Of routes and corridors: Challenges and opportunities for Silk Road destinations in the southern Caucasus

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Abstract

Purpose: Under the title of Belt-and-Road-Initiative (BRI), China has launched a global development program, which spans many regions and sectors. Tourism initiatives in particular, can occupy an interlinking position between infrastructure and services, and between global and local projects. This paper addresses the problem of the global-local link by critically examining a case at the southern Caucasus, as tourism is considered as a key industry for economic diversification in all three countries examined.
Methods: Based on a mixed qualitative and quantitative approach, the study is about critically investigating the current state of challenges and opportunities for tourism-induced, integrated regional development, with particular focus on potential obstacles for regional and national destination competitiveness.
Results: Results reveal that the BRI offers a basis for export-diversification in tourism and non-tourism economic sectors. Azerbaijan has the potential to integrate BRI activities into its local economic system but depends highly on the development of the Trans-Eurasian Corridor and the readiness of local entrepreneurs and institutions to support and extend development initiatives.
Implications: The implementation of the BRI offers a significant opportunity for many rural regions to proactively benefit from increasing tourism demand, by linking local initiatives and industries with tourism-related projects embedded in the BRI.

Keywords: *destination management, competitiveness, belt-and-road-initiative, new silk road, Azerbaijan*

JEL Classification: *L80, M10, Z33*

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1 INTRODUCTION

The Ancient Silk Road (ASR) of the 1st century AD nowadays serves as a popular framework of reference for big infrastructure development projects under the label of the "Belt and Road Initiative" (BRI) or the "New Silk Road" (NSR; Wong and Lye, 2014). The BRI was initiated by the Peoples Republic of China in 2013. Since then, 123 countries officially joined the idea of linking countries along with the ASR via several infrastructure and development projects, for a considerable share: railways, harbours, roads, but also telecommunication (Belt and Road Portal, 2019). Although no official plan exists that defines the single projects, certain corridors are sketched between China and Europe, but also routes that include a Maritime Silk Road or a Polar Silk Road through the seas (Wong and Lye, 2014; Deepak, 2018).
The positive intention proclaimed by the Chinese Government to increase the connectivity between countries in Central Asia, Caucasus and Europe (Zhang, 2016) is discussed critically from a European perspective (Barisitz, 2017). Nevertheless, developing countries between Asia and Europe see high potentials for economic development while acting as a transit country (Blanchard and Flint, 2017:223). The degree of participation for transit countries so far remains uncertain in terms of limited value for the domestic market and own production or missing participation in infrastructure construction and planning (Pechlaner et al., 2019).
Although many issues remain vague, the introduction of new infrastructure should increase the connectivity between certain countries or spots, as long as logistic services are operated upon it. One economic sector that is likely to benefit specifically from infrastructure is tourism (Pechlaner et al., 2019). Coined under terms as "New" or "Modern" Silk Road these initiatives revive the classic concept of cultural routes as multi-functional pipelines or corridors for transnational

exchange of goods, people, ideas, knowledge and values (see Zabbini, 2012:62). With the "UNWTO Silk Road Programme" on a global scale and the "Modern Silk Road Route" (MSRR) on a regional scale, two major development projects in tourism referencing the ASR are currently planned to be realized.

Within the Trans-Eurasian-Corridor that links East Asia and Western Europe, the Southern Caucasus can serve as a central hub. Infrastructure projects like the Baku-Tbilisi-Kars Railway highlight the importance of this route and aim to improve logistics between Azerbaijan, Georgia and Turkey. The "Modern Silk Road Route", conceived as a purely tourism-related project, is concurrently developed with the BRI by a transnational consortium of tourist agencies and focusses on route development in Turkey, Azerbaijan, Kazakhstan and Kyrgyzstan. Azerbaijan must therefore be considered a focal point for both Silk Road-related initiatives with respective consequences for its economic development potential in general and its tourism-related development in particular.

A look on the geographic characteristics of the currently existing system of Azerbaijani destinations, reveals that many of the countries' existing tourist regions will be directly affected by both the tourism and non-tourism related projects in the framework of the BRI (Schuhbert et al., 2020). This raises the question what consequences there are to be expected for the country and more specifically: in what extent these initiatives may affect/be affected by the current state of competitiveness of Azerbaijan as a tourist destination?

