



TOURISM DEVELOPMENT IN UZBEKISTAN – CHALLENGES AND OPPORTUNITIES

SPECIAL POLICY BRIEF BY CASPIAN POLICY CENTER

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Ambassador to the Republic of Azerbaijan (2015 – 2018), Robert Cekuta has long and extensive experience as a top level U.S. diplomat. Deeply engaged in advancing high-profile international energy projects, trade policy initiatives and agreements, commercial sales, and other complex international security matters, Amb. Cekuta's positions in the State Department included Principal Deputy Assistant Secretary for Energy Resources as well as Deputy Assistant Secretary for Energy, Sanctions, and Commodities.

In addition, he was Deputy Chief of Mission in Albania and held positions in Vienna, Baghdad, Kabul, Johannesburg, and Sana'a, Yemen.

He set up the Economic Policy Analysis and Public Diplomacy Office in the State Department's Bureau for Economic and Business Affairs, and served on the boards of the Extractive Industries Transparency Initiative (EITI) and the International Energy Agency (IEA), where he also chaired the IEA Board's Standing Group on Long-term Cooperation charged with anticipating global energy developments.

Uzbekistan has great potential for an expanded tourism industry. As one of the focus areas for reform and economic expansion, tourism in the country has increase fivefold in over the last three years. While about 1 million tourists visited Uzbekistan in 2016, the figure rose to 2.7 million in 2017, and more than 5.3 million in 2018. The number of foreign tourists is expected to rise to 7 million by 2025, and the annual foreign currency earnings from foreign visitors will reach as much as \$2 billion.ⁱ However, Uzbekistan's tourism sector still faces challenges. These include poor transportation and payment systems, the shortage of appropriate hotels, medical services, language assistance, and information for tourists. Uzbekistan can enhance its tourism potential by strengthening its cooperation with other countries and international organizations. Additionally, Uzbekistan should explore its cultural and natural attractions, and invest in advertising to raise awareness about these sites. To properly utilize its tourism resources, Uzbekistan also needs to improve infrastructure construction, as well as foster entrepreneurship and other private-sector engagement to realize the country's tourism potential.

The Background of Tourism in Uzbekistan

With its great historical, archeological, architectural, and natural treasures, Uzbekistan has exceptional potential for tourism. The country's diverse ecology, ranging from deserts to glaciers, mountains to steppes, gives the country great eco-tourism potential. The eco-tourism opportunities in Uzbekistan are plentiful and distinct. These include its eight state reserves (201.7 thousand hectares), three national parks (598.7 thousand hectares), biosphere reserve (68.7 thousand hectares), natural wildlife breeding center (158.9 thousand hectares), and ten natural monuments (3.7 thousand hectares).ⁱⁱ

Located on the ancient Silk Road, Uzbekistan has more than 4,000 historical and architectural sites,ⁱⁱⁱ a carefully saved and precious spiritual heritage, and over 7,000 historical monuments.

^{iv} These include famous ancient cities on the UNESCO World Heritage list, such as Samarkand, Bukhara, Khiva, and Shakhrisabz. Moreover, Uzbekistan is a country with strong Islamic roots. There are more than 160 historically important Muslim sites located in the country, and dozens of historical sites related to Sufism. Among these are the Mausoleum of Sheikh Zaynudin Bobo, Sheihantaur, the Mausoleum of Zangiata in Tashkent, the Bakhauddin Ensemble in Bukhara, the Bayan-Quli Khan Mausoleum, the Saif ed-Din Bokharzi Mausoleum, and many others.^v In addition, Uzbek cuisine and wine can attract gastronomic-related tourism.



Uzbekistan put considerable focus on developing tourism since gaining independence in 1991. An important initial step was the establishment of the national company “Uzbektourism” by Presidential Decree in 1992. Uzbektourism was responsible for developing a national model for tourism development; including coordinating tourist organizations, training, encouraging investment in the creation of a material and technical base, and sectoral infrastructure.^{vi} Uzbekistan joined the United Nations World Tourism Organization in 1993. Supplementing this, a regulatory framework for tourism was adopted on August 20, 1999, based on the Law of the Republic of Uzbekistan.^{vii} Uzbekistan Airways was also founded on January 28, 1992 by the President. Today Uzbekistan Airways is the second largest air company in the Commonwealth of Independent States (CIS) after Russia’s Aeroflot.^{viii}

Tourism Another Sector Targeted in Uzbekistan’s Reforms

Tourism is one of the sectors Uzbekistan has sought to reform and revitalize since 2016. Its reform process aims to create jobs and new business opportunities; further the diversification and accelerated development of regions; increase incomes and living standards and quality of life, boost foreign-exchange earnings; and improve Uzbekistan’s overall image and investment.^{ix} Uzbekistan held its first International Investment Forum on November 19–21, 2018 to expand international engagement in the sector and disseminate information about the country’s tourism potential.

