Tourism and the Border-Closure Effect in Azerbaijan: Post-Pandemic Recovery, Structural Constraints, and Regional Competitiveness

Author: Gubad Ibadoghlu
Affiliation: Senior Visiting Scholar at London School of Economics and Political Science (LSE)
Email: G.Ibadoghlu@lse.ac.uk

Abstract

This study examines the evolution of Azerbaijan's tourism sector in the aftermath of the COVID-19 pandemic, focusing on the economic and policy consequences of prolonged land-border closures. Drawing on official statistics, international datasets, and comparative analysis with Georgia and Armenia, the paper investigates trends in inbound tourism, revenue generation, employment, and investment across 2016–2024. The findings reveal that while the sector has demonstrated signs of recovery—particularly through growth in higher-value and diversified visitor segments—Azerbaijan's performance remains significantly below pre-pandemic levels and lags behind regional peers. The analysis identifies structural inefficiencies, methodological weaknesses in statistical reporting, and policy misalignments that constrain sectoral growth. It concludes that restrictive border and mobility policies are incompatible with Azerbaijan's stated objectives of tourism-led diversification and sustainable development.

Keywords

Azerbaijan; tourism policy; COVID-19 recovery; border closure; non-oil economy; South Caucasus; UNWTO standards; economic diversification

Introduction

Following the sharp currency devaluations in 2015, the urgency of economic diversification in Azerbaijan increased markedly, positioning the tourism sector as a key driver of non-oil growth.

As a labor-intensive service sector with substantial potential for foreign exchange earnings, employment generation, and regional development, tourism plays a growing role in the diversification of the national economy. Reflecting this strategic prioritization, one of the eleven national sectoral strategies adopted in December 2016 was the "Strategic Roadmap for the Development of the Specialized Tourism Industry in the Republic of Azerbaijan."[1] The long-term vision of this roadmap, extending to 2025, aims to elevate Azerbaijan into a highly competitive and attractive tourism destination within the wider region and globally.

Tourism is one of the priority non-oil sectors identified in Azerbaijan's national development agenda, particularly under the Strategic Roadmap for the Tourism Industry. A core objective of this strategy is the expansion of inbound tourism. Official statistics confirm that the number of foreign visitors to Azerbaijan increased steadily from 2016 until the onset of the COVID-19 pandemic in 2020. Although the pandemic caused a substantial and unavoidable decline, the post-pandemic recovery has not yet restored international arrivals to pre-crisis levels observed in 2019, indicating that structural challenges remain.

[1] "Strategic Roadmap for the Development of the Specialized Tourism Industry in the Republic of Azerbaijan. https://e-qanun.az/framework/57127#_Toc469742693

Conceptual Framework

It is important to note that the State Statistical Committee does not publish a distinct tourism satellite account; instead, tourism-related indicators are aggregated under the broader classification of "Accommodation and Food Services."[2] This methodological constraint may obscure the full economic contribution of the tourism sector and highlights the need for improved sector-specific statistical reporting to support evidence-based policy planning.

A further methodological limitation concerns the measurement of inbound tourism in Azerbaijan. The State Statistical Committee reports[3] the "number of foreigners and stateless persons arriving in Azerbaijan"—based on data from the State Border Service—as the number of tourists. However, this indicator does not distinguish the purpose of visit, thereby inflating actual tourism figures.

According to the United Nations World Tourism Organization (UNWTO)[4]:

- A visitor is any person traveling to a place outside their usual environment for less than one year, for any purpose other than to be employed in the place visited.
- A tourist is a visitor who stays at least one night in the country — typically for leisure, business, or other tourism-related activities.

In the absence of purpose-specific data, Azerbaijan's current methodology counts all arrivals as tourists, even when the visit does not meet the UNWTO tourism criteria.

This issue is particularly pronounced in relation to Russia, which regularly ranks as the top source country in official statistics. With up to two million Azerbaijani citizens residing in Russia, frequent family visits are common, and each entry is recorded as a tourist arrival. These non-tourism-related trips artificially inflate inbound tourism numbers and distort Azerbaijan's tourism performance profile.

