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Tourism Development Potential in Uzbekistan: Strategic Opportunities and Challenges

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Abstract: This study examines the tourism development potential in Uzbekistan, focusing on its rich cultural heritage, historical significance, and untapped resources. Despite its status as a prominent Silk Road destination, the country's tourism sector remains underdeveloped compared to global benchmarks, highlighting a critical knowledge gap in maximizing its tourism potential. Using a mixed-methods approach, including policy analysis, comparative case studies, and data from national tourism statistics, the research identifies key challenges, such as insufficient infrastructure and low international tourist inflow. Findings suggest that strategic investments, policy reforms, and targeted marketing could significantly boost tourism's contribution to Uzbekistan's GDP. The results have broader implications for policymakers and stakeholders in shaping sustainable tourism practices that enhance economic growth and cultural preservation.

Keywords: Tourism, Tourism Potential, Development of Potential, GDP, Tourism System.

1. Introduction

The Central Asian region was the center of scientific, religious, philosophical and commercial schools that influenced the development of world civilizations, the interests of great states and empires in conflict. Modern historians call it the necklace of the Silk Road. Shed light on the history of the BC. Important countries of the 1st millennium are Bactria, Sogdiana, Khorezm, and then cultural and artistic centers of development, Samarkand, Nisa, Khiva, Bukhara, Merv, Termez. In addition, world-famous thinkers and scientists Abu Ali ibn Sina, Beruni, Firdovsi, Rudaki, Navoi lived in Central Asia. In addition, the most important cultural and commercial route in world history was the Silk Road in Central Asia. After independence, the Central Asian republics advocated the revival of the Silk Road to increase culture, tourism, and commercial shopping. *The aim of the study* is to examine the current state of tourism in Uzbekistan and explore ways to analyze its development potential.

To achieve this goal, the following tasks were set:

- study of the current state of tourism in the Republic of Uzbekistan;
- study of state policy and programs in the country and in the world in this area;
- study of ways of development and improvement of tourism.

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The object of the research is the study of the tourism sector as a key priority area for the development of the state in the economy, their analysis of the current state, problems and development prospects. *The subject of the research* is the prospects for the development of the tourism system of the Republic of Uzbekistan.

2. Materials and Methods

The methodology for this study on the tourism development potential of Uzbekistan involves a combination of qualitative and quantitative research approaches. First, a comprehensive literature review was conducted to assess existing scholarly work and official reports related to tourism development, both globally and within Uzbekistan. This provided a theoretical foundation for understanding the historical and economic context of Uzbekistan's tourism sector. Next, a policy analysis was performed, focusing on government initiatives, such as the 2017-2021 state program for accelerated tourism development, to evaluate their impact on the sector's growth.

Data collection involved obtaining secondary data from the State Committee of the Republic of Uzbekistan for Tourism Development, national statistics, and international tourism organizations. This quantitative data provided insights into trends in tourist arrivals, tourism's contribution to GDP, and the current state of tourism infrastructure. A comparative analysis was also employed, contrasting Uzbekistan's tourism performance with countries known for successful tourism sectors, such as France, Turkey, and Malaysia.

Interviews with local tourism officials and experts were conducted to gather qualitative data, offering firsthand perspectives on existing challenges and opportunities in the tourism industry. The findings were synthesized to identify key gaps in Uzbekistan's tourism system, with a particular focus on policy, infrastructure, and investment. This mixed-method approach allows for a thorough evaluation of both macroeconomic indicators and grassroots-level insights, leading to a comprehensive understanding of the country's tourism potential and areas for improvement.

3. Results

Tourism potential of Uzbekistan

Tourism is one of the significant industries, bringing high income and developing rapidly. It builds and develops relations between countries in economic, cultural and social terms.

Over the past few years, the tourism industry has taken a leading position in the world economy, and contributed eleven percent to the world's GDP. The interest, increasing day by day, over the past four decades, has contributed to a twenty-fold increase in tourists.

The journal states that Uzbekistan is an optimal option for individuals unable to undertake extensive travels along the Silk Road. The nation provides the chance to see the wonders of travel, encompassing mosques, mausoleums, mosaics, and minarets in the historic cities of Samarkand, Bukhara, and Khiva.

Uzbekistan, being one of the oldest centres of global civilisation, possesses the highest tourism potential in the region. Over 7,000 historical and architectural sites, meticulously preserved invaluable spiritual legacy, and ancient cities such as Samarkand, Bukhara, Khiva, and Shakhrisabz, recognised on the UNESCO World legacy List, annually draw over two million international visitors from 70 countries to Uzbekistan (Süleyman Merdanoğlu, 2011).

Tourism resources

Uzbekistan's potential in the tourism sector is high, thanks to its tourism products and resources. It has many advantages due to the country's location at the crossroads of transport and geographical zones, historical and cultural monuments, beautiful natural landscapes, and a large number of caves.

