TOURISM IN KAZAKHSTAN: challenges and opportunities
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INTRODUCTION

International tourism is currently one of the fastest-growing industries of foreign economic activity. Over the decades, tourism has experienced continued increase and deepening diversification to become one of the most important economic sectors. Modern tourism is closely linked to countries development and embraces a rising number of new destinations.

Today, the business volume of tourism almost corresponds to that of oil exports, food products or automobiles in terms of business operations. Tourism has become one of the major players in international commerce and represents at the same time one of the main income sources for many developing countries.

According to the United Nations World Tourism Organization (UNWTO), the tourism industry represents 10 percent of global GDP and 7 percent ($1.5 billion) of global exports. The number of international tourists grew by 4.6 percent and reached 1.2 billion visitors and the average annual increase in tourists in the world is 3-4 percent.

All these dynamics have progressively converted tourism into a key driver for socio-economic progress. As the global spread of tourism produces economic and employment benefits in many related sectors, these days international tourism is a valuable source of income in support of the general budget of a country.

Today international tourism is a top priority in the Republic of Kazakhstan, which has been ranked 81st in the Travel and Tourism Competitiveness Index of the 2017 World Economic Forum. The tourism product of Kazakhstan is rich and diverse and offers a unique opportunity for development in almost all forms; from cultural and historical to the business ones, from outdoor activities and winter sports to other alternative forms of tourism and ecotourism.

Kazakhstan is a great travel adventure destination; the country has about 9,000 archaeological and historical sites, some of which has been inscribed in the UNESCO World Heritage List. Beyond its fast growing, ultra-modern capital Astana and the other Soviet-era cities, the country boasts flourish nature and impressive biodiversity. In
addition, the nation offers countless opportunities for people who want to hike in the high mountains and green valleys, search for wildlife on the lake-dotted steppe, enjoy home-spun hospitality in village guesthouses, or move from the western deserts to remote underground mosques.

Despite the rich resource base, the current state of the tourism industry in the country is characterized by a significant mismatch between structures, level and quality of services provided to the tourists. In recent years, the major negative factors which contributed to the deterioration of the tourism service market were: the falling of real incomes of the population and the consequent declining in domestic tourism traffic; the reduced investment attractiveness of the tourism industry and the lack of effective public policy in this field (Concept of development of the tourism industry of the Republic of Kazakhstan until 2020, 2014).

Today, almost all the existing forms of tourism are growing in Kazakhstan. In order to enhance the tourism industry, cluster priority areas have been identified at the national level. Among them there are business, environmental, cultural, educational, event and extreme forms of tourism (Concept of development of the tourism industry of the Republic of Kazakhstan until 2020, 2014).

Figure 1 – Why Tourism Matters (UNWTO, 2016)
Throughout the country, the largest number of tourists is served in the cities of Astana and Almaty, East Kazakhstan, Karaganda, Almaty, Atyrau and Akmola regions. Moreover, with a view to promote Kazakhstan’s tourism potential abroad and to attract investments, few months ago the first national tourism company named Kazakh Tourism has been created.

Nevertheless, there are a number of issues that limit the development of Kazakhstan as a tourism center in Central Asia. First of all, the absence of a positive and strong nation brand able to provide a competitive advantage in the international arena. Secondly, the lack of a wide range of animation activities and, as a consequence, of attractiveness of Kazakhstan as a touristic destination. Thirdly, the insufficient development of the tourism and transport infrastructure that involve inaccessibility to historical and environmental sites. Finally, the low level of training, retraining and skills development and poor quality of services in the hospitality sector.

Although Kazakhstan has all the foundations needed for the attraction of both foreign and local investors in the tourism industry, it has to work on these unsolved problems that still prevent the country from becoming a leading tourist destination.

The aim of the study is to forecast and prioritize the development of the tourism industry in Kazakhstan, analyzing the main painpoints and finding all the possible solutions.
CHAPTER 1

The Tourism Industry

1.1 Facing new opportunities

The word “Kazakh” comes from an ancient Turkic word meaning “independent, free spirit.” It was attributed to the historic Kazakh nomads who lived an independent pastoral life on the steppe.

Besides Kazakh nomadic spirit, the first travelers started visiting the area of modern Kazakhstan at the time of the Great Silk Road, the old network of trade routes connecting the East and West of the world, the formation of which started in the 3rd millennium.

Since ancient times, the contemporary Kazakh lands were part of the world’s largest nomadic domain of the tribes of Turkish and Mongolian origin. Interaction between the nomadic civilizations with the agrarian ones ensured the strength and prosperity of the Silk Road. Thanks to the nomads, ideas and resources wandered and, thanks to the communities that settled in cities, civilization and culture developed. The earliest tourist places in the area of Kazakhstan were born with conquest and migration of Turkish tribes; the first organizer of the pilgrimage tourism in Kazakhstan was, in fact, Timur, one of the most relevant Central Asian conqueror. Over the years, memorable places associated with his name helped to implement various social forms of tourism, the main example of which was the tomb of Ahmed Yassawi, created in 1399 under his order.

The nomadic heritage and spirituality of migrant peoples shaped the character of many generations of Kazakh people. However, over the years, the nation has not been able to create a strong, national identity or to develop a personal cultural code that could be able to make the country recognizable on the global tourism market. As a consequence, tourism has always remained a hugely underdeveloped industry.
Kazakhstan became officially a member of the UNWTO in 1993, when was formally expressed the nation great interest and dedication to tourism and the economic growth resulting from this industry (State program of forced industrial-innovative development of Kazakhstan for 2010-2014).

Ten years later, in 2003, the government of Kazakhstan began to take serious steps in developing the industry, by drafting and putting into effects a 2003-2005 tourism development program.

The successful implementation of the Program in 2005 was followed by the adoption of a new 2011 program (The tourism development program in the Republic of Kazakhstan for 2007-2011), the purpose of which was to develop a competitive tourism industry as well as a steady growth of state revenues by increasing the volume of inbound and domestic tourism. Investment in the tourism industry also increased in 2010 up to 194.6 billion tenge, which is 58.3% more than it was invested in 2009. Through the implementation of this program, inbound tourism increased by 8% that is 4 million 706 thousand trips, while inbound tourists by 7% that is 3 million 95 thousand people. On the other hand, the outbound one grown by 23%, equaling to 3 million 687 thousand tourists (G. Zh.Zhomartova, 2013).

In recent years, a leading role has been assigned to the system of developing local clusters, including tourism. As the world entered the era of new discoveries and innovative, scientific and technical solutions changing the nature of economic growth and the habitual way of life, today’s trends in this industry are such that the tourists traveling to the most famous resorts of the world, now seek to explore the countries where the tourism sector is just beginning to develop.

On the one hand, socio-economic modernization is the main vector of development of Kazakhstan; on the other hand, one of the important issues of this development is the diversification of foreign direct investment flows into the Kazakhstan economy. In this regard, this year Kazakh President Nursultan Nazarbayev has announced two different modernization programs:

1. Modernization 3.0 focused on the diversification of the national economy, one of the main drivers of which is tourism;

2. Modernization of national identity aimed at strengthening Kazakhstan’s identity and adapting it to the modern world (The Astana Times, 15.08.2017).
Tourism development sector will be affected by both modernizations in Kazakhstan. According to the Prime Minister of the nation, tourism entered the so-called ‘Olympic track’ of six industries that are the drivers of diversification of the national economy (The Astana Times, 15.08.2017), along with fuel and energy, agro-industrial complexes, industrialization, trade and transport. The industry of tourism faces the task of increasing its share in the GDP structure to eight percent by 2025 and ensuring a percentage growth in inbound tourism to the country.

