



## TOURISM AND ECONOMIC GROWTH IN THE CASE OF UZBEKISTAN

Farukh Tokhirovich Shukurov

e-mail: farukhshukurov90@gmail.com

Silk Road International University of Tourism

Jurabek Ashrafovich Khamrokulov

e-mail: j.khamrakulov@univ-silkroad.uz

Silk Road International University of Tourism

### Abstract

All sectors of the economy of the Republic of Uzbekistan play a critical role in ensuring long-term stability. The most important economic characteristic of tourism-related activities is that they allow developing countries achieve three major goals: income generation, employment, and foreign exchange earnings. Furthermore, tourism enables the country to comprehend its different cultural, geographical, and historical facts, as well as enhances the country's image at the international level.

**Keywords:** tourism, travel, ecotourism, GDP, stability of infrastructure, sector of economic development, trade balance.

### Introduction

Tourism is a vast industry that provides a range of support services. This helps to generate significant income for every country, whether the person is traveling domestically or internationally. For example: before a person travels domestically or abroad, he/she buys air tickets, gets a visa, orders a taxi or an airport parking space, makes purchases for various travel accessories, and so on. They pay for food, hotels and other meals at slightly higher prices than the locals. On January 5, 2019 No. PD-5611 dated 01/05/2019, President Shavkat Mirziyoyev signed a decree "On additional measures for the accelerated development of tourism in the Republic of Uzbekistan" and a decree "On measures for the accelerated development of the tourism industry." The decree approved the concept for the development of the tourism sector in Uzbekistan in 2019-2025, which indicates the main vectors for the development of the industry, target parameters and tasks that must be solved in the coming years. The goal is to transform tourism into a strategic sector of the economy by



diversifying and improving the quality of services, as well as improving tourism and transport infrastructure”.

### **Analysis and Discussion of Results**

Before the pandemic COVID-19, the volume of the global tourism market was almost nine trillion dollars, and one in ten people working in the world works in tourism sphere. “In the President's Address to the Oliy Majlis on January 24, 2020, it was noted that the tourism industry should become one of the strategic sectors of the economy of Uzbekistan. It is time to move on to the second phase of development, which will provide qualitative structural changes in all related sectors of the tourism sector”.

Advisor to the Chairman of the State Committee for Tourism Development Sadik Badak gave an interview to TV channel Uzbekistan24 that if the necessary infrastructure will be created, tourism can annually generate income to the budget of Uzbekistan up to 15 billion USD. The expert noted: “It is important that Uzbekistan can receive guests for all four seasons, but for this it is necessary to create an infrastructure. Uzbekistan is the pearl of Central Asia. Other countries in the region do not have such potential”.

“On December 19, 2019, the UN General Assembly at its plenary session unanimously adopted a special resolution ‘*Sustainable Tourism and Sustainable Development in Central Asia*’. This project was developed by the Republic of Uzbekistan. The member states welcome the significant and practical contribution of the Central Asian countries to strengthening regional stability and development, and declare their full support for efforts and initiatives aimed at strengthening economic cooperation in the region.

“The President of the Republic of Uzbekistan signed the Decree “On measures to ensure the accelerated development of the tourism industry of the Republic of Uzbekistan” dated December 2, 2016”. According to the document, tourism is given the status of a strategic sector of the economy. The main attention is paid to its transformation into a powerful sphere of the state, the effective use of the tourist potential of the regions, increasing the influence of tourism on improving the standard of living and prosperity of the population.

As the President noted in his Address to the Oliy Majlis, one of the most important tasks facing the state is to ensure the growth of the flow of tourists to 7.5 million people in 2020. Unfortunately, this failed due to the pandemic. According to statistics, 6,748,500 tourists visited our country in 2019, while in 2018 this



figure was 5,346,200 people. The largest number came from the Central Asia region - 5,764,500 people, and from the CIS countries - 495,600. The number of visitors from non-CIS countries amounted to 488,400 people. Most came from Kazakhstan, Tajikistan, Kyrgyzstan, Turkmenistan, Russian Federation, Turkey, Afghanistan, China, Republic of Korea and India. However, more than 80 percent of them came to visit relatives and friends, and only 15.5 percent - for recreation. It is planned to ensure an increase in the flow of foreign tourists to ten million in 2022 and to 12 million in 2025. This will bring tourism exports 3 billion USD over the next five years.

To attract tourists to Uzbekistan, various events were organized last year, considering the specifics of each region. In particular, such major events as the I International Forum on Ziyorat Tourism (Bukhara), the Bakhshi Art Festival (Termez), the Archaeological Forum “Uzbekistan - the Crossroads of Great Roads and Civilizations” (Surkhandarya Region), the I International Tournament “Game of Heroes” (Khorezm region), Auto rally “Muynak” , Electronic music festival “Element” (Republic of Karakalpakstan), I annual tourism exhibition of the CIS countries (Samarkand), International festival of agritourism “Anor” (Kashkadarya region), I international congress of influencers “World Influencers Congress”.