Beneficial climatic conditions enable travellers to engage in health and sports tourism in Uzbekistan, even during the winter season. Uzbekistan's historical and cultural heritage, which mirrors the region's extensive history, is predominantly linked to the Great Silk Road and serves as a key aspect in the country's appeal.

Uzbekistan is ranked ninth globally for the quantity of historical and architectural monuments. The aforementioned indicates that Uzbekistan possesses significant potential for tourist advancement.

The analysis indicates that adequate attention and essential financial support for the development of tourism infrastructure are lacking; efforts to address institutional, administrative, and people issues within the industry have been superficial. The circumstances in this instance revealed insufficient interdepartmental cooperation at the requisite level. (Niyazov R., 2000).

Inconsistent policies in this area also have a negative impact on hospitality management to varying degrees.

Although the country has potential, tourism income does not make up even two percent of GDP, while in other countries (Spain, USA, France, Egypt, Malaysia) tourism income fluctuates between 10 and 45 percent of GDP. The difference in profitability speaks of problems and helps to find solutions. (<http://www.chefs.uz/en>).

Table 1 provides a comparative analysis of countries in the tourism industry.

Comparative analysis of selected world indicators for the tourism industry (million people).

| Countries | Tourism in GDP | The number of visits before the COVID 19 pandemic | Responsible agency | Government |
|------------|----------------|---|---|-------------|
| France | 7 % | 84,5 | Tourism Agency | Development |
| USA | 3 % | 80 | Not in place | |
| Malaysia | 14,9 % | 25,7 | Ministry of Tourism | |
| Turkey | 4,5 % | 36,24 | Ministry of Tourism | |
| India | 6 % | 8 | Ministry of Tourism | |
| Uzbekistan | 1,8 % | 2 | The State Committee of the Republic of Uzbekistan for Tourism Development | |

Source: <https://cyberleninka.ru>

Despite some growth in the country in this area, which began at a low level, this potential needs to be shown in action. At the same time, many problems are holding back significant growth in this area, which creates obstacles to achieving success at the highest level. Problems such as lack of financial resources; insufficiently developed infrastructure; the same type of tourist product; barriers to obtaining a visa to the country, etc.

Research on worldwide practices indicates that in nations with a robust tourism sector, such France, Turkey, Greece, Egypt, and Japan, the roles of public administration, the tourism industry, and business oversight distinctly diverge within the realm of public tourism management. (Coulibaly S. et al., 2001). This led to the establishment of the Committee of the Republic of Uzbekistan for the promotion of tourism at the state level, marking a significant advancement in the sector's progress.

However, the share of tourism services in GDP is not yet so large, but it can be significantly improved. Hence, the state program for accelerated development of tourism for 2017-2021, which is of great importance for the growth of the country's economy, is being implemented in all areas of tourism suppliers. Based on this, the government's action plans are put forward for a different number of new ideas regarding the development of the tourism sector.

Particular emphasis is placed on scientific research focused on enhancing regional competitiveness through the optimal utilisation of current tourism potential and the strategic advancement of the tourism sector employing innovative methodologies. This study emphasises the theoretical, practical, and methodological dimensions of the issue, focussing on the implementation of mechanisms for establishing free tourist zones within an innovative economy, enhancing methods for evaluating regional resources, and optimising the utilisation of existing capacity.

The creation of tourist zones makes it easy to create additional vacancies, improve the well-being of the population, increase foreign exchange earnings, provide services, and make changes to tourism activities. The formation of tourist zones in areas with high tourist potential is characterized by positive results in the development of the tourism industry. Territories that do not have a tourist free zone face some problems: poor transport network, weak tourist infrastructure (recreation facilities), lack of qualified personnel, etc.

Each type of zone has certain privileges and stimulating qualities. In order to avoid disagreements during the allocation of economic zones, we created a single table for grouping territories (Table 2).

In world practice, two types of methods have been formulated: territorial and point-based. They were created in order to distinguish which benefits a particular territory has. The first approach means that all enterprises in each individual territory are subject to the same benefits, and the second one has its own privileges and advantages in each business area. An example of the implementation of the first approach is the free tourism zone of China, the Manaus zone (Brazil) and many export production zones in developing countries. The result of the second approach is point zones represented by individual enterprises (offshore companies, duty-free shops). (Dracheva E.L. et al. 2010: p. 148; <https://revolution.allbest.ru>).

Table 2. Classification of free tourist zones according to economic specialization.

| Trading | Industrial production | Technically innovative | Service | Comprehensive |
|----------------------|---------------------------------|------------------------|--------------------------------|----------------------------|
| Free customs | Import substitution | Technopolis | Offshore | Free enterprise zones |
| Customs warehouses | Export-production | Technoparks | Banking and insurance services | Special Economic Zone |
| Ports of Freedom | Production parks | Innovation Center | Tourist and recreational type | Special regime territories |
| Trade and production | Scientific and industrial parks | | | Special Economic Zones |
| | Export-import sweeping | | | |

Source : <https://knowledge.allbest.ru>

Individual entrepreneurs can also become part of the tourist zone. It is necessary to register with a state institution in the territory where the special zone is located.