2   LITERATURE REVIEW

From the perspective of symbolic-constructivist and spatial-economic approaches, cultural tourist routes such as the planned MSRR qualify as destinations of a higher order (Schuhbert et al., 2020). The respective contributions address partially different conditions for this qualification, but ultimately, they converge in the idea that tourist routes are products of spatio-functional networking processes among destinations of different hierarchical status. While symbolic concepts describe the constitution of these systems as the result of socio-psychological construction processes of visitors and suppliers/decision-makers, spatial-economic theories in the traditions of Perroux (1967), Lasuen (1973) and Miossec (1976) conceive (systems of) tourist destinations as networks of growth poles or regional-sectoral clusters with physical and mental infrastructures as transfer media for tangible and intangible resources (see Porter 2008, Schuhbert, 2018).

As the spatial delimitation of this system is therefore dependent on the respective perception of individual visitor-types and destination stakeholders, tourist routes are practically subject to the same blurred border-phenomenon as usual lower-order destinations (cmp. Pechlaner, 2002:2; Asero et al., 2015:751). This in turn aggravates the constitution and strategic positioning of these destinations as a "spatial competitive unit" in the market (cmp. Bieger, 2008:56). The high level of internal complexity in these multi-destination-systems (Schuhbert et al., 2020) represents a special challenge for strategic destination-development and -management. Over the past two decades, a substantial

amount of strategy-theoretic literature has been produced on this subject (see Fischer, 2009:17-29 for a partial overview). In the past decade, resource-based approaches (RBV) such as the study by Fischer (2009) have become quite influential in the modelling of destination competitiveness, this especially applies to contributions from the Relational-View (RV). This view follows the argumentation that the major source for the competitive advantage of destinations lies in their (dynamic) capability to establish internal and external network-relationships that are configured in such a way, that an optimal balance of variety and integration of complementary collective resources is facilitated. Representing resources of a higher order, dynamic capabilities can be helpful in identification, assembly, modification and use of lower-order capabilities from a broad spectrum of destination stakeholders and thus usually occur as a set of absorptive capabilities (cmp. Roberts et al., 2012; Thomas & Wood, 2015).

Dynamic capabilities are frequently associated with company competitiveness, but with the advent of the RV are also more and more attributed to the network level (cmp. Dyer & Singh, 1998). However, empirical proof of their occurrence in a tourist destination is very scarce - even in some of the most competitive destinations of Southern Europe (cmp. Fischer, 2009). Nevertheless, systematic collective investments in and management of key resources such as knowledge and (core-)competences has a positive effect on destination competitiveness as it allows to source the mostly tacit, inimitable knowledge from the local destination context (Sotiriadis & Shen, 2017; Del Chiappa et al., 2018; Ozseker, 2018; Mombeuil, 2018; Trunfio & Campana, 2019; cmp. the contrary case of the Chinese hotel business in Tongjian et al, 2013).

Actor-centric approaches to destination competitiveness can be considered complementary to the approach of the RV as they i.e. describe the composition of destination networks (in terms of diversity of participating partners and competences) as a major factor. From the perspective of the Actor-centric Institutionalism Approach, competitive advantages described by the RV are therefore bound on the one hand to the emergence of Social Capital as a driver for self-organization of destination actors and on the other hand on adequate (political) pressure on the destination actors in order to sharpen their perception on networking potentials and their willingness to put it collaboratively into value.

The destination-specific mixture of Social Capital and power-structures have been recently discussed as main contributors for the activation of network relations (Nunkoo, 2019). Anchored in the local context of the destination and driven by coopetition, differently configured networks use to span various geographical levels simultaneously thus creating a rich resource base i.e. for the absorption of innovative knowledge (Ozseker, 2018; Trunfio & Campana, 2019).

However, case studies from Southern Europe show, that tourist destinations have deficits in the cognitive, structural (Sainaghi & Baggio, 2014) and relational (Raich, 2006; Fischer, 2009) constitution of their Social Capital base. Consequently, the networks of these destinations are not very densely knit at all geographical levels and thus suboptimally configured in their propensity to sustain the emergence of

innovative knowledge and destination competitiveness. Here, Ozseker (2018) models the creation of innovative knowledge as a function of knowledge acquisition and conversion from and throughout the network thus integrating the idea of dynamic capabilities. Arguing from the perspective of constructivist system-theory, Schuhbert (2013) explains the rather low levels of cooperativeness and innovativeness in tourist destinations (Hjalager, 2010) as a dampening effect from corporate and regional "competitive cultures" on the dynamic capabilities of destinations. As the main platform-operator between Social Capital and Organisational Learning (cmp. Roberts et al., 2012) organizational culture, besides ICT, Social Capital and organizational structures (cmp. Trunfio & Campana, 2019), has been empirically tested as a major knowledge infrastructure capability for the absorption of network-based knowledge that boosts the competitiveness of individual tourist companies and destinations (cmp. for companies e.g. Jogaratnam et al., 2006; Kanten et al., 2015; for destinations e.g. Schuhbert et al., 2020) This especially applies to culture-types that enable a strong entrepreneurial orientation (Raich, 2006).

