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ON ISSUES OF TOURISM DEVELOPMENT IN KAZAKHSTAN AGAINST THE BACKDROP OF THE COVID-19 PANDEMIC

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According to the UN World Tourism Organization (UNWTO), in connection with the Coronavirus pandemic, which caused unprecedented restrictions on travel around the world, losses of international tourism may range from 850 million to 1.1 billion arrivals. This could lead to a decline in tourism exports of national economies between \$910 trillion and \$1.2 trillion in 2020 that represents almost 60-80 percent of revenues of \$1.5 trillion in 2019. Also 100-120 million direct jobs in tourism may be lost [1]. Given that sixty sectors of the economy are directly or indirectly related to tourism, taking into account all the total losses in these sectors, the damage could reach \$5 trillion [2].

For comparison, the SARS outbreak in 2003 led to a 0.4%, economic crisis in 2009 led to a 4% decline in international tourism [3]. The organization stresses that the current crisis associated with the Coronavirus pandemic is the worst for the industry since 1950 and considers three possible scenarios for its development: the first assumes a 58% drop in international tourist flows at the end of the year in case the gradual opening of borders and easing of travel restrictions begins in early July. In the second scenario, travel is reduced by 70% if national governments implement these measures in early September. The third, worst-case scenario, according to UNWTO, is possible if international tourism does not begin to recover before December. In this case, the total number of trips for 2020 would fall by 78% [1].

Due to the uneven situation with the virus in different countries, experts are very cautious in forecasting the time when tourism will come out of the collapse. According to the most optimistic forecasts, tourism is expected to recover in the 3rd-4th quarter of 2020, and according to the pessimistic forecasts – within a few years [4].

However, historical experience shows that the travel industry is able to recover very quickly from crises. Thus, the First World War, strange as it may seem, gave a “push” to the rapid development of tourism in the interwar era. During the war, which became a time of forced displacement of huge masses of people, millions sent postcards and photos to their families. Impressed by the magical landscapes, people wanted to see new places with their own eyes. All this led to a surge of travel, a passion for which was reinforced by the gradual introduction of paid holidays in European countries [4].

Each subsequent crisis created new opportunities for tourism. Thus, during the financial crisis of 2008, sales of traditional travel packages decreased, but real estate and other services such as “Airbnb”, “BlaBlaCar” and others, which allow consumers to travel economically, started to develop rapidly [4].

As experts expect, domestic tourism may be the first to recover – almost half of them believe that it will happen in July-September and a quarter – in October-December [1]. For example, the Governments of Italy, Spain, France, Thailand expect that as soon as the quarantines are completed, the load of resorts, hotels and restaurants will start to increase, first of all, their own citizens. And foreigners will not come for a long time for fear of being infected with coronavirus [4].

Among the regions of the world, industry experts are most optimistic about the prospects in the Middle East, where one third of them expects the beginning of recovery in May-June 2020. Professionals in both Americas, Europe and Asia are more pessimistic – half of them expect tourism to resume only in 2021 [1].

Today, Kazakhstan could become one of the relatively accessible countries for foreign and domestic tourists, especially due to the rising cost of foreign currency (Figure 1).

Meanwhile, according to the Committee on Statistics, the share of gross value added directly in tourism in Kazakhstan's GDP is only 1.1% or 701.1 billion tenge, taking into account related industries is 4% or 2.45 trillion tenge (2018) [8]. For comparison, in countries with priority tourism development, such as Georgia, Morocco, Azerbaijan, Turkey and others, the cumulative contribution of the industry to GDP exceeds 15%.