Surely, such indicators will require bold political decisions to remove some administrative barriers in order to develop the tourist business, as well as improve the tourism infrastructure, diversify tourism offer and add more value to Kazakhstan’s tourism culture.

Those objectives were set by the President for tourism in his decree of 24 November 2016 on elaborating a new concept for the development of the tourism industry until 2023. Then, the concept was officially adopted by the Kazakh Government on 27 June 2017 and opened a new stage in the development of the tourism industry. For the first time, the project identifies six clusters reflecting the geographical diversity and ethno-cultural identity of Kazakhstan’s tourism offer:

1. “Astana – the heart of Eurasia”, a cluster, geographically located in the city of Astana, which is a symbiosis of architectural thought. Astana, with the existing high-tech infrastructure, will become a platform for cultural, medical and business tourism.

2. “Almaty – Kazakhstan’s free cultural zone”, which includes Almaty and part of the Almaty region owning an infrastructure of alpine, scientific and educational tourism.

3. “Pearl of Altai”, the cluster includes the territories of the East Kazakhstan region that will be transformed in the center of ecological tourism in Kazakhstan.

4. “Revival of the Great Silk Road”, the area placed at the crossroads of the Great Silk Road in Kyzylorda and Zhambyl region.

5. “The Caspian Gates”, which are located in Mangistau, West Kazakhstan and Atyrau regions and have the potential to develop the infrastructure of coastal and resort-sanatorium tourism.
6. “Unity of nature and nomadic culture” is a cluster that includes Akmola, Karaganda and Pavlodar regions that will be developed as the center of nomadic culture and diversity of the steppe.

Considering Kazakhstan’s rich tourism potential, the new project will promote the diversification of different types of tourism, from the cultural to the ethnographic; from event to medical; from ecological to sport; from sacral to trophy hunting.

Within the modernization of national identity, the President paid special attention to the issues of preserving Kazakhstan’s cultural identity and its own national code, which should make the country recognizable on the global tourism market. In this regard, Kazakhstan will develop a brand-new tourism product – the ‘Kazakhstan’s Sacred Belt’– a map of macro and micro-sacral objects comprised of 600 sacred monuments, some of which are planned to be include in the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Cultural Heritage List.

One of the elements of ethnographic tourism will be the ‘ethno-auls’ (ethnic villages) created throughout Kazakhstan. In these seasonal villages, working from May to September, Kazakhstan’s visitors will come into contact with the ancient traditions of the Kazakhs, such as their music, craft, cuisine, sports games and rituals.

With all probability, potential markets of foreign tourists to Kazakhstan will be Russia, China, Turkey, Iran, India. In this regard, the government is moving towards the liberalization of the visa and migration regime, a visa-free regime for foreign citizens applies to more than 60 countries and ADS memorandums were signed with China and Iran. In June 2017, a pilot regime has been launched until the end of the International Specialized Exhibition Expo 2017 Astana, according to which 72 hours of visa-free transit is provided to Chinese citizens who transit via Kazakh airlines through international airports of Astana and Almaty to third countries.

Kazakhstan is preparing itself to host foreign and domestic tourists, by strengthening existing institutions, developing tourism infrastructure and raising the quality standards of tourism services. The success of these initiatives will depend on the ability of government to take advantages of these new opportunities.
Figure 2 – Travel & Tourism Competitiveness Index (WEF, 2017)
CHAPTER 2

Destination Branding and Positioning

2.1 Destination Brand Management

The image of today’s Kazakhstan is still obscure. Like other Central Asian states, outsiders hardly know where Kazakhstan is or who the people are. To the Western world, Kazakhstan is one of the ‘-stan’ countries somewhere in the backyard of Russia and most of the people cannot even explain the difference between Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan or Afghanistan.

For successful participation of Kazakhstan in competition among countries, and also for its effective integration world economic area, it is important to define Kazakhstan identity and to create a consistent and strong destination brand, which encompasses the character and personality of the destination, directed at one or more target markets, with a distinctive position that translates into strong consumer-based brand equity and, thereby, high tourism revenues.

Brands are infinitely sustainable resources; their value resides in the mind of the consumer and once created and maintained through careful marketing, this value makes them incredibly powerful and difficult to destroy.

The contemporary marketplace rendered branding a strategic option in many industries that, like the tourism one, host almost perfect competition, with multiple suppliers of the same or similar products, thus pushing the limits of those suppliers in attracting and converting consumers. However, destinations as a product to brand are different from tangible consumer goods; they are geographic locations with resources, attractions, infrastructure and facilities that attract people for different reasons (Y. Wang, A. Pizam, 2011).

For all these reasons, destination branding is a complex matter to manage, with numerous stakeholders and different levels of destination accentuating this complexity even further. A tourism destination can be defined in a multiple layers of geographical
entities, which range from small-scale tourism products (such as hotels, restaurants and resorts), to geographical entities. Since placing a brand assumes its development as unified investment or tourist object (with all its potential for investment, business, and tourism), for successful destination branding, there has to be congruency among branding of these different layers.

The first important step for positing Kazakhstan as a brand is the assessment of the image of the country in current and potential target markets, in comparison with close competitors. Countries can have multiple positions, as a tourism destination usually receives visitors from multiple tourist-generating markets with different characteristics, needs and motivations (Y. Wang, A. Pizam, 2011). However, for a long-term brand vision, every single product needs to be associated with a ‘parent’ brand name, which provide target markets with a mental fix of the product.

Destination differentiation can also be based on physical attributes - people, location, name, symbols, reputation - or on the ability to offer unique benefits that can meet the needs and motivation of target markets better than competitors could. Knowing this, it is of prime importance for Kazakhstan to create a specific parent brand, in order to establish and maintain a favorably distinctive position in the minds of target markets segments that sets Kazakhstan as a destination apart from others. All attractive objects of investment and tourism have to be promoted together, with a territory itself as its part.

Considered all those factors, there is a need to create and establish image of the appeal of the country and its people for visitors, tourists and all world community. But how should this image look like?

The dissolution of URRS had an enormous impact on the national identity of Kazakhstan, as well as on other former Soviet republics. Being 70 years under the dominance of the Soviet ideology, the nation found itself in a complicated situation once the URSS collapsed. Besides the unstable, devastated political and economic conditions, the social sphere, given the ethnic diversity of the country, posed an urgent problem that the country had to deal with.

Moved by the desire to recover from the negative shadow of the Soviet heritage, the government of Kazakhstan has been actively reconstructing its national identity,
putting forth tremendous efforts and resources in pursuing nation branding strategy during the last 25 years. However, this process is still far from being competitive.