The market-based approach in the tradition of contributions by Porter (2008) and others, is frequently described as a counter-approach to the RBV and related concepts, as major sources for competitive advantage are located here in the capacity of entrepreneurs (and also on an aggregate level: of regional-sectoral clusters) to segment the market for the best conditions to successfully position product-market-combinations. Here, the best conditions are usually provided by those segments that offer low levels of competitive pressure and strong demand-sided growth dynamics. Over a considerable amount of time, first or early movers can build up competitive advantage for example via isolation-barriers towards competitors.

Figure 1."Diamond" model of destination competitiveness, as conceived by Pechlaner (2002:10)
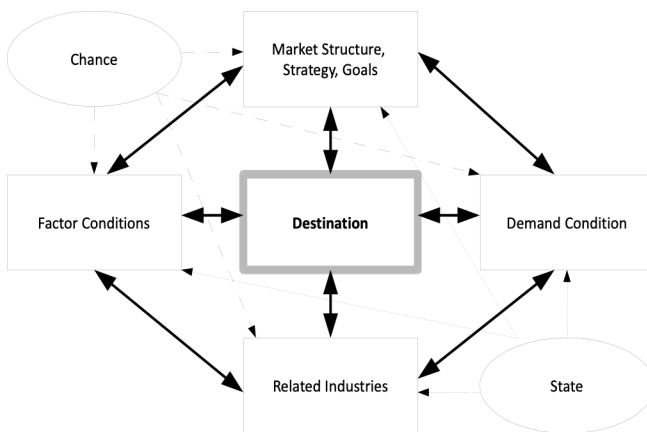
As Schuhbert (2013) points out, the aforementioned approaches are not mutually exclusive and share a lot of logical interfaces. The conceptual framework of Porters approach to cluster competitiveness, also known as the "Diamond", has therefore been influential for a multitude of studies on destination competitiveness (cmp. Fischer, 2009:96; Ritchie and Crouch, 2003:14-16; Pechlaner, 2002; Ozseker, 2018).

3 RESEARCH METHODOLOGY

Porter's "Diamond" has wide acceptance as an analytical tool for destination competitiveness - even across the various instances of strategy theory; it also qualifies as a framework for the analysis of the current competitive state of the destination of Azerbaijan, as this approach supports the systematic identification of shortages and potentials that may be influenced by the Belt and Road Initiative. While the Diamond shows considerable advantages in the identification of factors influencing the creation of value (the main indicator for the measurement of competitiveness), the methodical operationalization of the approach is subject to scientific discussion. A partial template could be found in Freyers (2011:308) analytical architecture for the assessment of strategic advantages in tourism marketing that shall be applied in the following in a strongly condensed form.

As a primary data source for analysis, established ranking instruments of the World Economic Forum (WEF) shall be used, that are basically in line with the "Diamond" logic but are also subject to its various conceptual shortages, especially with respect to socio-psychological factors (see Bathelt and Glückler 2012: 247). To compensate these shortages, a combination of qualitative and quantitative approaches seems apt for this purpose, as it keeps up with the WEF methodology, which also relies on mixed methods.

The assessment of the research question shall be built in the following upon a short review of the latest WEF rankings in reference to the "Diamond". The rankings will be complemented by a GABEK-analysis of 15 expert interviews, realized in summer 2018 in the Republic of Azerbaijan with representatives from the private (tourism and tourism-related) sector and public sector. The semi-standardized guideline-interviews were generally based upon the dimensions of the Diamond but also integrated a qualitative, socio-psychologically oriented guideline-concept. The analysis of the transcribed materials aimed at the isolation of mental maps/engrams associated with the opportunities and challenges around the New Silk Road initiatives, as these aspects are major parts in any strategic analysis concept (cmp. Freyer, 2011:308-316).

GABEK (holistic handling of complexity) provides structured processes and semi-automatic steps for the analysis of the qualitative data. In terms of content analysis, it systematizes individual interview statements and allows a coherent interpretation based on keywords, network graphs, causalities and evaluations. GABEK therefore allows a qualitative content analysis in an illustrative way by remaining very close to the original data (Pechlaner & Volgger, 2012: 929–932; Volgger et al., 2017; Zelger 2002). These criteria compared with an open interview guideline, are key to choose GABEK also for the sensitive study of the BRI.