Adopting UNWTO-compliant classifications — such as differentiating between tourists, same-day visitors, expatriate returnees, and labour or family-related travel — along with progress toward a Tourism Satellite Account (TSA) framework, would significantly enhance data accuracy and strengthen evidence-based sector policymaking.

---

[2] https://www.stat.gov.az/news/source/doklad_2024-12.pdf

[3] https://www.stat.gov.az/menu/6/statistical_yearbooks/source/tourism_2025.pdf

[4] UNWTO (2024). *International Recommendations for Tourism Statistics (IRTS): Concepts and Definitions of Visitors and Tourists.* Madrid: United Nations World Tourism Organization

The Impact of COVID-19 and Border Closures on Tourism Recovery

The table below presents key performance indicators of the tourism industry for the period 2019–2024, capturing both the severe contraction caused by the COVID-19 pandemic and the subsequent recovery trajectory. These indicators provide valuable insight into structural trends in sectoral output, labor dynamics, and investment flows.

Table 1. Main Indicators of Tourism Industries in Azerbaijan (2019–2024)

Indicator	2019	2020	2021	2022	2023	2024*
Number of employees in tourism industries (persons)	58,972	49,019	53,717	63,109	71,063	79,924*
Gross value added in tourism industries (million manats)	3,704.9	1,386.7	1,939.7	3,878.8	5,062.8	5,973.8*
Share of tourism industries in GDP (%)	4.5	1.9	2.1	2.9	4.1	4.5*
Investments in tourism industries (million manats)	133.7	45.8	242.4	100.5	630.7	479.0*

Source: State Statistical Committee of Azerbaijan

**Preliminary data*

The data demonstrate both the shock impact of the COVID-19 pandemic on Azerbaijan's tourism sector and the subsequent strong but uneven recovery. Employment levels fell sharply from 58,972 in 2019 to 49,019 in 2020, reflecting widespread disruption across hospitality and travel services. A steady rebound followed, with the workforce reaching an estimated 79,924 employees in 2024, a level 35% higher than pre-pandemic capacity, suggesting renewed labor demand and sectoral expansion.

Gross value added (GVA) experienced an even more pronounced contraction, dropping from 3.7 billion manats in 2019 to 1.39 billion manats in 2020 (–63%). The rapid restoration of output by 2022 and the attainment of 5.97 billion manats in 2024—61% above 2019—indicate structural improvements in productivity, visitor spending, or both. Tourism's GDP contribution followed similar volatility, falling from 4.5% to 1.9% in 2020 before gradually recovering to 4.5% in 2024, slightly above pre-pandemic levels.

This suggests that the sector has regained—and modestly strengthened—its role in non-oil diversification.

Investment flows, however, show greater instability. Following a collapse in 2020, investments surged to 630.7 million manats in 2023, reflecting major infrastructure and branding efforts, yet declined to 479.0 million manats in 2024. This volatility may signal investor caution or project completion cycles and highlights the need for long-term capital commitment to sustain competitiveness.

Overall, Azerbaijan’s tourism sector contributed 4.5% to Azerbaijan's GDP in 2024 and appears resilient and growth-oriented, yet ongoing investment and improved sector governance remain crucial to fully secure tourism as a strategic pillar of the national economy.

Evolution of Azerbaijan's Tourism Sector (2016–2024)

The table below presents inbound tourism indicators for 2016–2024, highlighting both pre-pandemic growth momentum and the magnitude of the COVID-19 shock, followed by the sector's gradual recovery toward the 2019 baseline.

Table 2. Number of Foreign Visitors to Azerbaijan and Their Expenditures, 2016–2024

Year	Number of Foreign Visitors (thousands persons)	Expenditures by Foreign Visitors (million ₼)	% Change in Visitors vs. 2019
2016	2,248.8	1,411.3	–29.1%
2017	2,696.7	2,285.3	–14.9%
2018	2,849.6	2,661.6	–10.1%
2019	3,170.4	2,971.4	0% *(baseline)*
2020	795.8	414.7	–74.9%
2021	791.8	492.6	–75.0%
2022	1,602.3	1,340.2	–49.5%
2023	2,085.8	2,439.2	–34.2%
2024*	2,626.7	3,403.5	–17.1%

Source: State Statistical Committee of Azerbaijan

The data reveal a clear three-phase dynamic in Azerbaijan's inbound tourism: pre-pandemic expansion, pandemic-induced collapse, and post-pandemic recovery.

