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TOURISM SERVICES' REGULATION IN THE PROCESS OF UZBEKISTAN'S ACCESSING THE WTO: LEGAL AND PRACTICAL ANALYSES

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Abstract. Today, the World Trade Organization is the main foundation of all economic activity in globalized states. The membership of the Republic of Uzbekistan in this organization will create the responsibility for a comprehensive analysis of the issues of its membership in the future, which will play an important role in the further integration of the country into the world community. The General Agreement on Trade in Services, as an integral treaty of this system, is considered to be one of the important agreements. The research paper emphasizes the legal and practical aspects of the regulation of tourism services in the framework of the GATS during this accession process. Moreover, recommendations based on international-legal norms on the WTO, scientific sources, and the results of in-depth interviews with foreign and national professionals, as well as academicians, which should be implemented in the conditions of Uzbekistan's joining the organization have been proposed.

Keywords: development, General Agreement on Trade in Services, legal regulation, tourism, tourism services, Uzbekistan, the World Trade Organization.

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Introduction

One of the most significant trade agreements, particularly for developing nations, is the General Agreement on Trade in Services (GATS), which aims to liberalize trade in the services sector. GATS made achieving a progressively higher level of liberalization through the removal or reduction of trade barriers, promoting the interests of all participating countries in a mutually beneficial manner, and securing an overall balance of rights and obligations—all while paying appropriate respect to national policy objectives—the main goal of the negotiations on services. The Republic of Uzbekistan wholeheartedly supports these goals and thinks that more global liberalization and the removal of obstacles in the services sector will boost global economic growth, significantly increase trade in services, attract foreign investment, and improve and enhance productivity in the manufacturing sector.

With this regard, the research aims to identify and analyze topical issues for the Republic of Uzbekistan concerning the regulation of tourism services within the WTO, as well as law enforcement practices that Uzbekistan should consider during the process of accessing this international organization.

Materials and methods

To search for answers to research questions from a legal perspective, we used qualitative data from primary and secondary sources. As for the methods of data collection, comparative and legal analyses of international legal norms have been used in the sphere of GATS and tourism. The research papers and written books (secondary sources) that have been conducted on some aspects of this particular research have been analyzed and systematized. Considering the novelty of the topic for Uzbekistan, the analyses of conducted research and practices of other developing countries positively helped and eased the research. In order

to assess the practicability of the research, different analysis methods, such as content analyses and comparative-legal and normative-legal analyses of international agreements, are used. The content of the international legal norms is analyzed and forms an integral part of the research.

The important method for the research was semi-structured, in-depth interviews with experts, researchers, and practitioners (both international and Uzbek) to develop qualitative data for the research. The general questions on the WTO and GATS and specific questions considering the specialty of interviewers were also prepared. The implementation of the particular methodology served to make the research more effective and enrich its scientific and practical values.

Research results

The results of the in-depth interview conducted with Prof. Jaroslaw Pietras [1] examined some practical advice for Uzbekistan during the accession process:

1. While creating the restrictions to the schedules for the list of commitments, it is important to analyze the foreign companies' accession process to Uzbekistan's internal market and vice versa functioning of entities of Uzbekistan;

2. The Uzbekistan government should pay more attention to the implementation of modes of supply. In terms of domestic regulation to allow foreigners to move without requirements;

3. The country should follow the principle of nondiscrimination and implement it for and by foreign entities;

4. To organize the list of commitments (limitations) by taking into consideration national legislation and practice;

5. The process of modifying national legislation should function in parallel with organizing the restrictions;

6. The steps in the process should be arranged in a methodical manner as follows: examine national legislation, execute an open economic policy to facilitate the entry of foreign enterprises into

the market, and make decisions (additional regulations);

7. Most Favored Nation treatment should be used properly by the Republic of Uzbekistan.

The supply chain that connects financial services, air travel, transportation services, and business services associated with tourism is thought to include the tourism services sector. Since small and medium-sized firms make up the bulk of travel and tourism-related businesses in Uzbekistan, there will be significant variations between those multinational foreign organizations and domestic ones in terms of their operating systems and financial soundness. Because they are sufficiently competitive in terms of both quality and quantity of services, domestic businesses may not be able to remain in the market once the government fully opens up the tourism sector to international companies.

According to Anna Wrobel [2], as a developing country, Uzbekistan should precisely respond to the question of whether this sector is ready for more competition before accessing the WTO. For the presence of foreign investors? It can serve to increase its offer and improve its efficiency. However, it can also threaten local companies.