Further on, a coherence-analysis was performed by use of the software WINRELAN (see Zelger, 2002:73-93). Identified key engrams associated with opportunities and challenges are depicted in Figure. 2. They represent basic hypotheses of the interviewed actors on strengths, weaknesses, opportunities and threats with regard to the BRI and MSRR initiatives in a condensed form and therefore provide aggregated information on actors' perceptions on the specific

interactions of the "Diamond" components on the case of Azerbaijan

4   FINDINGS AND ANALYSIS

4.1 The role of the state

Most WEF indicators standing in relation with the order-political function of the Azerbaijani government (cmp. Pechlaner, 2002:71) are located in the (upper) middle field of the ranking. The general institutional and tourism-related business environment as well as health-, security- and education policies have been substantially improved in the past years, but the macro-economic framework conditions have suffered during the recent oil crisis. As a consequence of the accompanying devaluation of the national currency, the destination has gained comparative cost-advantages in the service-sector (see also factor conditions). Simplification of visa-procedures has improved the openness of the system, but open trade policies are still in deficit (WEF, 2017a:13,90-91; WEF, 2017b:54-55).

Interview partners noticed the improvements on several occasions, but a critical consensus lies in the perception that the business environment requires further development for optimal exploitation of the BRI/NSR potentials. On the one hand, this concerns further liberalization of trade, especially in the field of Air Service Agreements with international airlines, as flights are considered too expansive (especially in comparison with Georgia comparative advantage in this field, see also tab. 1). On the other hand, continuing efforts are demanded to simplify the border regimes and logistics at the transit to Georgia and other BRI/NSR partner-countries. In this context, the political problems between Azerbaijan and Armenia are frequently stated by national and foreign tour-operators to be an obstacle, as the market potential for package-tours combining all three countries of the Southern Caucasus is considered substantial. In addition, inbound tourism promotion is seen as a major shortage compared to Georgia (see also table. 1).

An inadequate tourism development policy that favours the concentration of investments on the metropolitan area of Absheron is also subject to criticism: "…not everything should be in the Baku city or Absheron region, especially in the regions we need some support from the government side. To stimulate that the entrepreneurs do their business there. Otherwise we cannot do something. [...] Azerbaijan GDP, almost 70 percent goes to the Absheron region, other 25-30% to other regions. It is not fair [...]. That is why we need the development of the regions" (F25). The Belt and Road- or New Silk Road Initiative is described here as an opportunity to realign some of the economic growth from the Baku Metropolitan Area to the regions, to stop spatial polarization and for optimization of trade, but also for cultural relationships with partner countries. To this end, regional administrative bodies are seen in a responsible role, even though a too direct public intervention in business processes is not supported (see also Schuhbert et al., 2020 and Karimov, 2015:49).

4.2 Factor conditions

The rankings show a substantial improvement in the allocation-efficiency of labour- and goods-market as a result of liberalization policies (see also Karimov, 2015:40). In combination with progress in the education system, the hiring of qualified employees becomes easier for Azerbaijani tourism companies but deficits in staff training undermine this success. As there are still high business costs, especially in the field of construction, insufficient access to venture capital and investment credits are a problem for many tourism businesses, even though the rankings improved in recent years.

Table 1. Rankings for Azerbaijan (A) and Georgia (G) of WEFs Global Competitiveness Index (GCI) and Travel and Tourism Competitiveness Index (TTCI) aligned with dimensions of the "Diamond" (WEF, 2017 a & b)

State	Rank A/G	Source	Factor Conditions	Rank A/G	Source
Business environment	57/22	TTCI 2017	Natural resources	109/106	TTCI 2017
Prioritization of T&T	49/41	TTCI 2017	Cultural resources	69/81	TTCI 2017
International openness	77/66	TTCI 2017	Human resources &labour market	30/51	TTCI 2017
Health and hygiene	37/36	TTCI 2017	Financial market development	79/63	GCI 2017
Safety and security	35/29	TTCI 2017	Goods market efficiency	31/50	GCI 2017
Institutions	33/50	GCI 2017	Ground &port infrastructure	49/63	TTCI 2017
Macroeconom. environment	65/48	GCI 2017	Air transport infrastructure	77/90	TTCI 2017
Higher education &training	68/87	GCI 2017	Tourist service infrastructure	89/70	TTCI 2017
Related Industries	**Rank A/G**	**Source**	**Market Structure, Strategy, Goals**	**Rank A/G**	**Source**
Local supplier quantity	70/129	GCI 2017	Price competitiveness	31/66	TTCI 2017
Local supplier quality	49/115	GCI 2017	Environmental sustainability	81/42	TTCI 2017
Value chain breadth	31/75	GCI 2017	ICT Readiness	50/67	TTCI 2017
State of cluster development	35/127	GCI 2017	Market Size	63/100	GCI 2017
Demand Conditions	**Rank A/G**	**Source**	Innovation	33/118	GCI 2017
Buyer sophistication	24/85	GCI 2017	Business sophistication	40/99	GCI 2017