Visa Policy

Uzbekistan’s complicated visa application process was an obstacle to its efforts to develop tourism. To deal with the problem, Uzbekistan introduced on July 15, 2018, electronic visas for citizens from 77 countries, including the United States. A single or multiple entry visa is valid for 30 days. The cost of obtaining a single-entry electronic visa is \$35 (a multiple-entry one is \$50), and travelers must apply for the e-Visa at least three days before their trip. A visa-free regime exists for citizens from 65 countries visiting Uzbekistan for 30 days or less. Additionally, a bilateral visa-free regime has been established with Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan (up to 60 days), Moldova, Russia, Tajikistan (up to 30 days), and Ukraine. Uzbekistan and Japan issue visas without consular fees on a mutual basis.^x

In January, Kazakhstan and Uzbekistan planned to launch a unified service project called the “Silk Road Visa,” which will enable foreigners with a valid visa from either country to travel in both countries.^{xi} The project is still under discussion, but gained support from representatives of the tourism departments of Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan during the first Tourism Fair of the CIS countries between July 9–10.^{xii} The ultimate goal of the “Silk Road Visa” is to create an “Asian Schengen” with all Central Asian countries in the system. The complicated border divisions of Central Asian countries and their enclaves make it difficult for tourists to travel across the border multiple times with one country’s visa only. Such complications and the lack of connectivity within the region discourage tourists and reduce their number. Therefore, the “Silk Road Visa” program should attract more travelers to the region.

Transportation

Uzbekistan is far from being well connected internationally or internally, making it difficult for tourists to travel to or within the country. Recognizing that most foreign tourists prefer taking airplanes, a 2018 presidential decree was published encouraging measures for “radical improvement of the civil aviation of the Republic of Uzbekistan.” The government reorganized the state-run Uzbekistan Airways into two joint-stock companies — the airline Uzbekistan Airways

and the airport operator Uzbekistan Airports. The maintenance, repair, and overhaul service provider Uzbekistan Airways Technics and 11 of the country's airports, are also being individually reformed into separate limited liability companies in order to clarify responsibilities and enhance efficiency.^{xiii} Additionally, daily flight times were increased from 8.1 hours to 10.9 hours per aircraft due to the increase of flights and routes. Uzbekistan Airway has now opened air routes to 39 countries and 92 airports.



Uzbekistan, still relies on railway transport both domestically and internationally. The presidential decree of March 6, 2015 called for further creation of railway assets, including construction of a new railway line for Navoi-Kanimekh-Misken.^{xiv} In addition, Uzbek Railways is seeking cooperative opportunities to improve and optimize the Uzbek railway operator. The Asian Development Bank has provided two loans to rehabilitate and modernize railway infrastructure, and another to electrify the railways between Marakand and Karshi in south-eastern Uzbekistan.^{xv} Experts and consultants from Deutsche Bahn, the largest railway operator and infrastructure owner in Europe, have agreed to help Uzbekistan Railways draft its development strategy.^{xvi}

Besides railways, tourist buses and vans are well needed to improve the transportation network. The government has introduced 133 tourist buses and vans and more are needed. According to the "Concept of Development of Tourism Industry – 2025," published during the 2018 International Tourism Forum in Uzbekistan, the Uzbek government will expand its intercity bus service for the following routes: Tashkent-Samarkand-Bukhara-Khiva-Nukus, Tashkent-Gulistan-Tasjkent-Samarkand-Karshi-Termez, and Kokand-Fergana-Andijan-Namangan.^{xvii}

Accommodation

The number of accommodation facilities, including hotels and guesthouses, increased to 914 in 2018 from 142 in 2017, and the number of rooms increased from 1,700 in 2017 to more than 20,000 in 2018. More importantly, Uzbek President Shavkat Miziyoiev issued a decree on January 5, regarding "additional measures for the accelerated tourism development in the Republic of Uzbekistan, and aimed at stimulating further development of entrepreneurial activities in the sphere of tourism infrastructure development, including hotels and sanitary facilities." The decree covers a construction costs compensation program, royalty fee financing, the partial exemption of hotel land purchase and customs clearance fees, and many other incentives.^{xviii} It also now legally allows unmarried couples to share a hotel room, something that had been previously prohi-

ited allows unmarried couples to share a hotel room, something that had been previously prohibited and therefore a problem for travelers when booking rooms at Booking or Airbnb.^{xix}

As a result of these changes, hotel brands are looking to enter Uzbekistan's market, including secondary cities. The German RIMC Hotels & Resorts Group plans to invest over \$4 billion in the tourism industry of Uzbekistan, including to build hotels in Tashkent, Samarkand, Bukhara, and Khiva. There will also be direct investments in the construction of modern shopping, business, and cultural centers, as well as the modernization of road infrastructure and airports.^{xx} In addition to the Hyatt Regency Tashkent, Radisson Blu and Hilton are expected to open hotels in the capital by 2025.

Cooperation with Foreign Partners

Cooperation with foreign governments, multilateral organizations, and the foreign private sector plays an important role as Uzbekistan reinitiates efforts to open itself up to international tourism.