Kazakhstan is a land of contrasts. Due to its geographical position, located in the heart of Eurasian landmass, it combines cultural values of Europe and Asia. In Kazakhstan, two religions - Islam and Christianity - became closely connected, and more than 100 nationalities live together within its borders. Although most of Kazakhs remain in eastern mentality, without losing contact with their origins, people now crave for living according to the best European values, which are now firmly established between residents of cities and young people. Moreover, while citizens aim at breathing new life into old traditions and nomadic culture, legacies of the Soviet era still pervade Kazakh people and cities.

Nation branding efforts have significantly intensified since 2006-2007, when Kazakhstan started promoting itself via advertisement campaigns in New York Times, CNN, Euronews and other highly recognized media outlets. In this period, the government mainly aimed at creating a Kazakh identity by embracing the inherent ethnic distinctions, which in the future are supposed to be overcome by a single, common identity. Despite this discourse being accepted by the majority of the population, the process of nation identity construction is still going in Kazakhstan and the dominant identity continue to face challenges and resistance.

In relation to the fact that Kazakhstan is a bridge between Asia and Europe, government has also focused the image of the country on ability of harmoniously combining European and Asian values, respect for diversity and human rights. Evidence to this have been the numerous events and various political initiative held in recent years, such as the Congress of Leaders of World and Traditional religious in 2003, the Chairmanship in OSCE in 2010 or the meeting of foreign ministers named “Common World: Progress through Diversity”. The establishment of the Assembly of People of Kazakhstan in 1995 and the construction of the Palace of Peace and Reconciliation in Astana in 2006 can also be mentioned in the context. All the initiatives mainly represent the vision of the political elites, which has a monopoly over the nation branding activities of the countries. In this respect, the president of Kazakhstan N.A. Nazarbayev not so long ago has defined following major factors of his republic appeal: political stability, friendly relations with neighbors, a high degree of market economy
development together with efficient state regulation. It is clear that the national promotion has mainly followed an economic direction so far.

All these factors have prevented Kazakhstan from creating a strong, unique destination brand over the last 25 years. On the one hand, there is no practically applicable idea or image of the territory to communicate to visitors, no popular understanding of what exactly the tourist will get by travelling to a place and what one should expect from any given destination. On the other hand, launching a global brand requires flair, awareness and confidence, especially if we consider emerging or little-known destinations.

Creating a strong destination brand requires the ability to see yourself as others do, to work on this impression in order to create something new. It demands government support, commitment, collaboration and effective synergy among the main communicators of the country’s image in the global media (which are usually the tourist board, the airline and the major food producers), because these are the routes by which the national brand is most commonly created and exported.

If we consider other ‘stans’ experiences, Kazakhstan has two neighbors that seem to promote their tourism offer in a quite effective way, and are positioned in the tourist panorama with a stronger, more distinct brand. These countries are Uzbekistan and Kyrgyzstan.

On the one hand, Uzbekistan, taking advantage of its rich past, related to the Silk Road, of its cultural treasures and unique natural resources (mountains, steppes, lakes and religious attraction), has been taking measures to ensure accelerated development of the tourism industry over the last few years. Uzbek government, in fact, has done efficacious job by working closely with the Ministry of Economy, Ministry of Foreign Economic Relation, Investments and Trade and with the Ministry of Finance of the Republic of Uzbekistan to attract foreign investments and grants in tourism businesses. Almost ten investment projects have been launched in the field of training for the tourism industry, developing manufacturing and promoting tourist maps, brochures and other presentation materials. At the same time, historical and cultural monuments have been restored; hotels, restaurants and infrastructure been constructed. Not only does the country have four cultural attractions in the UNESCO World Heritage List; a great work on diversification of tourism has also been done by creating new tours and programs,
offered by foreign and local tourists, which include climbing, horse riding tours, camel safaris, jeep safaris, off-road tours, fishing, rafting, ecotourism, educational tours and others. Thereby, Uzbekistan is considered to be a country with competitive advantage in the tourism sector, comparing with neighboring countries, that is also benefiting from the new, strong Silk Road brand.

On the other hand, in Kyrgyzstan, despite many obstacles that have been slowing down tourism development over the last few years (such as the soviet legacy, as well as some economic, political and legal problems), the industry has been developing rapidly, focusing and adding value to the ancient nomadic culture. Kyrgyzstan is a undiscovered, mountainous country with incredible natural beauties and unpolluted environment. The country has numerous lakes, mountains, valleys and glaciers that are very valuable resources for tourism; the Issyk-Kul is the second largest alpine lake at high altitude and the deepest on the earth. Moreover, Kyrgyzstan has two monumental structures listed in UNESCO World Heritage List, which are the Routes Network of Chang'an-Tianshan Corridor and Sulaiman-Too Sacred Mountain.

Both Uzbekistan and Kyrgyzstan have managed to create a clear touristic brand and attract many foreign visitors. Kazakhstan lacks this distinct brand. Today, it has on offer ‘something of everything’, which should be translated into a new brand and branding strategy.

2.2 Promotional Strategies

Promotion of information about Kazakhstan at the international tourist market, and within the state must become a priority for authorities in the sphere of tourism. Kazakhstan still holds 81 place among 136 countries in the world ranking of Competitiveness in the sector of Travel and Tourism in 2017 in terms of effectiveness of marketing activities for attraction of tourists.

So far, policy on branding destinations was barely defined; there is no proper tourist brand (logo or slogan) of Kazakhstan and no official tourist portal of the country. In 2014, the state's official tourist websites “www.kazakhstan.travel” was designed in order to provide information about the country as a tourism destination and giving opportunity to potential visitors to book hotels, flights and tours. However, in the search
of information about Kazakhstan on Google, “www.visitkazakhstan.kz” site appears as a national tourist site. This is due to the fact that state funds were allocated to the creation of the site, but not for the promotion of the site (Atameken.kz, 14.09.2016).

Despite periodically conducted exhibitions and roadshows, there is no funding for the creation and broadcasting of promotional videos in the national and foreign media; no systematic promotion of Kazakhstan as a tourist destination in international TV channels aimed at an audience of millions. In world practice, all successful and developing countries of the world regularly use mass communications. As an example, in 2013, Germany was advertised in a campaign under the slogan “Smart Germany”, China – “Made in China”, South Korea – “Advanced Technology Korea”, Bahrain – “Bahrain - Business Friendly”, Azerbaijan, Turkey and many other countries. Analyzing the ongoing marketing activities, it must be noticed that there is not enough funding, which is allocated by the state under a budget program on the formation of the national tourism product and promotion of it on the international and domestic market (Atameken.kz, 14.09.2016).

It was only last year that, as the Expo approached, Kazakh authorities began to analyze a number of other questions: the necessity of a special organization to promote tourism and the form assumed by this organization (PPP, public or private); the pros and cons of these forms; the introduction of a tourist fee.

The establishment of a National Office of Tourism (in the world practice a DMO - Destination Management Organization) was only considered in 2016, when the country’s authorities began to feel the necessity of pursuing the following goals: the development and promotion of the brand in Kazakhstan as a tourist destination, the promotion of tourist products at the domestic and international markets, the development and introduction of tourist products, the creation and maintenance of a single tourist website in Kazakhstan, system for information of users, etc. In preparation for the Expo, in fact, foreign partners had been surprised that Kazakhstan had no National Tourism Office. If, on the one hand, to hold an exhibition is important, on the other hand, more important is to promote it, to invite foreign partners and to conclude agreements.