The problems of access to skilled labour and investment capital are also addressed in the interviews. Comments underline that the availability of qualified staff does not keep up with the recently dynamic development of tourism demand and supply. As a consequence of the abovementioned fact, that tourism companies do not substantially invest in professional staff trainings, massive competition for skilled labour and high levels of employee-fluctuation are observed:"…because I'm traveling Azerbaijan's regions for 4 years and implementing these trainings, and especially the remote places and Ancient Silk Road places or Modern Silk Road places, I see big, big problems in preparing, educating, vocational education of tourism people" (L11). Inadequate access to bank loans, high-interest rates, a lack of guarantees and funding lines (e.g. provided by state) are described as major reasons for the insufficient availability of investment capital. The interviews confirm that this situation is a strong burden, especially for young entrepreneurs - despite of the fact that the quantity of tourism start-ups increased in recent years:"…for tourism as I know for now, there is no special credits for tourism sector. There are some, how to say, some credits with low percentage[...] do you know the percentage here? Bank percentage it is unbelievable for you, I do not know, you cannot imagine that. As I know in Germany, two-three percent, but for here, 26, 25 sometimes 32 percent. It is a lot of money. In this case [...], it is high risky; to earn money and to return this credit is impossible for us" (F42).

As Karimov (2015:45) states, even though national funds are available for support of entrepreneurs (such as the NFES, provided by the Ministry of Economy and Industry), most small and medium enterprises in Azerbaijani tourism industry do not financially profit enough from it to take private investments in larger scaled tourism development projects. This evaluation is also confirmed by the expert interviews.

Fig. 2. GABEK model of main engrams connected to challenges and potentials of the New Silk Road
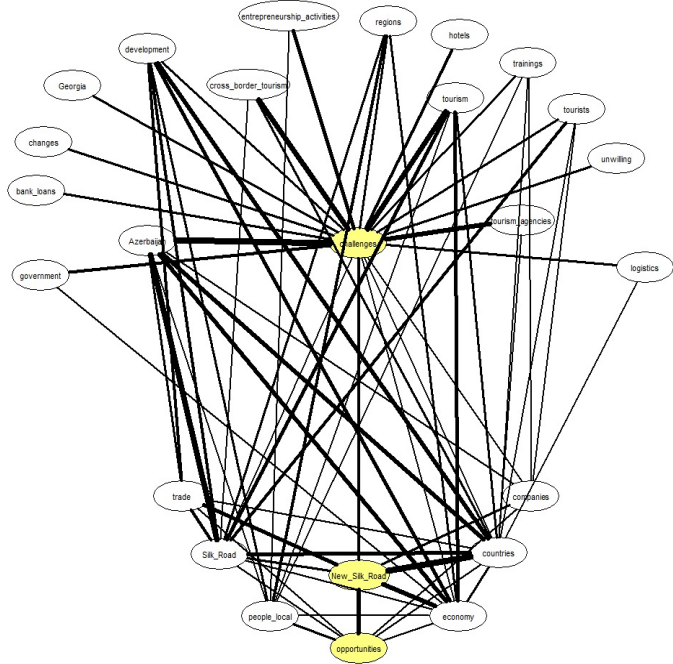
The infrastructural improvements have been noticed by the interviewees and are usually described as opportunities for regional development (see also Karimov, 2015:49). This especially applies to the Baku-Tbilisi-Kars Railway that was initially established as a major infrastructural component of the BRI:"… a lot of places create an opportunity for the development of the tourism, so not only in Baku and region of Azerbaijan, but also to Georgia, Russia and Turkey, with help of Baku-Tbilisi-Kars to Europe" (J13).

