijan's GDP share and diversify the economy accordingly.
2. Stimulating the development of depressed regions with small industrial potential.
3. Local employment growth.

Improvement and efficient use of tourism resources would then be the reason for increasing the level of competitiveness of Azerbaijan's tourism industry in the world market (due to the improvement of the business climate in other areas of the economy in the country's economic regions). "Green" ("rural") tourism is relatively new in Azerbaijani practice – it is developing dynamically, but still locally. The demand is growing more amongst Azerbaijanis residing in the larger cities of the country. As a guarantor of support for the industry, the public association "Support for the Development of Rural Green Tourism" was established with the assistance of the Azerbaijani government. One of the tasks set by the Head of State Ilham Aliyev to the executive authorities in the mid-2010s was to create a regional tourism infrastructure network to create jobs directly in rural areas, and as a result of this consistent implementation, new opportunities have been created for private sector owners, including for hosting tourists on private estates (van Gils, 2018; Yu et al., 2022). The advantage of green tourism is its quick return on investment, an innovative approach to boosting the national and regional economies alike (Zhansagimova et al., 2022).

One of the legal acts that support the prioritisation of the tourism sector within special economic zones and districts is the Strategic roadmap for the development of the specialized tourism industry in the Republic of Azerbaijan (2016). Its aim was to provide a new boost to the sponsorship of the Baku Information and Analysis Centre, providing tourists with all the available information on the city's attractions, ticket booking services, hotel rooms and excursion bookings; the formation and establishment of a National Tourism Promotion Bureau, and with it subordinate regional offices, which would facilitate regular visits to the country by local and foreign visitors with an increased frequency of travel; and, finally, it was the establishment of a National Tourism Promotion Bureau, which would be responsible for the promotion of regular visits to the country by local and foreign visitors with an increased frequency of travel (Kachur and Rudakov, 2021).

The Strategic roadmap for the development of the specialized tourism industry in the Republic of Azerbaijan (2016) also envisaged strengthening the transport segment of the industry, namely expanding the presence of low-cost private and national airlines in the regions. In addition, the State Civil Aviation Administration of the Republic of Azerbaijan was obliged to stimulate the opening of potentially profitable flight destinations that needed tax incentives and marketing

support by analysing the local and regional business environment and establishing a motivational structure. These measures and their effective implementation have increased the share of cross-border tourism (travel to Azerbaijan from neighbouring countries in the Caucasus region). This stimulated the construction of three-star hotels, reduced prices for passenger transportation, which led to an influx of middle-income tourists to the country (van Gils, 2018; Jakubik et al., 2017).

The liberation of the previously occupied territories of the Republic of Azerbaijan opened up an opportunity for foreign investment in many sectors. Along with the economic and agricultural sectors, which are becoming more and more attractive for foreign investors, the list also includes the tourism industry. Due to the conduct of active hostilities, in the liberated territories there is an acute issue of demining cities and smaller settlements. Without the help of sappers, any investment will be ineffective in the context of domestic and foreign tourism. However, even after clearing the liberated areas from explosive objects, a clear action plan will be required so that the money allocated by investors can pay for itself. An important moment in the restructuring of the national economy of Azerbaijan is that the republic has moved from the category of countries with low incomes to the category of countries with high average incomes. This means the economic readiness of the state to develop not only the main capital-forming industries, but also additional ones, such as tourism. The raising of the question of a possible partial transition from non-renewable fuels to more environmentally friendly ones also testifies to the vector taken for the sustainable development of the economic sectors of Azerbaijan. It should be noted that a complete renunciation of the use and export of oil in the country is not expected. Nevertheless, on the example of changes in one of the leading economic spheres of the republic, one can see that positive reforms towards sustainable development are still taking place.