Concerning the tourism fee, it can also be decisive and help in the promotion of tourism in Kazakhstan. However, tourism fee (or bed tax), is not an innovation. It is a
the normal practice abroad and can be seen and the contribution of each visitor to the support of tourism in the country. This is another proof of the backwardness of the Kazakh tourism system.

Despite tourist fee being effective, it requires changes in the law. Not only are institutional reforms instrumental but, in general, a transfer of state functions is also required. Without any doubt, there is a need to consider the options of entering into a service contract with the involvement of investors, or the transfer of the state function in the quasi-public sector. In this regard, the creation of a DMO, an organization with the state participation in PPP format, could be a concrete option. The supervisory board of the organization could be represented by all the key players of the market - hoteliers, logistics, restaurateurs, tourism industry associations and trade representatives. Today every segment of the tourism market has become active in the development and promotion of its tourist potential, but no tourist would visit a particular destination, if there is no clear position of the country as a whole.

For sure, the work of such an organization requires serious financial investments: 4-5 million USD at the initial stage (Atameken.kz, 14.09.2016). No one allocates such funds in Kazakhstan. But it must be understood that without a certain cost it is impossible to obtain the effect.

As the Expo began few months ago, the government of Kazakhstan has established a national tourism company named Kazakh Tourism, the first task for which is to promote the tourism potential of Kazakhstan abroad and attract investment. The company will seek to utilize the experience of leading countries in the field of tourism to develop six regional cultural and tourist clusters, which cover all of Kazakhstan. Taking into account the specifics of all the regions, Kazakh government, in particular, will focus on the development of new types of tourism for Kazakhstan – sacral, ecological, hunting trophy, cultural and cognitive, medical and sports. The company will be funded by the national budget through the end of this year and will be expected to be self-funded at the beginning of 2018.

Considered all these things, it is difficult to predict how the tourism sector will evolve in Kazakhstan. For sure, in order to boost investments in the travel industry of Kazakhstan, not only is it necessary to examine the country’s potential areas for tourism, but it is also important to develop a collaborative and transparent model for
partnership between the state and the business (taking under consideration the land tenures, the access to infrastructure and other main problem), which is the most important point.

2.3 The Silk Road as a global brand

In 2015, Forbes described the Silk Road as ‘one of the world’s most powerful brands, perhaps even bigger than Disney or Coca-Cola’.

Defined as the ‘greatest route in the history of mankind’, the ancient Silk Road has been the first bridge between the East and the West and an important vehicle for trade between the ancient empires of China, Central and Western Asia, the Indian sub-continent and Rome (UNWTO, 2016).

Being a route of integration, exchange and dialogue, the Silk Road contributed to the development of Eastern and Western Eurasia peoples’ economy and culture. As a matter of fact, the Silk Road has a strong and significant foundation to build upon. Today the ancient road gives visitors the opportunity to experience a unique network of destinations linked by a shared history and, at the same time, with a richly diverse cultural heritage and a wealth of natural tourism attractions to offer.

The idea of launching a project for cooperation, developing and tourism promoting along the Silk Road was born with the Samarkand Declaration in 1994. That year, 19 countries called for the ‘peaceful and fruitful re-birth of these legendary routes as one of the world’s richest cultural tourism destinations’. Since then, a number of different declarations were adopted: from the Khiva Declaration in 1999 to the Bukhara Declaration in 2002, from the Astana Declaration on the Silk Road adopted in 2009 to the Almaty Declaration adopted in 2008.

Over the years, UNWTO continued working closely with key UN agencies such as UNESCO and the United Nations Development Program (UNDP) to advance sustainable development imperatives across the regions of the Silk Road.

UNESCO experts and state parties have dedicated years of research to identify and analyze the routes and corridors of the Silk Road. Through their findings, a number of ancient cities, caravanserais, mountain passes, archeological and religious sites, forts and watchtowers, religious sites and archeological sites have come to light. Following
extensive consultation with experts, in 2013 UNWTO and UNESCO launched a Roadmap for Development, a guideline document which set out the objectives and steps for maximizing tourism development for the heritage corridors while safeguarding the Silk Road’s resources.

Moreover, with an unprecedented level of collaboration between countries, two World Heritage Nominations for the Silk Roads Heritage Corridors in Central Asia and China have been submitted for the inscription in the World Heritage List. The Chang’an-Tianshan Corridor crossing Kazakhstan, Kyrgyzstan, and China was declared UNESCO World Heritage Site in 2014. The Corridor has been of enormous importance in the history of Central Asia, shaping the cultures, cities and customs of the regions along this route in China, Kazakhstan and Kyrgyzstan. It is hoped that the second Heritage Corridor crossing Uzbekistan and Tajikistan will be inscribed in the next years.

The implementation of the measures taken over the years have improved economic growth and integration of the Eurasian area, establishing the three key poles of the Road: China, Russia and the Persian Gulf.

Kazakhstan, located in the heart of Eurasia, acts as a bridge between these poles and other Central Asia countries (Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan); the strategic location of the country places special emphasis on the development of tourism along the Silk Road. It was 1997 when the first tourism potential study in Kazakhstan - "The Silk Road is the road of dialogue" - was conducted by UNWTO, UNESCO and UNDP.

From the results of this study, the State Program "The Silk Road historic centers revival, preservation and successive development of the Turkic-speaking states cultural heritage, development of tourism infrastructure" was developed and approved by the President of the Republic of Kazakhstan. Then, with the Bukhara Declaration, the Silk Road" project member-states committed to make efforts to strengthen regional cooperation in tourism. In this respect, in 2004 the Transport and Communication Ministry of Kazakhstan launched the first tourist train, covering the route ‘Almaty – Turkestan – Tashkent – Samarkand – Bukhara – Urgench – Marry – Ashgabat – Almaty’.
Figure 3 – Silk Road Action Plan 2016/2017 (UNWTO, 2016)

Key areas of work:

Silk Road Action Plan

Marketing & Promotion

Capacity building & Destination Management

Travel Facilitation
Kazakhstan section of the Silk Road include historical, archaeological, architectural, urban and monumental sights; at the moment more than 20 ancient settlements have been brought back to life, as well as many castles of the landlords. In addition to these treasures, two Kazakh sites placed along the Silk Road has been inscribed in the UNESCO World Cultural Heritage List: the Mausoleum of Khoja Ahmed Yassaui in Turkestan and "Tamgaly" archaeological complex near Almaty.

Today, among the most important tourist destinations on the Silk Road there are Almaty, Taraz, Turkestan and Otrar in South Kazakhstan oblast. The main idea of investment projects implementation along the Silk Road highway is to create a high-tourist cluster of the country, representing a network of integrated, inter-related tourist facilities and associated industries in the tourism industry. The State Program, in particular, is aimed at establishing a national tourism cluster and tourist complexes along the international transport corridor "Western Europe - Western China". This highway, with a total length 2700 km, coincides with Kazakhstan section of the Silk Road and passes through five important areas (Almaty, Dzhambyl, South Kazakhstan, Kyzylorda and Aktobe).