While the tourist service infrastructure, especially hotels and tourist agencies, has developed quantitatively over the past few years, the over-proportional increase of demand resulted in overcompensation of the newly created capacities. As a consequence, the supply of qualitatively diverse accommodation has been described as a problem, especially in the regions (see also Karimov, 2015:52). This in turn results locally in high occupation rates and limited competition (see below). The absence of outdoor-infrastructures and related services has been criticized on the part of foreign tour operators but the potential to link the more developed regional destinations of Sheki and Gabala with the Baku Metropolitan Area via BRI/NSR-related projects (such as the MSRR), is highlighted by the agencies as well. The opportunity to link various and different cultural and territorial identities in- and outside of Azerbaijan along the route is perceived as a necessary step towards appreciation of cultural resources (cmp. tab. 1) on the one hand and towards

economic network-creation among existing tourist attractions/destinations on the other hand:"…because the better connections we have with these countries, the better chances we have to establish different economical types. So, it's not going to be only about tourism, not only about trading, it can be so much more. And again, for me, the major highlight is the cultural exchange, the exchange between these countries which are part of it" (D31).

4.3 Related industries

The GCI rankings in table 1 indicate a considerable degree of diversification and sectoral value-chain-development in the Azerbaijani economy. But these figures can be misleading when taking into account, that the lion share of the economy (more than 80% of economic activities in 2012) is attributed to the oil-sector - concentrated on the Absheron peninsula. As a consequence, economic diversification is rather limited in the regions, even though foreign and governmental investments substantially increased here between 2003 and 2013 (see Karimov, 2015). Other industries with relevance (e.g. as suppliers) for tourism such as the construction business, the agribusiness, cultural facilities, information and communication, retail trade and financial services (see Freyer, 2011:25), have substantially profited from the State Development Programs of the past 15 years (Karimov, 2015:44-49). Anyway, those regions that are supposed to be directly affected by tourism-related BRI/NSR-projects, such as the MSRR, often belong to those parts of Azerbaijan with still only a limited share of industrial production and therefore show an even lower level of economic diversifica-

Fig. 3. Hierarchy of destinations in Azerbaijan and regional economic diversification measured by Herfindahl-Inverse (taken from: Schuhbert et al., 2020)
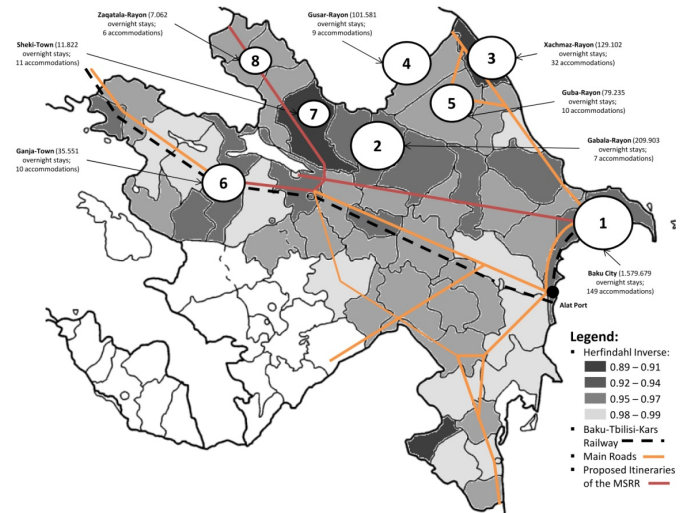
tion in comparison to other regions. Value-chain linkages of core tourism providers such as accommodation, tour operators, entertainment- and transport companies are usually strongest with national energy and food suppliers (Schuhbert et al., 2020). Regions with substantial agricultural productivity and -output, such as the Sheki-Zaqatala Economic Region could therefore profit from Silk Road-related extension of inter-sectoral value chains with tourism - especially as silk production is among those manufacturing

industries that have been recently revived in the region (Karimov, 2015:42; expert interviews). As a consequence, many interview partners see primarily agriculture, trade and logistics as most profiting industries of the BRI/NSR besides tourism:"…I want to remind you that tourism gathers together a lot of branches of economy. Firstly transportation, as I mentioned earlier railways, ships, buses, planes. Secondly, food industry can be improved. We can give example of organizing restaurants and such places. Tourism industry can open new work places. New guides also can work in these new places. As you know there are tourism departments in higher education institutions are operating in this regard" (J65).

4.4 Demand conditions

As the TTCI and GCI rankings are primarily supply-oriented, little information is available on demand conditions from this source. In line with Porters (2008:190-192) argumentation, the sophistication and diversification of customers in psychographic dimensions such as needs, previous experiences, attitudes, values, knowledge, expectations and resulting consumer behaviour serves as a main catalyzer for the upgrading of business processes that may result in an increase of competitiveness. In this respect, high consumer sophistication levels expressed in the GCI (see table1) point to favourable conditions in Azerbaijan in this regard.