As for the new economic vector directly in the tourism industry, there is a list of tourism services that should be actively developed. These include mountain sports, health and tourism infrastructure facilities, medical tourism recreation centres, as well as the creation of a network of hotels in the liberated areas. From the point of view of sustainable development, planning for the creation of "smart" cities and villages, increasing the number of electric cars among the population, improving the quality of roads and airports occupies an important place. It is worth noting that as a result of the shelling, many small hydroelectric power stations were destroyed, the restoration of which is a priority task for the further development of tourism in the liberated settlements. With the development of the agricultural complex, it will be possible to introduce labour tourism programs, while attracting investors to invest in mountain tourism will give impetus to the development of green tourism (Kalenska et al., 2021). In areas with favourable climatic conditions, it is possible to launch wine tourism services. Large outside investors include the UK, Turkey and the US.

Increased investment alongside the expansion of the tourism industry has set the stage for the creation of the first Alyat Free Economic Zone in 2021, thereby effectively establishing the institution of special economic zones in Azerbaijan.

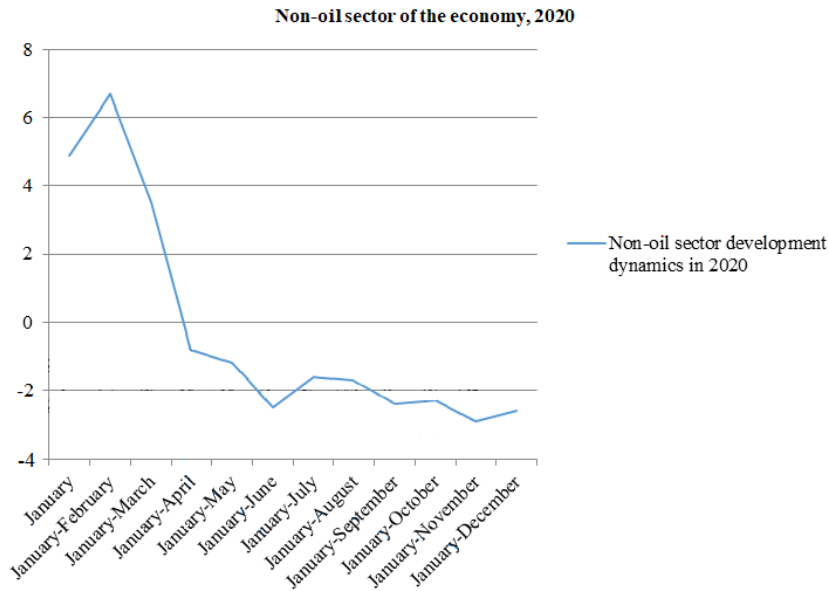


Fig. (2). Non-Oil Sector Development Dynamics In 2020, %.

Source: Macroeconomic development of Azerbaijan in 2020 (2020).

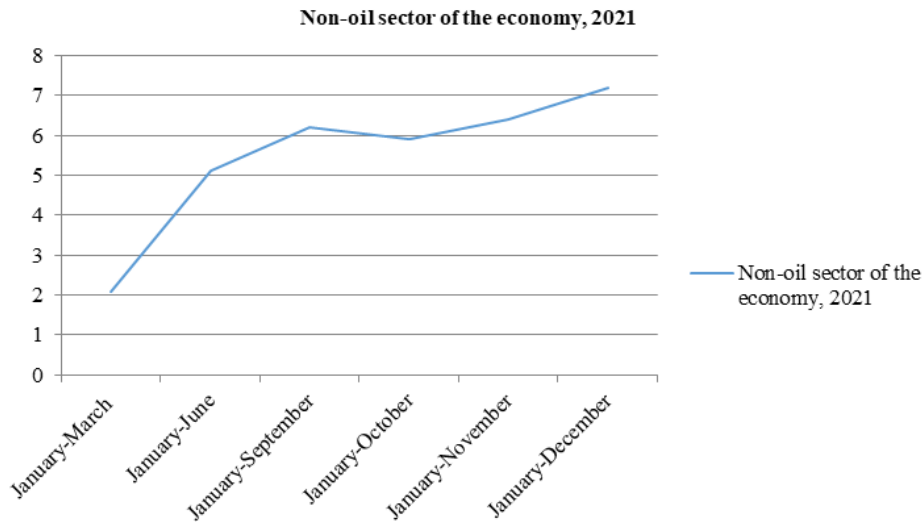


Fig. (3). Non-oil sector development dynamics in 2021, %.