On the branches of the Silk Road Kazakhstan section the most promising projects are:
- "Zhana Ile" international tourism center, on the coast of Kapshagay reservoir in the Almaty region; “Ancient Otrar" and "Ancient Turkestan" tourist infrastructure developing in South Kazakhstan oblast;
- "Burabai" international tourist center building in Akmola oblast, which is a free economic zone;
- "Aktau - City" new millennium city building on the western turn-out of the Silk Road Kazakhstan section in Mangystau region.
- "Kenderli" international tourist center on the Caspian Sea coast.

As a brand, the silk road has a huge potential to contribute to tourism growth and collaboration between destinations. In 2010, UNWTO has established a new Silk Road Action Plan which addresses marketing and promotion, capacity building, destination management and travel facilitation. It is about encroaching tourism growth and making the silk road countries more robust, competitive and sustainable destinations. The Action Plan is main focused on three key main areas (UNWTO, 2016):
a) Marketing and promotion of the Silk Road as a unique network of destinations linked by a common cultural heritage, which present significant opportunities for collaborative marketing and promotional initiatives.

b) Capacity building and destination management, including city tourism, urban development and destination marketing to heritage management, food tourism, investment and product development.

c) Travel facilitation, including abolishing or liberalizing visas between Silk Road countries, improving border procedures; abolishing or minimizing taxation on travel and air transport liberalization

Researches made by UNWTO demonstrate that today the Silk Road motivates more online discussions than any other trade networks, accounting for approximately 30% of international discussions. Kazakhstan, together with other Silk Road destinations, must take a collaborative approach to marketing and promote messages supporting a shared set of values. Despite single countries’ marketing strategies, common plans and controlled development of the shared tourism products can help destinations to receive extra economic benefits from tourism.

If on the one hand, significant progress has been made since the launch of the first Action Plan in 2010, on the other hand much work remains to be done to achieve the ultimate vision for Silk Road tourism. It is now time to create a platform for international cooperation, a common, multi-lateral tourist product. The attractiveness of the entire region will then be greater than of just one country. This could be achieved through the mutual use of the rich resources of the region, the creation of a favorable investment climate and modern infrastructure, the closer links between cities in neighboring countries, the removal of various shortcomings, primitive obstacles and archaic procedures at border crossings. All this would contribute to popularizing and developing the tourist image of the Silk Road; thus, increasing its potential.
CHAPTER 3

Recreation Management

3.1 Events as tools for development

The relationship between events and tourism can be mutually beneficial. Events provide consumers with a leisure and social opportunity beyond everyday experience. On the other side, they are able to contribute to a city’s range of tourist attractions, facilitate media coverage for the destination, and promote awareness of the destination for future visitation (Y. Wang, A. Pizam, 2011).

In the case of Kazakhstan, many events, such as Asian Winter Games in 2011, sponsorship of which was provided by the Congress of the World Leaders and Traditional Regions, and the Winter Universiade in 2017, were used to show the world the nation and its resources, as well as to exemplify the political and social stability achieved under the existing political regime.

In January 2017, in fact, Kazakhstan was the first country in CIS to host Winter Universiade, the objective of which was to contribute to the preservation of peace and prosperity in the region and to support the growth of the domestic economics. At the same time, the hosting of Winter Universiade marked the beginning of the creation of a brand of the nation to promote around the world and the first step for the achievement of more broad goals and for the realization of strategic plans to boost Kazakhstan’s reputation internationally. Around 2,500 university students from nearly 60 countries came to Kazakhstan’s former capital city for the competition only surpassed in scale by the Winter Olympics itself. Moreover, Winter Universiade was the first attempt to host large-scale international events and to demonstrate Kazakhstan winter tourism potential and investment attractiveness, showing the visitors its beautiful nature, traditions, culture and the facilities of the country. The event was also a way to instill a sense of national consciousness and pride, especially among the younger generation, and lay the
foundations for other major sporting events, such as various world championships and, in the future, the Winter Olympic Games.

Few months later, Expo 2017 Astana gave Kazakhstan a chance to strengthen its brand and improve the perception of many aspects of the country development in the world. The International Specialized Exhibition opened up a lot of opportunities for the country: from the strengthening of international cooperation to the modernization of the energy sector, from the optimization of transport infrastructure to the breakout in tourism. Nevertheless, one of the Expo’s most important object was the promotion of Kazakhstan’s national brand. It was about building an integral and recognizable reputation of Kazakhstan, designed to become the basis for the nation’s attractiveness to potential investors and tourists. Today, the elevated economic competition among countries has resulted in increased importance of nation branding; as a consequence, the perception of the country has no less significance for its global reputation than assets or real achievements.

More than 100 states and 22 international organizations participated in EXPO 2017. Because an Expo is an event able to attract world leaders and decision makers, as well as millions of visitors, it can be considered a unique opportunity for Kazakhstan to strengthen its international image and position itself as a key player in the international arena.

On the one hand, for Expo visitors, Kazakhstan offers an image of an open, friendly country, aimed at innovation and development of green technologies, with a futuristic capital city, rich nomadic culture and unique, unspoiled nature. On the other hand, in a way, Kazakhstan is now the country whose brand is strongly connected to Expo. In this regard, Kazakhstan’s visual brand today is the trefoil logo of Expo 2017, which also advertised the Kazakh pavilion at Expo 2015 in Milan.

For sure, the hosting of Expo 2017 will have important implications on the country’s development in almost every sphere, be it economic, political or social, as evidenced by the motto “Expo 2017 - the world comes to Kazakhstan”. Being Expo 2017 the largest of such kind of recognized events held in the region so far, Kazakhstan expects colossal economic benefits in terms of inward investments and tourism. According to official sources, the major part of expenditure on the EXPO 2017, equal to USD 1.3 billion in total, is supposed to be attracted from foreign direct investment and
spent on infrastructure (transit, roads and railway stations), new buildings, hotels for visitors and so on. Not to mention the attraction of large masses of tourists, especially during the EXPO 2017 and other various events.

However, the implications are not only positive in character, especially when it comes to the related corruption scandals and their representation in the international media. Due to these problems, a part of the population in Kazakhstan has become more and more skeptical about the image branding projects promoted by the government and, in the times of economic downturn, events like these are considered to be unnecessary waste of money and resources by the population. So far, not much evidence can be brought to support of the wealth accumulation outcomes of these costly events held within the nation branding strategy in Kazakhstan, but it is too early to make the inferences regarding the expected enhancement of economic welfare.

Anyway, it should not been forgotten that local support is one of the most important factors determining the success of an event in branding a destination. Tourism products and facilities such as festivals, outdoor recreation opportunities natural and cultural attractions facilitate enjoyable tourism experiences for residents in addition to the economic benefits of a higher personal standard of living, increased tax revenues and increased employment that some members of community enjoy. Strong financial outcomes are fundamental for local business community, as they could lead to further support from the population. In addition, to be truly successful, an event should transmit a sense of excitement and occasion in the local community. If local people see themselves as an integral part of the event and are interested in the event, their support will have a positive effect on the way that visitors view the event and the destination.