Considering the current situation due to the coronavirus pandemic in Uzbekistan, the “Uzbekistan. Safe travel GUARANTEED” project was developed. The project is a new system of sanitary and epidemiological safety for tourists based on world standards. Certification of tourism objects and related infrastructure, tourism services based on new sanitary and hygienic requirements will be mandatory for:

- All state border posts;
- Air, railway and bus stations;
- Objects of material cultural heritage, museums, theaters, etc.

To take these measures, by the decree of the President of the Republic of Uzbekistan dated June 19, 2020 No. 4755, the Safe Tourism Fund was formed at the expense of an initial contribution from the Anti-Crisis Fund under the Ministry of Finance in the amount of 20 billion soums, as well as payments for passing voluntary certification introduced within the system “Uzbekistan. Safe travel GUARANTEED”, in the amount of two basic calculated values.



The players in the tourism sector of Uzbekistan received a number of benefits and preferences to mitigate the effects of the coronavirus pandemic. So:

- The rate of income tax for tour operators, travel agents and accommodation facilities has been reduced by 50%; from the established rates;
- Tour operators, travel agents and accommodation facilities are exempt from land tax and property tax of legal entities;
- Social tax is set at a reduced rate of 1%;
- The accrual and payment of fees for tour operators, travel agents, as well as accommodation facilities has been suspended;
- Partially reimbursed the interest expenses of travel organizations on previously issued loans from commercial banks for the construction of accommodation facilities;
- Partial reimbursement of the costs of renovation, reconstruction and strengthening of the material and technical base for the classification or modernization of hotels.

By the Decree of the President of the Republic of Uzbekistan dated May 28, 2020 No. "On urgent measures to support the tourism sector to reduce the negative impact of the coronavirus pandemic" provides subsidies for accommodation facilities in the amount of 10% of the cost of accommodation services (hotel services) from June 1, 2020 to December 31, 2021.

As the President of the Republic of Uzbekistan Shavkat Mirziyoyev said during the video conference, a total of 1,750 tourism entities received benefits on property tax, land and social taxes in the amount of about 60 billion soums.

In addition, a visa-free regime was introduced for citizens of 86 states and a simplified visa regime for citizens of 57 states.

The President also instructed to develop a new curriculum for training specialists in the field of tourism, from colleges to universities. Special emphasis will be placed on the introduction of modern IT-technologies, which will allow tourists to conveniently simulate their trip to Uzbekistan, even while in their homeland. In addition, it was noted that this is a great opportunity to create jobs for young people – training guides and organizing their own tourism business.

The President instructed to introduce diplomatic posts in our embassies, which will be personally responsible for increasing the tourist flow from foreign countries.



It is assumed that in the future it is these diplomatic officials who will report on the attracted investments in the sphere and on their contribution to the increase in the volume of exports. At the end of 2019, the volume of exports of tourism services amounted to \$ 313 million, which is lower than last year (1 billion 41 million). This figure is not very high in comparison with world statistics. In particular, according to the UNWTO international barometer, tourism has become a major export industry of the world economy, which accounts for an average of 11 percent of world GDP. The tourism industry employs 192 million people, which is 8 percent of the world's population.

“It is important to note that due to the restrictions imposed against the backdrop of the coronavirus pandemic and the consequences of the global crisis that has arisen, the tourism industry has suffered serious losses. In particular, in 2020, the number of foreign tourists visiting Uzbekistan decreased by more than 4.5 times, to 1.5 million, and the volume of tourist services fell to \$ 261 million. In particular, the total volume of tourism services provided in 2019, at the starting point of the pandemic, exceeded \$ 1.5 billion, and exports reached 1.3 billion, accounting for 38.2% of the total exports of services” [5]

Here it is impossible not to note the role of education and professional development of personnel in the field of tourism. All over the world, the tourism industry requires professionally trained professionals. The main achievement in this direction is the adoption of the decree of the President “On the establishment of the “Silk Road” International University of Tourism” dated June 28, 2018. The university trains professional personnel and conducts research and creative work in the field of international tourism.

There are over 8,200 cultural heritage sites in our country, of which only 500 are included in tourist routes. The President noted in his Address that measures should be developed to increase the number of sites included in the routes of pilgrimage and traditional tourism to 800 in the current one and to 2.5 thousand by 2025.

Another important task is to accelerate the inclusion of new objects of Uzbekistan in the lists of tangible and intangible cultural heritage of UNESCO.

In addition, a number of reputable foreign publications named Uzbekistan among the countries that are definitely worth visiting in 2020.

As a result of the consistent implementation of the tasks outlined in the President's decree “On measures to ensure the accelerated development of domestic tourism” dated February 7, 2018, as well as as the well-being of the



population grows, domestic tourism is also developing widely. However, there is an acute shortage of hotels and qualified personnel that meet international standards.