Source: Macroeconomic situation of Azerbaijan (2021).

This zone was formed on the basis of the port infrastructure entity and includes in its functions not only assistance to the oil sector of the state economy but also the organisation of transit of production products, participation in the organisation and activities of small and medium-sized business entities. Focusing on comprehensive international cooperation and stable attraction of foreign capital, the Alyat Free Economic Zone is set to participate in future international trade and economic relations as a competitive player, increasing the export component of the state's economy with increased added value. Thus, it is proposed to concentrate an extensive logistics area with modernised transport infrastructure, and a transit and energy hub around the zone, so that it not only emerges as a regionally dominant business environment but also assumes a similar position at the global level (Azieva et al., 2021; Niyazbekova et al., 2021). And most importantly,

to strengthen and expand Azerbaijan's economy beyond the oil extraction and refining sector (Veliyev, 2021). Thus, the Ministry of Economy of the Republic of Azerbaijan, analysing the dynamics of the non-oil sector in 2020-2021, focuses on the fact that while in 2020 its indicators fell from 4.9% to -2.6% (Fig. 2), in 2021 they rose to 7.2% (Fig. 3).

The legislation removes restrictions on the amount of investment within the SEZ, and all established governing and administrative bodies are exempt from taxation within the SEZ (Bulent and Cathy, 2019). Also, a free economic zone does not pay customs duties, taxes on imported goods, works and services, but when the above are exported to the main economy – all financial measures are enforced within the laws. In view of the above, it is necessary to summarise the following aspects:

1. During the early period of independent Azerbaijan, in 1991-1993, its economy was in crisis, many macro and microeconomic indicators failed to meet the targets of the then government, inflation rose sharply, and poverty stood at around 49 per cent.
2. The reforms of 1993-2003 radically changed the situation, stabilised the economic situation and helped to attract a wide range of foreign investments into the oil sector and established social and political stability.
3. Pursuing reforms in 2003-2009 helped to make Azerbaijan a regional leader, increased the export component of the economy, strengthened the then-stable state, and led to the emergence of special economic zones as a response to the desire to accelerate progress in entrepreneurship, tourism, and sectoral production under the special legal regime of these zones.
4. The successful development of SEZs in the Republic of Azerbaijan has resulted in an increased tourist influx ("tourist climate") into the country and, therefore, an improvement in the national economic climate.

The result of all the processes described above has been an extraordinary rise in the economic status of the Republic of Azerbaijan, driven by public expenditure from various sectors of the economy in the area of special (free) economic zones and investment in the tourism sector of these zones, which will allow expanding the opportunities of these territorial entities in the future, eventually making this sector a leading one and, therefore, raising the economy of Azerbaijan to the rank of not only regional but also world leaders.

4. DISCUSSION

The origins of special economic zones in Azerbaijan date back to the implementation of economic reforms in 1993. Timely measures to stimulate the oil and gas industry enabled the country to shift to an industrial-agrarian economic model of statehood. The Gulistan Contract (aka "Contract of the Century"), signed in Baku in 1994 between 13 major companies from 8 countries specialising in oil production, opened one of the largest flows of foreign investment and laid the foundation for the country's oil strategy (Hasanov et al., 2020).