Despite the relationship between a positive nation brand and tourist inflow might seem logical, in Kazakhstan there is still enormous work that has to be done considering the weak tourist sector of the country. It is difficult to compete in this field with global and even regional rivals. Kazakhstan should continue to invest in attracting tourists, to develop a suite of distinctive major and minor events that connect people to place, inspire people to visit the destination and provide economic and social benefits to the community.
CHAPTER 4

Accessibility

4.1 Road and transport infrastructure

Improved accessibility and efficient transportation infrastructure are two central preconditions for tourism development.

On the one hand, accessibility is understood in terms of facilitating the access to tourism destinations both on a global and local scale and, if related to mobility, it refers to the ability of travelers to reach a destination in a relatively safe, fast and reasonably comfortable way. On the other hand, tourism infrastructure is the starting point for the utilization of existing destination resources. It include a large number of services, which are necessary to meet the needs of tourists and increase satisfaction during their stay at the destination.

The importance of tourism infrastructure is related to the fact that it can contribute to increasing the efficiency of production and distribution of tourism services and, in case of remote destinations, such many Kazakh natural sites are, even increase the supply of tourism services. For tourists to be able to reach some tourist destinations, there should be a strong, developed transport infrastructure, as the main vehicle for consuming all tourism services of the destination itself.

In this respect, the potential of Kazakhstan's tourism industry depends on the creation of a modern competitive tourism infrastructure, which includes excellent facilities, efficient transport system and accurate logistics.

The first need is improving and further developing road systems and infrastructures, especially in areas and places away from the main towns or cities. Despite infrastructure projects being massively improving in recent years, poor roads remain the main problem of driving in Kazakhstan. Main intercity roads may have bad, potholed stretches but are mostly in decent condition. However, local authorities need to pay attention to the lack of transport infrastructure, which can prevent tourist from
visiting the main tourist attractions. The site of Akyr-Tas site, for example, is still hardly possible to reach, despite enjoying protection by the State and being included in the UNESCO World Heritage List. On the one hand, the management of the reserve-museum has made improvements to increase the popularity of this attraction; visitors and scientists from all over the world come here to see the remains of an ancient mysterious structure of red stones, similar to those from which the Egyptian pyramids were built and Kazakh pilgrims come to nourish themselves with the energy of this sacred place. On the other hand, the roads that connect the sites are still in terrible condition.

Secondly, there is a need to improve and expand the public transport connection within the country, with particularly regard to bus and railways. With a few exceptions, such as the busy Shymkent–Almaty and Astana–Karaganda routes, inter-city bus services are poor and getting worse, with less frequent departures in increasingly aged buses from old bus stations. However, buses remain an option for trips of up to five or six hours. For longer trips trains are generally more comfortable. Many short and medium-length routes are now covered more frequently by modern, relatively comfortable minibuses and old Russian ‘marshrutkas’, which are generally faster but more expensive.

Thirdly, apart from infrastructures, the arrival of tourists enhances the efficiency of human resources at the destination, as tourists require certain services in order to feel better during their stay at the selected tourist destination. In particular, there is an increase in the demand for infrastructure services in terms of water supply, waste disposal, communication and electricity supply, as the necessary elements for comfortable functioning of tourists at the selected destination.

To sum up, Kazakhstan, today, need to concentrate on the development of a plan of activities that includes the improvement of the passenger road transport market, enhancement of the quality of transport services and efficiency of using the transit capacities, modernization of the infrastructure and introduction of intelligent transport systems. Developing infrastructures for international tourism will definitely help to increase not only inbound tourism, but also domestic and outbound tourism sectors. Moreover, creating a tourist complex will make a significant contribution to the economy through tax revenues, foreign exchange inflows, increasing the number of
jobs, as well as providing control over the conservation and management of cultural and natural heritage.

4.2 The new Silk Road in the Sky

Tourism and transport are strictly connected. Tourists travel to and from destinations as well as within them. Land and air transport links visitors and hosts, and connects local communities to the world, which forms a strong interdependence between both sectors. The transformation of the transport sector can present many opportunities for enhancing the tourism industry, while the reinforcement of the transportation infrastructures can further improve the tourism sector’s competitiveness.

For many years after its independence Kazakhstan was marked by a story of failed carriers, poor safety records and infrastructure which was managed under the remnants of a former Soviet regulatory framework.

Today Kazakhstan’s accessibility for international visitors is constantly improving. Government is investing in the development of tourism infrastructure, which include new roads, railways, construction of new and renovation of old accommodation outlets, near the recreational zones, World Heritage Sites, as well as other cultural, historical and business centers. Although improving roads and rail connectivity is certainly helping to enhance connectivity within Kazakhstan and into neighboring territories, the scale of the country means that air transport will also be important in helping the nation to grow international links and enhance domestic connectivity. Aviation is a priority for the region because its size, and its geography often makes road journeys impossible or impractical.

The International Air Transport Association (IATA), in particular, called on the governments of Kazakhstan and Central Asia to utilize air transport as a catalyst for further economic growth and development. Aviation, in addition, will connect people and support education and business.

Over the last decade all five Central Asian nations in the region - Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan - have experienced a significant upturn in passengers numbers.
Despite growth, last year was a tough one for all these countries due to geopolitical issues; all the markets suffered and the Kazakh currency halved in value between late 2015 and 2016. In spite of the fact that the fall in oil prices benefited global aviation, it hit Kazakhstan’s oil-dependent economy hard and, combined with a price decline in other commodities (such as mineral and metals), it had a significant effect on airlines. Air Astana, in particular, saw its passenger revenues drop of 20% (Airlines International, 23.05.2017).

On the other hand, experts are optimistic that 2017 will be improved, as it has been encouraged by significantly better revenues in the first quarter of the year and by the fact that oil prices are on the rise again.

IATA’s data, in particular, show that today Kazakhstan is the first country in terms of aviation growth, followed by other emerging markets among the Commonwealth of Independent States, former Soviet Republics as well as Latin America, Africa and the Asia-Pacific region countries. Kazakhstan leads the way at 20.3% CAGR, followed by Uzbekistan (11.1%), Sudan (9.2%), Uruguay (9%), Azerbaijan (8.9%), Ukraine (8.8%), Cambodia (8.7%), Chile (8.5%), Panama (8.5%) and the Russian Federation (8.4%).

**Figure 4 – Flight distance with Air Astana Flights (Air Astana, 2017)**
It is common knowledge that the Central Asia former Soviet republic enjoys strong links with Russia and these economic and social ties are largely fueling traffic growth across the entire region. Kazakhstan has now a strong flag carrier in the form of Astana, a joint venture between Kazakhstan’s Samruk Kazyna National Welfare Fund and BAE Systems, as well as independent, competitive airlines such as Bek-Air, SCAT Air Company and the recently established domestic operator Qazaq Air. Moreover, it can claim the region’s most developed airport system. (Airlines International, 23.05.2017).

The main terminals of arrival for visitors into the country are the former capital, Almaty, located in the south of the country in the foothills of the Trans-Ili Alatau, part of the Northern Tian Shan mountain system that separates Kazakhstan from Kyrgyzstan, and its newly developed capital, Astana, located more centrally in the country. Increasing direct international links are now also being offered from smaller cities in Kazakhstan.