In 2018, the European Bank for Reconstruction and Development launched the Integrated Cultural Heritage Framework in Uzbekistan – Khiva/Khorezm Region (the “Framework”) to fund sovereign, sub-sovereign, and private-sector projects across sectors to support regional development in a holistic manner while using cultural heritage resources as a driver.^{xxi} With the help of the Shanghai Cooperation Organization (SCO), President Mirziyoev signed the Resolution on the Establishment of “Silk Road” International University of Tourism on June 28, 2018. This resolution aims to organize a system to train professional personnel and carry out research and creative work in the field of international tourism. A secondary purpose is to further the development of historical and cultural-humanitarian ties of member states of the SCO.^{xxii}



Deputy Prime Minister Aziz Abdukhakimov has noted the great importance Uzbekistan places on China as a tourism source, , and Uzbekistan expects the number of Chinese tourists to soar. To this end, Uzbekistan is inviting travel agencies to become familiar with the country and its attractions. These expectations are another reason why Uzbekistan takes an active part in China's Belt and Road Initiative.^{xxiii} Additionally, the United States Forest Service (USFS), a part of the U.S.

Department of Agriculture, has worked in Uzbekistan since 2015 to help promote better natural-resource management. The USFS has provided extensive technical support for the development of nature-based tourism by constructing trails and conducting recreation training.^{xxiv}

To attract more investment to the sector, the first International Investment Forum in the Tourism Sphere took place in November 2018. It attracted more than 300 delegates, experts, and business leaders from 48 countries and regions, with discussions focusing on ways to expand international collaboration, investments, and methods of promoting tourism projects.^{xxv} The involvement of international companies like Booking, Airbnb, and Trip Advisor have strongly improved the quality and convenience of traveling in Uzbekistan. Such involvement has also created more job opportunities. Airbnb also enrolled Uzbekistan into its 2019 trending destinations, which will attract more tourists.

Further Steps Are Needed

Although Uzbekistan has made substantial efforts and launched numerous reforms to expand and improve its tourism industry as part of its program of economic growth, further actions are needed. The Uzbek government has addressed shortcomings/inconveniences still connected with border procedures, transportation, and guest accommodations. Still, some support facilities and services require action by the government or private sector, especially given the role they play in attracting tourists or encouraging them to become repeat visitors.

The Uzbekistan International Visitor Economy Survey 2014 by the World Tourism Organization, showed respondents frequently noted inconveniences. These included problems with the payments system (especially lack of access to cash via ATM), Internet problems (little access to Wi-Fi and slow speed), limited English translation of signage and tourist information at tourist attractions, and electricity outages.^{xxvi} Furthermore, as noted in an interview with a local tour guide conducted by Silk Road New Observation News Agency, concerns about the wholesomeness of food products, the availability and quality of medical services, and the lack of clean, modern public restrooms are frequently cited.^{xxvii} Because of the often poor medical services in outlying areas, tourists who fall ill in these locales need to be moved swiftly to Tashkent's international hospital. At the same time, the practice whereby a tour group will wait for the patient to recover and then depart the country all together can produce large costs and additional concerns for fellow tourists and their travel agency as they wait for the patient's treatment to end.

Looking Ahead

Building a bigger, more developed, more internationally competitive tourism market can help Uzbekistan's economy grow, just as tourism has been an engine of growth in western European and other countries. It can also have domestic social, cultural, and education benefits in addition to boosting a country's international reputation and identity. Uzbekistan has already made its national strategy, "Concept of the Development of the Tourism Industry – 2025," a guide and framework. The government has approved its Action Plan for 2019 for implementing the Concept. The Action Plan contains 36 points, including improving the regulatory framework, further developing the tourism infrastructure, developing transportation networks, establishing a regular intercity bus service, and organizing protected zones. The infrastructure construction will lay a solid foundation for the tourism industry and thus provide better service for tourists from all over the world.^{xxviii}



However, to boost its profits from tourism, Uzbekistan should fully support and utilize the private sector. The travel and tourism industry consists of a wide variety of commercial and noncommercial organizations that work together to supply products and services to tourists.

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Therefore, the Uzbek government should provide more space for the private sector, especially foreign partners who have more experience and capital. At the same time, foreign private sector actors should look at the opportunities they have — from facilities such as hotels, shopping centers, and restaurants, to services such as travel agencies, taxis, and online services for ride-sharing or hailing rides, and obtaining lodging reservations. Additionally, beautiful and varied Uzbek handicrafts and local agricultural and food products are very popular among foreign tourists. The private sector can, in addition to establishing and providing such goods and services, can also help provide a standardized system of marketing and sales channels to boost profits and foreign-currency receipts. A further benefit to a growing role for the private sector in Uzbekistan's tourism industry is to help empower women and promote gender equality in Uzbek society.

Efficient and effective advertising and informational campaigns are also important for attracting tourists. The government can open accounts on social-media platforms or invite world-famous tourist programs/personalities to work in Uzbekistan and introduce the country to foreign-media consumers. Recent years have seen the exponential rise of Chinese travelers around the world, who spent \$277.3 billion in 2018.^{xxix} To attract Chinese tourists in particular, Uzbekistan should pay attention to their local social media, including Weibo and WeChat, to place promotional material or advertisements on their biggest online travel service, Ctrip.

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