In the case of tourism demand, a study by Arnegger & Mayer (2015) on the incoming-segment revealed a beginning shift of the pleasure periphery of major Western European and Eastern (mostly China and India) source market towards the Southern Caucasus, resulting in a 22% increase of tourist arrivals since 2012. The incoming tourists are mostly characterized as well educated, travel-experienced consumers of middle age with high requirements in the fields of price-service-relations, security, comfort, service quality, variety of tourism attractions and activities (with a focus on culture/sightseeing) as well as with a focus on sustainability (Arnegger & Mayer, 2015: 32-34, 46 et sqq.). A more psychographically oriented study on the domestic-segment in the destination of Guba-Xachmaz (Schuhbert, 2018) revealed a substantial experience-orientation in combination with interest in historical themes among the Azerbaijani population, which opens up potentials for internal demand on NSR-related cultural tourist routes (see also Schuhbert et al., 2020). A limitation lies here in the fact, that neither the incoming- nor the domestic tourist groups make extensive use of package-products limiting the scope of potential value chains and managerial influence on user experience.

Even though the BRI/NSR has currently only minor influence on the travel motives of incoming guests, a rising interest is noticed in the expert interviews as a result of marketing efforts from tour operators and partial projects such as the MSRR. Their exact share is difficult to calculate, but as only 10 % of the incoming guests use to leave the Baku Metropolitan Area (Arnegger & Mayer, 2015; Karimov, 2015:49), it must be very limited. A consensus on the ideal-typical profile of the BRI/NSR-related incoming guests reads like this:"…it will be mostly cultural. And ages will range from 44-65. Something like that, because those are the people that actually are interested in the history and they would like

to have that experience. That is a slow past tourist. They slowly enjoy the ride. I had those tourists before from Paris. They were like relax don't tell me too much. Just tell me what is most important. Let's cook and eat and drink wine.[...] Those are the people who come maybe five times a year. First to discover, second to live it for themselves. They will refuse the program, they will say: let me just go back to the places I was one year before and see maybe something new and discover for myself" (I52).

Against this background, New Silk Road travellers are expected to be looking for an authentic combination of sensual and learning-experience with a holistic interest in rural everyday-lifestyles (local arts and crafts, agriculture etc.), outdoor-activities, culinary and events. The comfort requirements (see above) are expected to be on a moderate level for this visitor group. Especially for visitors from neighbouring countries, the discovery of common cultural roots and cultural diversity are seen as major catalyzers for experience value alongside the NSR.

4.5 Market structure, strategy and goals

As the levels of innovativeness and business sophistication are constantly on the rise in Azerbaijan's GCI-rankings over the past few years, a basic mechanism for "up-grading" of the countries' general economic system seems to be in place . For the case of the Azerbaijani tourism sector, the contributions by Schuhbert (2018) and Schuhbert et al. (2020) point to only a moderate alignment of tourism businesses to competitive business strategies. A majority of tourism companies show a rather conservative, introverted entrepreneurial attire within the framework of their corporate cultures thus potentially limiting corporate dynamic capabilities. Where competitive strategies apply, competition is less oriented on price but on quality and regional product innovations of lower scale due to financial problems (see above). Strategic networking is concentrated on trans-regional relationships between regional destinations and the Baku Metropolitan Area as a means for improvement of access to state-of-the-art knowledge. In general, cooperation and collective resource-integration is but rather limited due to a prevailing opportunistic action-orientation, inadequate strategic and entrepreneurial vision and a lack of strong public or private tourism associations in the regions (cmp. literature review). Public institutions are furthermore reluctant to make investments into regional network-development and destination management.

Accordingly, the discussion of NSR-related challenges on the part of the experts concentrates here on the nature of competition and the lack of coordination and collaborative promotion. Thus, a main reason for relatively moderate levels of competition among the hotels is seen in the overcompensation of increases in supply by demand, resulting in pricing advantages and reduced competitive pressure on part of the hotels:"...but people coming even the hotels are mostly full, they do not think about to be member of some association or to do something else for their future, for their businesses" (F19). Even though competitive pressure is currently perceived low in accommodation and other tourism industries, sectoral diversification is constantly on the rise with shrinking margins for the evasion of

competition:"…every tourism agency had their own market focus and it was all very diverse. On the one hand, it's okay because there are not many overlaps as with many competitors for each market. But on the other hand the country didn't [...] have a clear vision and a policy. So it wasn't a one way -one policy for development, which is now changing" (D52).