Despite losing its capital status, Almaty remains the major commercial and cultural center of Kazakhstan, as well as its biggest population center. It is served by Almaty International Airport (ALA), which is linked to 15 domestic points and 31 international destinations by 25 carriers. Almaty airport accounts for half of passengers traffic and 68% of cargo traffic to Kazakhstan. Its departure capacity is pretty evenly split between domestic and international seats, with the important Almaty–Astana corridor accounting for 48.2% of domestic and 24.5% of total capacity. Overall capacity is up 1.1% and direct flights are offered to the likes of London, Prague, Samara and the domestic points of Taraz and Urdzhar. Additional flights have also been added by Air Astana to Tehran, Aeroflot to Moscow Sheremetyevo, KLM to Astana and onwards to Amsterdam and Qazaq Air to Semey, while capacity growth has also been seen in a number of markets including Dubai and Sharjah in the United Arab Emirates and Kyzylorda within Kazakhstan. (Airlines International, 23.05.2017).

While Almaty highlights old Kazakhstan, Astana illustrates the new. Located alongside the former 1830s settlement of Akmoly, latterly known as Tselinograd and Akmola, it became the capital of Kazakhstan in December 1997 and was renamed as Astana, which means ‘the capital’ in Kazakh in May 1998. The city is served by Astana International Airport (TSE, named after Tselinograd, the former name of the city),
which is linked to 15 domestic points and 26 international destinations by 25 carriers. Its departure capacity is more connected to the domestic market (60.2%).

At TSE there are separate terminal buildings for domestic and international flights. The new international terminal opened in June 2017. Experts claim that, with the new terminal open, passenger capacity should increase to 8.2 million per annum.

Undoubtedly, the opening of the new terminal has been the first effort to provide Kazakhstan with a world-class airport. It has been built to international specifications, offering more gates, lounge space, retail, check-in space and baggage facilities. The main goal is to boost Astana’s appeal as a transfer hub, by making the city the Central Asia’s main connecting point between cities of the region.

It is evident that, TSE could not compete with routes which connect two main cities. Cities like Paris and Hong Kong, for example, are already served by several direct flights. However, it could have a key role on routes from main cities to secondary ones, which do not justify a direct flight. For examples, Astana could became a link between Hong Kong and Minsk, Ashgabat, Omsk, Baku and Tashkent.

Transit passengers only account for about 5% of the airport’s passengers today, although international traffic accounts for 35% of the traffic after a number of new route launches in 2016, which included a new KLM service to Amsterdam. LOT Polish Airlines, Finnair, Air China, Ural Airlines and Wizz Air will join Astana International Airport’s growing list of international airlines by the end of this year.

Despite aviation developing fast in Central Asia, challenges remain. By the end of 2016, all Kazakhstan operators had been removed from the EU Safety List, following the 2015 removal from the list of Air Astana. IATA played a major role in supporting Air Astana and Kazakhstan’s airlines through this process. However, there is certainly room for improvement in terms of the quality of service offered and equipment used; there is a dramatic need to enhance staff training to raise standards to internationally-accepted levels. In addition, some experts feel that the lack of competition in the ground handling market, the need for greater transparency over airport charges, and the high price of jet fuel are three key areas where improvements can be made.
CHAPTER 5

Hospitality

5.1 Main issues in the hotel industry

Today, the global tourist industry is developing quicker than any other sectors of the world economy. According to specialists, tourism will become a major business on the global marketplace by 2020, leading to a growing number of jobs and increased possibilities of making a career in this sector. To the greatest extent the development of tourism is influenced by hotel business, transport, tourist agencies, tour operating, as well as global computer booking networks, which play the most considerable role at tourist market.

In this respect, tourism and hospitality cannot be considered as different industries because tourists are, first of all, consumers having various and specific requirements, which depend on purposes and motives of travels.

Hospitality is one of the fundamental concepts of human civilization and, nowadays, under the influence of scientific and technological progress, it has become a powerful industry that employs millions of professionals, creating warmth and comfort for the benefit of people. The hospitality industry brings together different professional fields of human activity: hotel and restaurant business, leisure and entertainment, conferences and exhibitions, organizations, sport, museums and sightseeing activities.

The global hotel industry is a global-scale, integrated and dynamic service industry. The state and level of development of the hotel industry affects the level of the flow of domestic and inbound tourism.

Kazakhstan has all possibilities for successful development of a hotel economy. A rich history, ancient monuments, original culture, political stability, a relative openness and its readiness for cooperation – all it has to intensive development both tourist, and hotel sphere.
In addition, from ancient times, the most distinctive feature of the Kazakh culture and people was hospitality. Guests were more than welcomed in Kazakhs houses; they had the opportunity to seat at the place of honor, and were offered with the best of what was in the house. There is also an old Kazakh proverb which says: “Kazakhs will feed a guest first, and then ask his name.”

Even today Kazakh people are extremely hospitable; principles of respect of guests and older people are instilled in every Kazakh since childhood and these have become features of their culture and traditions. Even talking about the International Specialized Exhibition Expo 2017, it has recently been said: “The Expo is very important to us because Kazakhs are a naturally friendly people. And we want to welcome everyone. Because Kazakhstan was a place of trade on the old Silk Road, guests are always welcome in Kazakhstan” (Foreign Policy, 15.06.2017).

As the hospitality sector in Kazakhstan is developing and expanding, major hotel brands are positioning themselves to take advantage of increased business and leisure travel. The two leading cities in the hospitality industry in Kazakhstan are Almaty, the former capital of the country, and Astana, the new one.

Almaty is a key financial and cultural center in the country, even though it lost its capital status in 1997. Since business leaders now commute to and from Astana, hotel occupancies and rates have suffered from a slump in business activity in the city.

There is little tourism, in spite of the fact that the surroundings of the city offer chances to ski in the winter months in Chimbulak / Medeu resort, which mostly appeals the domestic demand. Almost 70% of all Almaty visitors come for business purposes and the main feeder markets are Russia, Turkey, China and USA, with most non-residents choosing branded 4 and 5 star hotels.

The hotel market in Almaty is fairly mature. There are over 6,500 rooms, 20% of which are branded.

For many years the historical leader has been the Intercontinental, which is now followed by Rixos and Ritz-Carlton. The only current branded midscale hotel is the Holiday Inn. The peak performance in the hotel industry came between 2007 and 2009 when the main hotels were optimizing rates. However, the moving of the capital to Astana and the 2009 crisis saw both rates and occupancies drop significantly. According
to some experts, in 2014 Almaty hotels market saw 4% drop in ADR to USD 177, with the occupancy at 57%.

Despite this, today investors are still keen to develop in Almaty. There is a significant desire to enhance the hospitality industry with more than 1,000 new rooms planned till 2018, and the supply of branded rooms is expected to double, at least, by 2018. In addition to the 1,000 new rooms, a full renovation of the famous Rahat Palace and Kazakhstan hotels into branded properties has been planned. With at least 3 new mid-scale properties under construction (Park Inn, Novotel and Ramada) the pressure on rates will continue if occupancies are to be maintained.

Although Almaty is still the most visited city in the country, even in terms of hospitality Astana’s potential is significant. Over the last 10 years, Astana has turned from a provincial town to the capital city, and its future development is upward. Since 1997, in fact, Astana’s contribution to the country’s GDP increased to 8.5%.