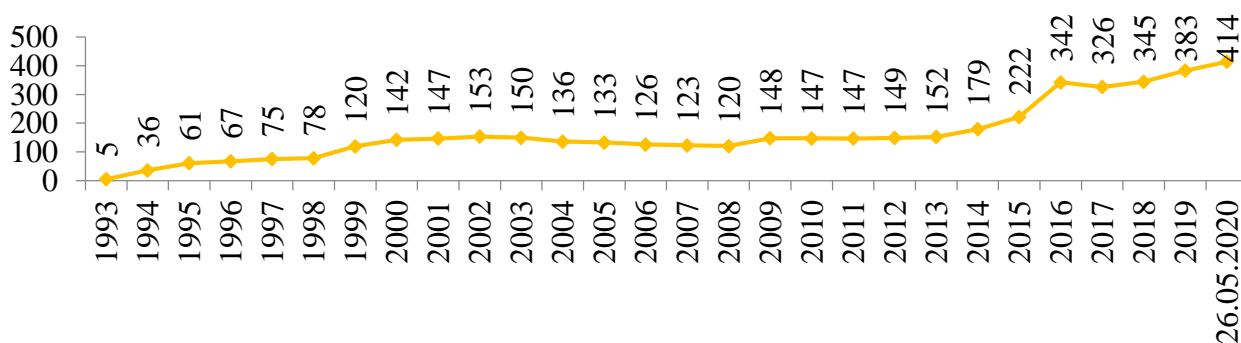


Figure 1. Change in the Tenge-US dollar exchange rate over the period from 1993 to 2020

Note - compiled by the author on the basis of the Committee on Statistics of the Ministry of National Economy and the National Bank [6], [7].

At the end of 2018, the number of foreign visitors to Kazakhstan (inbound tourism) amounted to 8.8 million, with an increase of 39% over the past 5 years (Table 1).

At the same time, about 93% of foreign visitors come from CIS countries. The main countries from which foreign nationals arrive in Kazakhstan are: Uzbekistan – 4.3 million visitors, Russia – 1.7 million, Kyrgyzstan – 1.3 million, Tajikistan – 443 thousand, China – 51 thousand, Turkey – 99 thousand, Azerbaijan – 98 thousand, Germany – 99 thousand, Belarus – 76 thousand [9].

Table 1
Number of visitors on inbound tourism, person

	2014	2015	2016	2017	2018
Total	6 332 734	6 430 158	6 509 390	7 701 196	8 789 314
including:					
CIS countries	5 655 246	5 835 592	5 935 690	7 060 630	8 177 101
Azerbaijan	83 174	89 296	94 846	110 980	98 330
Armenia	39 934	37 461	26 097	261 69	24 166
Belarus	55 356	62 786	63 520	70 810	76 031
Kyrgyzstan	1 308 139	1 359 625	1 348 709	1 273 378	1 327 877
Republic of Moldova	14 432	17 839	11 797	13 185	12 629
Russian Federation	1 757 721	1 646 568	1 587 409	1 708 873	1 737 667
Tajikistan	137 443	158 507	207 009	383 368	443 266
Turkmenistan	66 938	69 230	63 156	63 249	39 942
Uzbekistan	2 107 177	2 297 180	2 459 757	3 344 577	4 351 413
Ukraine	84 932	97 100	73 390	66 041	65 780
non-CIS countries	677 488	594 566	573 700	640 566	612 213
United Kingdom	23 036	24 201	20 166	21 341	21 482
Germany	79 572	88 346	90 286	99 396	99 083
India	10 725	11 170	13 975	21 890	32 591
China	228 617	111 706	117 465	94 817	51 418
Mongolia	10 622	15 941	17 506	20 687	22 104
US	25 824	29 124	26 402	29 632	31 371
Turkey	104 986	106 301	89 611	98 840	99 351
South Korea	20 445	22 046	22 276	30 582	35 136
Note - compiled by the author on the basis of data from the Committee on Statistics of the Ministry of National Economy [8].					

One of the main indicators demonstrating insufficient realization of the domestic tourism potential is the data on outbound tourism (Table 2), which in 2018 amounted to 10.7 million outbound trips or 10.3% more than in 2016. (9.8 million) Most of the trips abroad are to: Russia – 4.2 million people, Kyrgyzstan – 2.7 million, Uzbekistan – 2.4 million, Turkey – 336 thousand, China – 189.9 thousand, UAE – 161.2 thousand, Egypt – 119.6 thousand, Germany – 56.1 thousand, Georgia – 38.9 thousand [9].