The main goals of creating free tourist zones are to attract foreign and local investors, more qualified personnel, improved technology, increased exports, the development of import-substituting industries, etc. The creation of free zones is conducive to improving the condition of individual territories, both in the social and economic sectors for developed countries. Developing countries have a slightly different goal, to establish a stable position of the country and raise the existing level in international trade. Thus, in

Uzbekistan, the main purpose of the formation of such zones is considered to be the development of functions in these areas. (<https://otherreferats.allbest.ru>)

Based on the above, tourist free zones allow:

- to create the necessary environment for the development of active tourism;
- create additional vacancies;
- lead to an increase in the investment attractiveness of the territory;
- to increase the level of service in tour activities;
- to ensure a stable improvement in the level and quality of life of the local population;
- to attract extra-budgetary investments.

In general, a special tourist zone is planned to be developed in the following areas: treatment and health, skiing, environmental, mountain tourism, etc. (Karpov G.A. et al., 2002: p. 97)

Thus, tax incentives are the predominant form in the set of FEZ instruments. At the same time, in addition to the available incentives, there are other forms of activity incentives in economic zones. For example, privileges such as simplification of requirements for environmental and safety standards (in the USA), a simplified company registration system, and others.

The proportion of the country's GDP attributed to the service sector has increased in recent years (Table 3). The attraction of investments and their efficient utilisation are crucial for the growth of Uzbekistan's economic structure.

Investment attraction in national economic sectors is facilitated through state budget subsidies, extrabudgetary funding, and firms of diverse ownership forms and finance sources for the populace.

Table 3. Gross domestic product (GDP) and its volume in the service sector in the Republic of Uzbekistan before the COVID-19 pandemic (as a percentage)

| | 2010 | 2014 | 2018 |
|---------------------------------|------|------|------|
| Gross domestic product | 8.5 | 8.1 | 8.0 |
| The scope of the service sector | 49.5 | 54.0 | 54.5 |

Source: Prepared based on the materials of the State Statistics Committee of the Republic of Uzbekistan <https://stat.uz/ru/>

The attraction and ownership of investments decreases from year to year, as shown in table 4.

Table 4. Attracting and owning the volume of investments in the economic sector of the Republic of Uzbekistan before the COVID-19 pandemic (Billion US Dollars)

| | 2010 | 2018 |
|-------------------------|---------|---------|
| Total investment volume | 15409.1 | 15800.0 |
| Foreign investments | 3235.9 | 3318.0 |

Source: Prepared based on the materials of the State Statistics Committee of the Republic of Uzbekistan <https://stat.uz/ru/>

The investigation revealed that \$3.3 billion was required to attract investors, constituting 21 percent of foreign investment in 2018 alone. The service industry is pivotal in tourism, and its further development is a primary priority. The framework for the organisation and advancement of tourism in the republic was established by legislation. Newly established tourist centres and routes generate extra employment opportunities, thereby providing the population of Uzbekistan with supplementary income. Currently, both local and international tourism are seeing growth. The network offers organisations numerous tangible, financial, and labour-intensive outcomes. One of the pressing issues is their more efficient utilisation. The advancement of tourism in this region is directly linked

to the services provided. The components of the tourist service comprise booking services, tourist meetings and transportation, housing, meals and excursion services.

4. Conclusion

Tourism, investment legislation, and regulations concerning tourism firms have been enacted in the Republic of Uzbekistan; yet, the investments outlined in this document indicate that inadequate attention has been devoted to these aspects within the industry. It is essential to develop a mechanism for attracting investments in tourist legislation and other formalisations pertaining to theoretical concerns. Regulations for soliciting foreign investment in the tourism sector, encompassing various sources and methodologies, should be established. The study's findings indicated that the methodologies and regulations within the tourist sector are inadequately established. Tourism firms should consider the responsibilities allocated to them when adopting these processes. Investments in the tourism sector constitute 90 to 95 percent of domestic investments, including corporations, financial institutions, the national budget, and fiscal resources. Foreign investment in the tourism sector averages about 4 to 5 percent. Enhancing the republic's tourism sector and augmenting tourist influx is a primary objective of Uzbekistan. Evaluate the necessity to enhance the subsequent dimensions of theory and methodology. <http://www.altinmiras.com> These represent both internal and external investments in tourism, grounded on the significant contributions of stakeholders to critical matters concerning the formulation of their regulations and processes as required.

These may be suggestions and recommendations for attracting investments in the tourism sector and further development of this sector:

- the development of the tourism sector and the development of investments in this sector that can be attracted abroad;
- creation of new tourist service facilities and types;
- development of tourism in the field of investments that attract to the development of criteria;
- application of additional preferences in tourism in the field of foreign investments aimed at attracting and further improving the investment environment;
- improvement of the legal framework for investments in the sector, which are attracted to the standards and development of tourism;
- increase in the quantity and quality of tourist services;
- improvement of control and monitoring of investments, including foreign ones.

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