The city itself is a prime example of master-planning with many already famous buildings and more to come. Hotels are being developed rapidly; five-star resort service, in particular, is growing in Astana and the city has gone from nowhere to having 160 accommodation facilities officially registered with a total of 5,949 rooms.

However, Astana, which has been developed as the seat of power, is as yet to develop any strong tourism infrastructure and the city’s hospitality sector has been subdued by weaker-than-anticipated economic growth during the past several years.

In 2016 asking rates across upscale and mid-market hotels significantly decreased due to continuing fall in demand that resulted from negative economic predictions as well as due to seasonality factor. Moreover, the decrease of USD quoted rates (15% for upscale and 17% for mid-market) is greater than those that are rated in KZT (5% for upscale and 8% for mid-market) due to exchange rate fluctuations.

The average market occupancy rate demonstrated insignificant decrease year-on-year during 2015, reaching 25.5%. At the same time occupancy in upscale accommodation facilities slightly increased and reached 28.5%.

The International Specialized Exhibition Expo 2017 is expected to promote the city and help boost internal and external visitation to the city during the next years, making it attractive for international investors.
As for now, most of the visitors are for business purposes. According to the official statistical data, the share of visitors to Astana for business purposes reached approximately 63% in 2016.

The hotel supply though will be far ahead of demand for several years. There is a trend for local investors to favors upscale and luxury hotel developments which is hardly supported by demand patterns. The key branded hotels today are the Radisson, Marriott, Rixos, Ramada Plaza, Park Inn and Hilton. Several branded projects totaling 600 rooms and serviced apartments of upscale and mid-market grade are expected to be delivered to the market in the capital during the next two years. These projects include: ‘The Ritz-Carlton, Astana’, ‘The St. Regis, Astana’ and an upscale, as yet unbranded, hotel ‘Abu Dhabi Plaza’. Astana is though a city of the future and an incredible achievement – with great prospects going forward.

All these international resorts together have set the highest standard in the hospitality sector. However, the main challenges that this business is facing is recruiting professional staff in a place like Kazakhstan, that is still developing in the hotel and hospitality industry.

In spite of the fact that today hospitality business of Kazakhstan is on lifting, in fact, rupture between world tendencies of development of hotel sector and its condition in Kazakhstan demands the decision of a complex of problems of organizational character, which number concern backwardness of hospitality infrastructure, low level of service, discrepancy of quality of rendered services to a price level, low qualifying level of the personnel and others. Most of the travel and tourism organizations in Kazakhstan are in great need of training, retraining and consulting services in tourism, marketing, public relations, human resource management, advertising, psychology, restaurants and hospitality, and foreign languages.

Hospitality businesses can enhance their competitiveness by improving the quality of their service and enhancing the customer experience by offering unique products and services. This can bring benefits from different conceptual areas, including entrepreneurial orientation, capability, innovation development, customer orientation and customer experiences.

First of all, it is necessary to recognize that hotel business still new kind of sphere of services in the Kazakhstan market. Hospitality industries today need to focus not
only on satisfaction of the client, but also on the relation to the consumer of services as to the welcome guest. As a consequence, it will necessary to place, treat and entertain visitors in the best way, as well as to try to foresee their desires, to offer them what they needed and didn't suspect. Such approach, naturally, demands radical revision of a policy of hotel industry.

In particular, the importance of employee training and development in hospitality cannot be overstated. Workers in every facet of this industry affect the guest experience. Without proper training, employee-guest encounters can go off track, affecting the bottom line. Of course, training can be expensive, but the benefits can outweigh the costs involved. It is important to begin training new recruits, instructing them on the standard operating procedures and the specifics of their jobs. The introduction of the new corporate culture, based on frequently unusual system of value can also be important, as well as the constant search of any possibilities to surprise and please the visitors.

The opportunities in terms of business to expand are real for Kazakhstan. Hospitality companies should constantly improve their service in order to create an atmosphere of healthy competition, especially during and after the framework of Expo 2017. Investment will bring the highest standard in the Kazakh hospitality sector. It is a big challenge, but developing this project will help to overcome challenges and increase the country's visibility in terms of tourism. If Kazakhstan invests, then its role as a tourist destination will increase.
CONCLUSIONS

Kazakh authorities take all efforts to convert the country into a center of tourism in the Central Asia region by passing tourism legislation and development programs in order to realize the nation’s tourism potential and to promote a competitive tourism cluster. However, the pressing challenge for the country is to create a modern tourism infrastructure that meets international standards.

An analysis of the current status of the tourism industry in Kazakhstan and the results of the present study reveal that tourism in the country remains underdeveloped, in spite of an extremely rich tourism product, favorable conditions for competitive cluster development and significant future growth potential.

According to this research, this situation results from many different factors, such as: ineffective promotion of the tourist product into the world market; shortage of financing; absence of a collaborative and transparent partnership between the state and the tourism industry business; lack of a tourism infrastructure that meets international requirements, including poor road condition and lack of communication means; low-quality accommodation, especially outside the main cities, lack of skilled professionals and of relevant knowledge within country and around the world.

In the context of the results of the present study, a number of suggestions for further development of the competitive tourism industry can be made.

First of all, create a consistent and strong destination brand, with a distinctive position, in order to meet the needs of the global tourism demand and attract more tourists.

Secondly, invest in attracting tourists by developing a number of distinctive major and minor events that connect people to place and inspire people to visit the destination.

Thirdly, encourage collaboration between Silk Road countries, as well as between tourism cluster participants toward achievement of mutually beneficial goals in effective and efficient ways. Fourthly, modernize tourism and transport infrastructure, focusing on the improvement of the passenger road transport market and the introduction of
intelligent transport systems. Developing infrastructures for international tourism will definitely help to increase not only inbound tourism, but also domestic and outbound tourism sectors.

Finally, use incentives to foster international standard of management and service quality; train and retrain tourism staff, with a emphasis on the need of this specific industry.

Certainly, Kazakhstan can significantly improve its competitiveness by diversifying its economy and, in particular, by developing the competitive tourism clusters in different regions of its vast territory with rich tourism potential.

In this respect, it is expected that the implementation of the two Modernization Programs, as well as the great opportunity provided by Expo 2017 Astana, will contribute to the development of Kazakhstan’s tourist facilities in accordance with international standards found in the western countries. Authorities in the Kazakhstan intend to promote tourism through passing tourism legislation and committing to development programs. Public policies, today, are mostly aimed at improving the business environment, marketing strategy, public-private partnership, promoting tourism cluster initiatives an effective implementation of already approved programs and policies in the tourism industry.

It is also believed that adopting effective solutions, eliminating barriers such as visa obtaining procedures, and providing initiatives for innovation and knowledge development can also contribute to growth inbound and domestic tourism, which are prioritized in Kazakhstan. In addition, greater interactions between government and tourism cluster actors will result in competitive advantages for the tourism industry.

Although the country’s rank is rather low today there is a persistent positive trend in the dynamics of changes in its international competitiveness. While Kazakhstan has all the foundations needed for the attraction of both foreign and local investors in the tourism industry, the success will rely on the ability of stakeholders to maximize these opportunities.
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