Between 2016 and 2019, the number of foreign visitors rose from 2.25 million to 3.17 million, demonstrating positive demand growth supported by improved connectivity and targeted tourism promotion. This momentum was abruptly interrupted in 2020–2021, when arrivals and expenditures declined by approximately 75 percent relative to the 2019 baseline, reflecting global travel restrictions.

Recovery began in 2022, with accelerated improvement in 2023–2024. Visitor numbers reached 2.63 million in 2024, reducing the deficit to –17.1% below pre-pandemic levels, while expenditures increased sharply to 3.4 billion manats, surpassing 2019's spending levels by a significant margin. This suggests a shift toward higher-value tourism, possibly due to longer stays or greater per-visitor spending.

Despite notable progress, the sector has not yet fully restored pre-crisis arrival volumes, underscoring the need for continued efforts in market diversification, international mobility facilitation, and competitive product development to consolidate long-term tourism growth in Azerbaijan.

The table below compares visitor flows from the top source countries in 2019 (pre-pandemic baseline) and 2024, capturing shifts in travel patterns and the extent of recovery across different markets.

Table 3. Number of foreigners and stateless persons arrived to Azerbaijan by countries: Comparison of 2019 and 2024

Country	Tourists in 2019	Tourists in 2024*	Change (persons)	% Change vs. 2019
Russia	932,984	730,971	–202,013	–21.7%
Georgia	725,465	111,300	–614,165	–84.7%
Türkiye	316,628	426,132	+109,504	+34.6%
Iran	255,628	210,081	–45,547	–17.8%
Saudi Arabia	107,230	98,113	–9,117	–8.5%
United Arab Emirates	68,346	46,731	–21,615	–31.6%
India	65,118	243,633	+178,515	+274.1%
Ukraine	59,116	36,144	–22,972	–38.9%
Iraq	50,723	5,320	–45,403	–89.5%
Israel	47,056	28,954	–18,102	–38.5%

Source: State Statistical Committee of Azerbaijan

The data show significant variation in tourism recovery by country of origin. A closer examination of Azerbaijan's tourism relations with its three key neighboring countries—Russia, Georgia, and Iran—reveals significant structural and political shifts. According to official statistics, in 2019, 725 465 visitors arrived in Azerbaijan from Georgia, most of whom were not Georgian nationals but foreign tourists traveling across the South Caucasus region. However, following the onset of the COVID-19 pandemic and the subsequent closure of land borders in 2020, this figure declined sharply by 84.7 percent, reaching 111 300 visitors in 2024.

Similar downward trends are evident for Azerbaijan's northern and southern neighbors. Between 2019 and 2024, the number of visitors from Russia decreased by 21.7 percent (from 932 984 to 730 971), while arrivals from Iran fell by 17.8 percent (from 255 628 to 210 081). The contraction in tourism from these key markets is primarily attributable to the continued closure of Azerbaijan's land borders, which has disrupted regional mobility and cross-border travel flows.

Closured of Azerbaijan's land borders is stimulated growth in domestic tourism. According to the State Statistics Committee[5], the number of domestic tourist trips increased by 8.6 percent in 2024 compared to 2023, reaching 5.69 million trips—a 25.6 percent rise relative to pre-pandemic levels in 2019. However, domestic tourism expenditures grew even faster, rising by 52 percent during the same period, indicating significant price inflation in hospitality and tourism services. Per capita domestic tourism spending increased from 800 manats in 2019 to 930 manats in 2024, reflecting both increased demand and cost pressures within the sector.

Among the top ten source countries, India recorded the highest growth in tourist arrivals to Azerbaijan. Between 2019 and 2024, the number of Indian visitors surged by 274.1 percent, driven by expanding air connectivity and targeted marketing initiatives. However, political tensions in 2025—stemming from Azerbaijan's pro-Pakistan stance during the renewed conflict in Kashmir[6]—have negatively affected bilateral tourism flows. Calls for a boycott of travel to Azerbaijan have gained significant traction across India in response to Baku's pro-Pakistan stance on the Kashmir conflict, and these campaigns are now producing tangible effects on bilateral tourism flows[7].