5 FURTHER DISCUSSION

The analysis of the four dimensions of the "Diamond" shows that Azerbaijan's tourism-system indeed offers valid potentials to make use of tourism- and non-tourism related BRI/NSR-projects within the Trans-Eurasian Corridor when it comes to overcoming the system-inherent obstacles for the development of destination competitiveness. Although local effects of the BRI for transit countries are difficult to evaluate at the moment (Pechlaner et al., 2019), accessibility, variety and costs of supplier inputs (e.g. construction materials, food, arts & crafts, outdoor and event equipment etc.) and production factors (capital, skilled workers, technologies etc.) are most likely to be improved for those regional tourist destinations that are supposed to be spatially linked to BRI-embedded itineraries such as the MSRR. Regional-economic growth can be stimulated by extension of the existing, but so far very limited, linkages between tourism and related industries at the local, regional, national and transnational level. This may widen up the input-sources, stimulate economic diversification and reduction of imports in the long term. Apart from the role of the BRI/NSR as pipelines for factor- and input-provision, the infrastructural component of the BRI offers a basis for export-diversification in tourism- and non-tourism related terms.

Facing all these opportunities, the question remains if the rural tourist destinations of Azerbaijan that are directly affected by tourism-related BRI/NSR projects, such as Sheki, Zaqatala, Gakh, Gabala or Ismayili, are indeed prepared to make full use of these potentials. If the future proves that indeed mostly (foreign and domestic) experience-oriented cultural tourists are the main user group of general and tourist infrastructures associated with the New Silk Road, service quality will pose a much higher obstacle for the competitiveness of these destinations as it is today. As studies from the German market show (Rudolphi, 2007), related customers satisfaction requires high levels of professionalism in the staging of experiences and theme-marketing. This in turn relies on optimal coordination and networking among destination service providers (including public stakeholders), community spirit and profound dynamic creative-, entrepreneurial-and planning-capabilities (see literature review).

The results of this study locate the primary challenges in these points. As the TTCI rankings have been subject to criticism for their lack of socio-psychological perspectives (Schuhbert, 2013) and the GCI rankings on innovativeness are not directly applicable to tourism due to their one-sided focus in R&D expenditures (cmp. Thomas & Wood, 2015) further comparative analysis is required on the conditions for intangible resource creation (such as innovative knowledge) at the sub- and the transnational level of the MSRR. The present study has once more shown, that mixed qualitative/quantitative methods can be a promising way to mutually compensate respective weaknesses.

A special focus of further benchmark analyses should be on the interaction of Social Capital and organizational culture as the findings here suggest considerable obstacles for destination competitiveness and thus successful inclusion in the MSRR. Another research focus should be on more detailed analysis of physical resource conditions, especially on research stewardship and capital accessibility within the Azerbaijani tourism sector.

6 CONCLUSIONS

As an international tourist destination, Azerbaijan shows some deficits when it comes to its functionality as a knowledge-creating, innovative system. Applying a cross-cutting perspective through the multiple views of strategy theory, this study identified shortages in the tangible and intangible resource-base of the destination. Facing high quality expectations on the customer side, these weaknesses pose major challenges to overcome for proper integration in the proposed transnational tourism routes.

From a market-based perspective, rural Azerbaijan currently only has a competitive advantage in price-sensitive incoming-segments with lower quality expectations, while urban Azerbaijan mostly attracts business travellers. A lack of multi-spatial networking, dynamic process-, infrastructural- and financial capabilities combined with inaccurate management structures limits destination competitiveness in this segment and thus the given potential to tap into the stream of experience-oriented cultural tourists that are supposed to shift their interest toward the Caucasus region with the rise of NSR-related cultural routes in the next decade.

Successful integration of the BRI/NSR in the sense of making tourism a tool for regional economic development in the Southern Caucasus is here fundamentally bound to the establishment of institutionalized structures for strategic destination management at the local, regional, national and transnational levels that facilitates a proper knowledge- and resource-management.

A first approach on the transnational level has already been made with the establishment of the MSRR-consortium (see above). This could be further professionalized into a transnational destination management organization following the example of the RETOSA in Southern Africa, the ETC or the Caribbean States. Downstream from the macro- to the micro-level through identification and setup of complementary resources (e.g. start-up funding) and vice versa upstream by nurturing Social Capital, integrated infrastructure for destination management could facilitate the spawning of further economic corridors (cmp. Raich, 2006; Nunkoo, 2019) and embedded tourist-routes from the main BRI/NSR to other regions of the Southern Caucasus and Azerbaijan (such as the already well-developed region of Guba-Xachmaz). This would indeed qualify tourism as the primary catalyzer for rural economic development that it is supposed to be (Karimov, 2015:39).

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