Table 2
Number of visitors on outbound tourism, person

	2014	2015	2016	2017	2018
Total	10 449 972	11 302 476	9 755 593	10 260 813	10 646 241
including:					
CIS countries	9 375 785	10 356 151	8 958 939	9 257 951	9 549 292
Azerbaijan	22 793	20 113	23 066	28 396	27 692
Armenia	1 269	1 622	1 700	3 403	3 086
Belarus	22 150	28 499	23 387	26 586	34 190
Kyrgyzstan	3 557 520	3 478 329	2 805 759	2 712 414	2 651 220
Republic of Moldova	1	4	-	-	-

Russian Federation	4 519 534	5 474 447	4 613 008	4 643 158	4 362 746
Tajikistan	5 630	5 873	5 963	6 035	6 627
Turkmenistan	11 462	8 568	7 918	3 838	3 893
Uzbekistan	1 206 772	1 311 223	1 432 050	1 779 431	2 392 582
Ukraine	28 654	27 473	46 088	54 690	67 256
non-CIS countries	1 074 187	946 325	796 654	1 002 862	1 096 949
Germany	48 536	46 380	45 893	49 826	56 174
Georgia	18 584	23 883	33 018	39 364	38 986
Egypt	3 925	7 954	5 045	55 332	119 616
China	336 736	230 927	217 895	226 515	189 881
UAE	112 211	117 628	117 607	116 951	161 237
Thailand	52 445	44 368	38 542	47 191	47 122
Turkey	351 121	317 990	207 811	318 928	336 023
South Korea	20 715	26 686	30 073	39 131	46 899

Note - compiled by the author on the basis of data from the Committee on Statistics of the Ministry of National Economy [8].

The significant growth of outbound tourism of Kazakhstan citizens abroad, on the one hand, demonstrates the growth of their welfare, establishment of business contacts abroad and expansion of business geography, education abroad, etc. [5].

On the other hand, this suggests that domestic recreation facilities are unpopular and unattractive compared to foreign ones, because of low service, weak infrastructure, etc. [5].

The main consequence of this trend is the export of capital. from the country [5]. Thus, the annual excess of outbound tourism over inbound tourism on average by almost 30% keeps the tourist balance in the balance of payments of the country constantly negative. In 2019 the balance was minus \$298 million dollars. Tourist balance – the difference between money spent by foreigners in Kazakhstan - the export of our services and spent by citizens of Kazakhstan abroad - imports of foreign services (Table 3) [5].

Table 3

Foreign trade balance figures for the item “Travel”, million U.S. dollars

	2015	2016	2017	2018	2019
Import	2867,3	2 446,5	2 559,8	2 686,9	2 761,3
Export	1 632,0	1 858,5	2 135,4	2 254,6	2 463,3

In fact, Kazakhstan is a tourism donor for many countries that are developing the tourism industry (Russia, China, Turkey, UAE, Thailand and even Kyrgyzstan) [5]. However, given the global trends in the medium term a fundamental change in consumer behavior in tourism may lead to an active growth of domestic tourism in Kazakhstan in the post-pandemic period.

It follows that the tourism industry has a window of opportunity and a significant portion of outbound tourism may be redirected to the country. Reorienting at least 30% of Kazakhstani foreign travel (3.5 million people) to the domestic market could

significantly increase the share of tourism in the country's economy, which in turn would increase employment rates and leave capital in the country.

Given the large untapped potential for the development of the tourism industry in Kazakhstan, we believe it is appropriate to take the following measures:

1) to expedite in the near future the enactment of the Law of the Republic of Kazakhstan “On amendments and additions to some legislative acts of the Republic of Kazakhstan on tourism activities” [10];

2) joint efforts of the state and the private sector are required to develop the country's tourism infrastructure, while diversifying the main tourist natural and resort areas and developing new ones. The first priority is to build quality roads to these places. In this regard, it is necessary to consider increasing funding for the tourism industry, including the allocation of funds under the Road Map for Employment 2020 – 2021 for the development of tourism industry facilities [11];

3) geography of seasonal domestic flights should be analyzed in all regions of the country, taking into account the growing demand to consider increasing their frequency, as well as the funds allocated for their subsidizing;

4) consider creating an online platform for selling domestic tourist products. According to the World Economic Forum, as with all previous crises, the current one will manifest and reinforce longstanding trends. Among them – digitalization and uberization [4];

5) despite the growth of services provided by the places of accommodation and the number of places of accommodation themselves, their occupancy rate does not exceed 25% from year to year [9]. This may also indicate the shadow turnover of hotels and resorts, which is one of the systemic risks in the industry. If we assume that the size of Kazakhstan's shadow economy is about 27% [12], and the share of tourism in Kazakhstan's GDP is just over 1% [8], in 2018 shadow tourism could amount to at least \$450-500 mln. In this regard, it is proposed to develop additional measures to address this issue;

6) it is necessary to reorient the marketing strategy of JSC “NC “Kazakh Tourism” to promote domestic tourist products in the domestic market.

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