In the first nine months of 2025, India accounted for 6.8 percent of all visitors to Azerbaijan, compared with 9.1 percent in the same period of 2024, signaling a downturn.

---

[5] https://www.stat.gov.az/menu/6/statistical_yearbooks/source/tourism_2025.pdf

[6] Sofia Saeed Shah: Azerbaijan always supports Pakistan's position on Kashmir, 29 October 2025 https://report.az/en/amp/foreign-politics/sofia-saeed-shah-azerbaijan-always-supports-pakistan-s-position-on-kashmir

[7] In India, boycott calls against Turkey, Azerbaijan reflect growing 'consumer-led diplomacy'? 16 May 2025 https://www.scmp.com/week-asia/economics/article/3310592/india-boycott-calls-against-turkey-azerbaijan-reflect-growing-consumer-led-diplomacy

Despite a 2.3-fold increase in Indian arrivals in January–September 2024 compared with the previous year, data for 2025 already indicate a reversal of this upward trend[8].

Major declines are observed in neighboring markets traditionally dominant in Azerbaijan's tourism profile. Arrivals from Georgia and Iraq contracted the most (–84.7% and –89.5%), influenced by disrupted land connectivity, stricter border controls, closure of border with neighboring states[9] and broader geopolitical tensions between Iran and Russia. Russia, while still the largest inbound market, remains 21.7% below 2019 levels, reflecting a slower recovery of regional travel dynamics and changes in migration-related travel.

The findings[10] also demonstrate that the continued closure of Azerbaijan's land and sea borders has had a detrimental impact on tourism sector performance. Since March 2020, when pandemic-related restrictions were introduced, the suspension of cross-border land and maritime travel for both citizens and foreign visitors has substantially constrained the country's ability to realize its tourism potential and recover fully in the post-pandemic period.

In contrast, notable growth is recorded from Türkiye (+34.6%) and especially India (+274.1%), indicating successful penetration into new long-haul and emerging markets. These shifts suggest a gradual reorientation of Azerbaijan's tourism demand structure away from a heavy dependence on land-based short-haul visitors toward more diverse international segments.

The Gulf markets (Saudi Arabia and UAE) show more moderate declines (–8.5% and –31.6%), pointing to sustained potential in high-spending tourism, while continued declines from Ukraine (–38.9%) reflect ongoing war-related constraints.

Overall, Azerbaijan's tourism dynamics between 2019 and 2025 reveal how border restrictions, regional geopolitics, and policy inconsistencies have constrained the sector's recovery and diversification. The continued closure of land borders limits access from

[8] State Statistical Committee, On the current state of tourism, 22.10.2025, https://www.stat.gov.az/news/index.php?lang=en&id=6082

[9] Cabinet of Ministers of the Republic of Azerbaijan. Decree on Temporary Restrictions on Entry and Exit Across State Borders in Connection with the COVID-19 Pandemic, March 2020 (and subsequent extensions).

[10] Ibadoghlu, Gubad, The Socioeconomic Consequences of Prolonged Closure of Azerbaijan's Land and Sea Borders (October 21,2024). Available at SSRN: https://ssrn.com/abstract=4994333 or http://dx.doi.org/10.2139/ssrn.4994333

key neighboring markets, while external political alignments have introduced new vulnerabilities. In particular, calls for a boycott of travel to Azerbaijan have gained significant traction in India following Baku's pro-Pakistan position on the Kashmir conflict, producing tangible declines in tourist arrivals from one of the fastest-growing source markets. Although domestic tourism has expanded and partially offset the loss of foreign visitors, this growth has been accompanied by rising service costs and inflationary pressures. To position tourism as a sustainable driver of non-oil economic diversification, Azerbaijan must reopen land borders, enhance regional connectivity, and pursue a balanced foreign policy that safeguards its reputation and attractiveness to a broad range of international travelers.