In this regard, it is required to increase the number of hotels up to 1.7 thousand this year and up to 3 thousand over the next 5 years. It is necessary to increase the number of family guest houses to two thousand. Due to this, it is planned to create at least 30 thousand new jobs annually. The state budget will allocate 200 billion soums of subsidies for the construction of new modern hotels.

Travel and tourism stimulate Uzbekistan's foreign trade. Given the cultural, linguistic and temporal differences that exist between countries, face-to-face meetings are an integral part of the development of international business relations and a key driving force behind world trade. Although video conferencing and other telecommuting technologies have become much more popular in recent years, they complement rather than replace business travel. Countries with a larger market for overseas business travel tend to increase exports, while faster growth in business travel is also associated with faster growth in trade.

Travel and tourism encourage investment in the republic: trade and investment follow each other. The benefits that business travel brings to international trade also encourage investment from domestic firms and foreign direct investors. Foreign direct investment (FDI) arising from business travel brings in capital, technology, skills, people, know-how, demand for local supplies for the domestic economy and leads to an improvement in the trade balance. It can also create new products and provide opportunities for local businesses further up the supply chain. Competition for foreign direct investment is intense not only between countries, but also between regions within countries. Without the connectivity provided by the travel and tourism sectors in general, and the aviation sector in particular, regions will find it harder to attract foreign direct investment. Airport access is critical to increasing foreign investment.

The tourism infrastructure is expected to be actively developed this year. The goal can be achieved by making the most optimal decisions by the state and the actors of the tourism industry, based on advanced and innovative scientific research.

Travel and tourism develop infrastructure and services in the country: the demand for travel and tourism - both international and domestic - stimulates investment. Travel and tourism also contribute to improving infrastructure,



which collectively benefits tourists, locals and the economy as a whole. Growth in travel and tourism usually leads to the development of restaurants, bars, cafes, shopping centers and other tourism businesses. These businesses are not only part of direct impacts, but they also help improve the quality of life of local residents by expanding the opportunities available to them in their local community.

Travel and tourism simulate the development of collective investment in utilities and transport infrastructure, including roads, airports, ports, electricity, sewerage, drinking water, and communications infrastructure. This investment is a necessary component for travel and tourism, but provides broad benefits to other industries and residents. Strengthening urban and rural networks by improving transport infrastructure (air, rail and road) increases the mobility of people (both tourists and residents), ensures a continuous flow of goods (both to and from the district), and also increases the competitiveness of the area and public safety.

Modern, efficient, reliable telecommunications, including broadband, are critical to the economic well-being of many business owners, including tourism operators. Communication infrastructure, which is being developed as an integral part of tourism and travel development, not only improves perception among visitors, but also creates new economic development opportunities for the local economy, potentially leading to additional impacts on employment and income beyond those generated by tourism and travel. Travel and tourism are driving the broader economic development of Uzbekistan.

Travel and tourism are closely related to many other sectors of the national economy. Travel and tourism provide residents with the opportunity to take advantage of the cultural heritage of their local communities and develop goods and services, crafts, local food, musical dance, storytelling and guide services that tourists seek. These activities provide households with additional livelihoods, thereby helping to reduce poverty. Travel and tourism help to promote the cultural heritage of local communities. For many countries, cultural tourism has become a key component of their tourism platform, prompting many countries to actively invest in conservation activities. Promoting their unique cultural heritage has also become a way for countries to differentiate themselves in the struggle for tourism spending.



## Conclusion

Travel and tourism also benefit the local economy and increase labor mobility. The travel and tourism sector make it easier for migrants to stay in touch with family and friends, as well as return home to visit. Both the host country and the country of origin benefit from increased labor mobility. The remittances that migrants send home to family members are an increasingly important source of income for developing countries. Travel and tourism also make it easier for students to travel abroad for study. In particular, there has been a significant increase in the number of students from emerging economies who have been able to study at universities in developed countries. Their countries will benefit when students take their education back home and add highly educated talent, which is critical to increased productivity and economic development. In addition, students can enter into a variety of contacts that will contribute to both global social cohesion and the development of trade.

## References

1. <https://www.lex.uz/ru/docs/4143186>
2. Address by the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. 24.01.2020
3. <https://mostcentral-asia.eu/environmental-certification-procedures-and-sustainable-tourism-management-issues-challenges-and-expectations-at-the-national-level-uzbekistan/>
4. <https://cyberleninka.ru/article/n/initiatives-of-uzbekistan-to-participate-in-cooperation-between-central-asian-states>
5. <http://www.uzbekembassy.in/tourism-in-uzbekistan/>
6. <https://review.uz/post/razvitie-turizma-v-uzbekistane-obzor-turotrasli-za-2016-2020-gg>
7. <https://uzbekistan.travel/en/safe-travel-guaranteed/>