Since the implementation of the Gulistan contract, Azerbaijan has made a significant breakthrough in the industrial sector, including the development of the Azeri-Chirag-Gunashli Oilfield on the Caspian Sea shelf, applying advanced foreign equipment, and employing highly competent specialists in the field, which enabled Azerbaijan's annual oil output to rise from 9.56 million tonnes (as of 1994) to a record 50.4 million tonnes (as of 2010) (Broers, 2019). Researcher T. Swietochowski (1995) suggests that amid the internal political, economic, and economic crisis in Azerbaijan in the mid-1990s, and conditions following the Karabakh war, this contract was one of the key documents post facto guaranteeing the state's political stability and financial independence from Russia and its neighbouring neighbours. Implementation of the Oil strategy of Heydar Aliyev has caused tensions be-

tween the Republic of Azerbaijan and the Russian Federation. The latter sent a note of protest to Baku, arguing that work on the Azeri-Chirag-Gunashli field was illegal under international law because Russia, for its part, had advocated joint use of the Caspian Sea. Around the same time, the then Russian foreign minister, Grigory Karasin, spoke of the inadmissibility of unilateral actions in the Caspian Sea, which could lead to "appropriation of vast Caspian spaces" by separate parties and, most importantly, such actions "infringe on the rights and interests of Russia", although this act of protest was never followed up. The contract had a term of 30 years; at the end of 2016, it was extended until 2050.

After the first period of economic stabilisation between 1993 and 2003, the Azerbaijani leadership continued the so-called "strategy of deep economic reforms" and gave it a new course of action in the form of the country's economic transformation between 2003 and 2009 (Andranik, 2019). In particular, the framework of the Decree of the President of the Republic of Azerbaijan "On approval of the II State Program for Privatization of State Property in the Republic of Azerbaijan" (2000), allowed for the introduction of the private sector. Additional initiatives in the form of decrees and adopted laws have helped overcome the conventions and pitfalls of the Azerbaijani bureaucratic machine, some of which have deliberately hindered the formation of a favourable institutional environment for the rapid development of entrepreneurship, creating conditions of local unemployment and staff starvation, and generating corruption (Azimov, 2021; Kambarova et al., 2014; Ryskaliyev et al., 2019).

The final adoption of the legal framework for land-based economic relations, the rise of GDP, living standards and some of the demand for the world (more specifically the European part) in the Azerbaijani economy occurred in the mid-2000s, gradually generating legislative conditions for the emergence of special economic zones based on the existing economic areas of Azerbaijan. These aspects were indirectly touched by researchers V. Birchfield and J. Duffield (2011). These zones were primarily aimed at enhancing the capacities of the industrial-industrial complex, which, however, did not prevent another promising niche – the tourism industry – from being identified over time. The emerging opportunities for a new record leap in the economy have forced another round of changes aimed at improving the investment climate: revising legislation in the areas of business, registration, and incentives for development; building permits and property registration; getting credit within the country; and protecting all groups of investors (Nurdaulet et al., 2018; Tashpulatov et al., 2018). These reforms have significantly facilitated the conditions to run a business, which, exactly ten years later, in 2019, prompted Azerbaijan to rise from 57th to 25th place out of 190 countries in the rankings of the world's leading financial services companies. This aspect is closely interrelated with the political cooperation between the country and the European Union, as evidenced by researchers M. Cini and N. Borrigan (2019).

E. van Gils (2018) outlined that the state programme for the socio-economic development of the regions, adopted in 2004, devotes about 30 items to the development of tourism opportunities, in particular the construction of tourist facilities. Already in 2006, this programme was supplemented by

a new state programme for the development of tourism, covering the years 2006-2016, the main goals of which were to create domestic and foreign (international) tourism destinations, carry out a large-scale advertising campaign abroad and create conditions for the development of business tourism. It is also worth noting that the revenues generated by the successful implementation of the oil strategy over the last 10 years have provided the Azerbaijani economy with funds to modernise tourism and market infrastructure, and increased state assets and foreign exchange reserves, which in turn have created favourable conditions for GDP growth in the country (Veliyev, 2021). Stabilisation and improvement in investment processes have occurred mainly at the expense of private sector entities (including those participating in green tourism programmes) and the banking sector. Thus, capital investments in fixed assets from extra-budgetary funds increased by 30.8%, from bank loans by 13.7%, and from households by 16.7% (Gambarova, 2019).