Comparative Regional Performance: Lessons from Georgia and Armenia

To evaluate the impact of border closures on Azerbaijan's tourism sector and to provide a comparative perspective on its current performance, Table 4 presents key tourism indicators for Georgia and Armenia alongside Azerbaijan. This comparative approach highlights the extent to which Azerbaijan's prolonged land-border restrictions have constrained tourism recovery relative to its regional peers. By examining differences in visitor numbers, revenues, and sectoral contributions to GDP, the table underscores the structural and policy-driven disparities shaping post-pandemic tourism competitiveness in the South Caucasus.

Table 4. Key Indicators of Foreign Tourists Visiting other South Caucasus Countries, 2024

Destination Country	Origin Country	Number of Tourists (persons)	Share (%)
Georgia	Russia	1,113,676	21.87 %
	Türkiye	850,128	16.70 %
	Azerbaijan	836,537	16.43 %
	Other countries	2,291,391	45.00 %
	Total	5,091,113	100 %
Armenia	Russia	937,827	49.50 %
	Georgia	266,048	14.06 %
	Iran	176,453	9.31 %
	Other countries	514,179	27.14 %
	Total	1,894,503	100 %

Source: Media Analysis Center (MTM), Azerbaijan[11]

A comparative analysis of the geographic composition of tourists in 2024 across the three South Caucasus countries shows that neighboring states remain the dominant source of

[11] https://mtm.az/wp-content/uploads/2025/02/32-03-1536x1536.png

visitors for both Georgia and Armenia, while Georgia continues to serve as the primary regional tourism hub. Several structural and policy factors contribute to Georgia's relative advantage over Azerbaijan and Armenia: diverse and accessible transport infrastructure, lower accommodation and service costs, a liberal visa regime, and strong ethno-cultural and historical appeal.

In contrast, Armenia's tourism sector indirectly benefits from the ongoing closure of land borders between Azerbaijan and Georgia. Tourists entering the region through Georgia often view Armenia as a more accessible secondary destination due to lower travel costs, easier border logistics, and comparatively affordable prices in hospitality and trade services. As a result, Azerbaijan has struggled to attract the same level of cross-border tourism from Georgia, despite its larger economic base and broader resource potential.

To enhance its competitiveness and regional integration, Azerbaijan must align its tourism strategy with regional mobility trends by reopening land borders, reducing travel costs, and promoting a more visitor-friendly policy environment that supports sustainable, non-oil economic growth.

Table 5 presents a comparative overview of total and per capita tourism revenues in the South Caucasus, highlighting the relative performance of Azerbaijan, Georgia, and Armenia in generating income from international visitors.

Table 5. Tourism Revenues in the South Caucasus (2024)

Country	Tourism Revenues (billion USD)	Tourism Revenues per Capita (USD)
Azerbaijan	1.5	145
Georgia	3.4	925
Armenia	1.9	626

Source: Author's compilation based on official statistics and international tourism data[12]

The comparative data clearly demonstrate Azerbaijan's continued underperformance in the tourism sector relative to its South Caucasus neighbors. In 2024, Azerbaijan generated USD 1.5 billion in tourism revenues—less than half of Georgia's USD 3.4 billion and significantly below Armenia's USD 1.9 billion. Even more striking is the gap

[12] Official tourism statistics: State Statistical Committee of the Republic of Azerbaijan; National Tourism Administrations of Georgia and Armenia; UNWTO datasets (2024).

in per capita tourism income, which stood at only USD 145 in Azerbaijan, compared to USD 925 in Georgia and USD 626 in Armenia.

This disparity reflects structural inefficiencies and policy misalignments that have constrained Azerbaijan's ability to translate its infrastructural and resource advantages into sustained sectoral growth. Despite its larger population and better-developed transport and hospitality infrastructure, the country's tourism performance remains hampered by restrictive border policies, limited diversification of source markets, and an underdeveloped service ecosystem. The prolonged closure of land and sea borders since 2020 continues to hinder regional mobility and suppress cross-border tourism, particularly from neighboring countries that historically accounted for the bulk of arrivals.

In contrast, Georgia's superior performance demonstrates the benefits of open-border regimes, flexible visa policies, and diversified tourism offerings, while Armenia's steady recovery reflects the advantages of regional accessibility through Georgia and targeted international marketing campaigns. These policy differences underscore the crucial role of mobility and openness in shaping tourism competitiveness across the South Caucasus.

At the same time, changing visitor patterns reveal emerging strengths in Azerbaijan's tourism market. While total arrival numbers remain below pre-pandemic levels, the market composition is shifting toward higher-value tourism segments—such as business, eco-cultural, and medical tourism—and more geographically diversified inbound markets. These trends suggest early signs of resilience and qualitative improvement, provided they are reinforced by targeted international marketing, expanded air connectivity, and competitiveness-enhancing reforms in accommodation, service quality, and digital infrastructure.

Conclusion

The findings of this study reveal that, although Azerbaijan's tourism sector has exhibited gradual recovery following the COVID-19 shock, its overall performance remains significantly below pre-pandemic levels and continues to lag behind regional counterparts in the South Caucasus. Structural constraints, methodological deficiencies, and policy misalignments have collectively weakened the sector's contribution to non-oil economic diversification—an area of strategic importance for Azerbaijan's long-term sustainability.

Empirical evidence shows that tourism in Azerbaijan underwent a three-stage evolution: pre-pandemic expansion (2016–2019), pandemic contraction (2020–2021), and a partial yet uneven recovery since 2022. By 2024, foreign visitors reached 2.63 million—17 percent below the 2019 baseline of 3.17 million. Although gross value added and employment in tourism exceeded pre-pandemic levels, overall competitiveness remains low. Tourism income in 2024 (USD 1.5 billion) was less than half of Georgia's (USD 3.4 billion) and below Armenia's (USD 1.9 billion), indicating persistent inefficiencies.

Azerbaijan's reliance on border-crossing data as a proxy for tourist arrivals has inflated statistics, diverging from UNWTO standards that distinguish between visitors and tourists. Establishing a Tourism Satellite Account (TSA) and adopting harmonized definitions are essential for data reliability and evidence-based policymaking.

Prolonged border closures since 2020 have become structural impediments to recovery. Restricted land and sea mobility has constrained short-haul arrivals from Russia, Georgia, and Iran, while Georgia's open-border policy and diversified offerings have positioned it as the regional leader. Armenia, meanwhile, benefits indirectly through transit-driven tourism via Georgia.

The growing presence of visitors from Türkiye, the Gulf States, and India signals progress in market diversification and higher-value tourism. These developments could enhance resilience if supported by international marketing, air connectivity, and service-quality reforms.

Overall, the evidence indicates that current border and mobility restrictions are misaligned with Azerbaijan's national tourism diversification goals. The continuation of restrictive entry policies has weakened competitiveness, reduced regional integration, and slowed the recovery of international arrivals and revenues. Unless the government prioritizes the reopening of land borders and adopts coordinated strategies for market diversification, investment promotion, and policy coherence, Azerbaijan risks falling further behind regional peers and undermining the tourism sector’s potential as a driver of non-oil economic growth and sustainable development.

References

- Azerbaijan State Statistical Committee (2024). Tourism Indicators of the Republic of Azerbaijan, 2016–2024. Baku: SSC.
- Government of Azerbaijan (2016). Strategic Roadmap for the Development of the Specialized Tourism Industry. Baku: Ministry of Economy.
- Ibadoghlu, Gubad (2024), The Socioeconomic Consequences of Prolonged Closure of Azerbaijan's Land and Sea Borders (October 21,2024). Available at SSRN: https://ssrn.com/abstract=4994333 or http://dx.doi.org/10.2139/ssrn.4994333
- Mehralizadeh Farid (2024) How Have Border Closures Affected Tourism in Azerbaijan? https://bakuresearchinstitute.org/en/how-have-border-closures-affected-tourism-in-azerbaijan/
- Media Analysis Center (MTM) (2024). Tourism Performance in the South Caucasus: Regional Overview. Baku.
- United Nations World Tourism Organization (UNWTO) (2010). International Recommendations for Tourism Statistics 2008 (IRTS 2008). Madrid: UNWTO.
- World Bank (2023). Economic Diversification and Tourism Development in the South Caucasus. Washington, DC: World Bank.
- OECD (2023). Tourism Trends and Policies. Paris: OECD Publishing.