Furthermore, one of the most recent tourism-related resolutions of the Azerbaijani government was the approval of the Strategic roadmap for the development of the specialized tourism industry in the Republic of Azerbaijan (2016). It outlined the Tourism Development Action Plan 2017-2020, and a decree to include the tourism sector in the list of investment-related economic activities was signed as early as the following year. The Tourism Roadmap also provided the foundations for health tourism proposals for domestic and foreign citizens and targeted the development of "green" tourism (Azimov, 2021). A significant step in enhancing the results of both the tourism industry and the financial sector was the improvement of the "climate" for investors at the turn of 2019-2020, which resulted in the introduction of the Alyat Free Economic Zone in 2021 (Kachur and Rudakov, 2021). It provides an offshore-like, investor-friendly environment that will be an immediate prelude to establishing an international financial centre in the Republic of Azerbaijan. However, at this stage of development, the main objective of the Alyat SEZ is to strengthen the connections of the Caspian transport and industrial corridors. This process could be said to be a continuation of Caspian integration after the "Contract of the Century". Whether there are plans to develop the tourism sector in this SEZ is still an open question.

Thus, the results of this study correlate with the findings of a number of authors in similar research areas. In particular, the perspectives on economic reform of Heydar and Ilham Aliyev in this study are similar to those of N. Abdullayev (2021), A. Azimov (2021), F. Hasanov et al. (2020), T. Swietochowski (1995), and the issues of special economic zones with the paper by V. Veliyev (2021). At the same time, a significant difference lies in the fact that a number of researchers have considered the phenomenon of special economic zones in the context of Azerbaijan's political history and the economic reforms of Heydar and Ilham Aliyev, focusing on Azerbaijan's cooperation with European countries, the USA and the inflow of foreign investments in long-term oil industry projects ("Contract of the Century"). The direct development of special economic zones since 2009 has only been considered by V. Veliyev. Whereas this study examines the issue of special economic zones in Azerbaijan as a separate phenomenon and its impact on the development of tourism in the country, arguing that effective economic reforms

and the creation of special economic zones have led to the reshaping of tourism into one of the influential filler areas of the Azerbaijani economy.

5. CONCLUSIONS

As a result of the collapse of the Union of Soviet Socialist Republics, Azerbaijan was in a state of a systemic economic crisis in 1991-1993. However, the introduction of reforms in 1993 and the attraction of foreign capital to invest in the state's core industry – oil production – have stabilised the economy, lowered inflation, and increased exports. The development of foreign tourism and the export of a range of services in the state is expected to result in a natural increase in investment inflows. With the implementation of the Gulistan contract, Azerbaijan has made a major breakthrough in the industrial sector through the development of the Azeri-Chirag-Guneshli oil fields on the Caspian shelf. The economic upturn in the period after 1993 gave way to a so-called "strategy of deep economic reforms" after 2003 and gave it a new course in the form of economic transformation between 2003 and 2009. In particular, the result was the creation of special economic zones approved by the law in 2009. These zones were primarily aimed at enhancing the capacities of the industrial-industrial complex, which, however, did not prevent another promising niche – the tourism industry – from being identified over time. In the process of implementing tourism promotion plans, it has become apparent that these measures passively contribute to the improvement of other sectors of the economy.

For the further successful development of special economic zones in the Republic of Azerbaijan it is necessary to optimise the combination of large, medium, and small businesses in these zones by categories, which in the future could facilitate their mutually beneficial cooperation through well-established marketing channels, investment attraction flows and so on. Tourism, on the other hand, will be a passive source of income, unless a new territorial-economic unit is allocated for it in the future. Finally, SEZs can effectively prevent excessive pressure from foreign and even international corporations on the industrial complex, especially against the backdrop of Azerbaijan's possible accession to the World Trade Organisation. Thus, comparing the objective of this study with the results obtained, it can be stated that the issue of special economic zones in Azerbaijan and their impact on the tourism industry of the state has been fully addressed and the objectives set in the context of the study have been achieved. Further developments on this topic may concern the development of special economic zones and the tourism sector in Azerbaijan in the context of its cooperation with countries in the region such as Turkey, Kazakhstan and economic integration with EU countries.

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