It is important to underline the answers from another interviewer, Umida Haknazar [3], regarding the semi-structured interview questions: ("What measures Uzbekistan should regulate in tourism services before signing the GATS? And what do you think will be the perspectives for the development of the tourism industry after the signing of the GATS?") are the following:

- Taking into consideration that the tourism sphere is one of the free and soft sectors on an international scale, it is advised to minimize the Uzbekistan government's interference in this sector;

- Liberalization of measures for licensing and certification of tourism activities in national legislation and practice, with a proper assessment of the threats that can be expected from the tourism sector;

- Unification of the national legislation related to the opening of foreign legal entities with the implementation of international legal norms;

- During the process of bilateral negotiations, without restriction from competition, pay more attention to the development of training for Uzbek specialists in foreign centers;

- To include in the "offer" suggestion on training the national tour operators, staff in this sector;

- Considering the high potential of the young labor force in Uzbekistan, it is appropriate for the country to make plans to use the opportunities of the GATS in the future;

- In general, the service sector and the tourism services sector are currently considered to be the most innovative and profitable sectors in the world. Based on this, it is recommended that Uzbekistan use the opportunities of GATS by establishing a real market economy and competitive conditions.

Hence, the main issue facing Uzbekistan's tourism sector is that it is not big enough or specialized enough to compete on a global scale. In Uzbekistan, the travel industry—including airlines and travel agencies—focuses more on outward than on inbound travel markets. As a result, the government attracts investors to take part in Uzbekistan's sustainable tourism growth, which is made possible by GATS membership. It is no longer sufficient for policymakers and the supply sector to think about their policies in isolation from global market policy if Uzbekistan signs the GATS agreement and opens the tourism market to foreign competition. They must admit that liberalization carries the inherent risk of influencing not just their policies but also their businesses and the growth of tourism in the country.

Analysis of research results

Challenges for Uzbekistan's accessing the WTO in the sphere of tourism services.

Developing country members undertake fewer and more limited market access commitments than developed country members. “Full reciprocity” is not required from developing-country members. These members are only expected to undertake market access commitments commensurate with their level of development [4]. A primary goal of the Uruguay Round was to include developing nations in the process of liberalizing trade in services. The disparity that currently exists between the growth of services in developing and wealthy economies has alarmed the developing world. They were concerned that before they had a chance to build their own domestic services, wealthy nations would spend heavily on them as a result of trade liberalization in services. Conversely, wealthy nations believed that certain emerging nations already had competitive and liberalized service sectors and that, at the very least, these sectors should be guaranteed complete liberalization [5].

In the Republic of Uzbekistan, tourism is still considered a relatively new industry. Nevertheless, the government is working hard to expand this sector, particularly since Sh. Mirziyoyev’s presidency in 2017. Reducing poverty is one of the objectives of sustainable development worldwide. In order to reduce poverty in the Republic of Uzbekistan, locals are hired to work in tourism, and guest houses are established and managed in rural areas and villages. Additionally, the activities of guides are made simpler, and the population is supported socially by these jobs. At the national level, the growth of rural tourism facilitates the participation of locals in the tourism sector; for instance, while developing tourist routes in rural areas, the guide’s preferences are given to the local population, and as for tourism business development for local minorities, operation and promotion by local authorities of the state tourism sector provide consultations on an equal basis with everyone who wants

to be involved in this sector.

The government has taken action for the disadvantaged people in the tourism industry. Special jobs are being created for people with disabilities, women have equal opportunities in the tourism industry, older people are integrated into the industry as mentors, there are special business development programs for young people, and there are special tourist programs (packages) created for ethnic minorities to spread their culture and lifestyle. Finally, the tourism development initiative starts with local communities and is considered by the state. Development does not negatively affect the opinions of local communities, but their opinions are being taken into consideration and studied without any significant result or outcome so far. As for the private sector, there are no negative social impacts, and local communities are positive about the development of tourism, so there are no special concerns [6].

According to the statistics agency, in January-December 2022, 5.2 million foreign citizens visited Uzbekistan for tourism purposes [7]. The tourism sector in Uzbekistan has not yet reached its full potential, despite its significance to the country’s economy. Governmental or non-governmental organization policies pertaining to tourism are insufficiently successful. Large corporations, including those with foreign capital participation, also compete fiercely with the tourism organizations. This has led to sharp price reductions and lower-quality services, which have a negative impact on local service providers in Uzbekistan and other developing countries.

It is widely accepted that Uzbekistan’s tourism sector and its potential are seen as one of the driving forces for the country’s economic development [8].

The original WTO members were more reluctant to liberalize. Newly acceding WTO Members, either because of persuasion, because they were obliged to, or in part because of both, have liberalized

substantially more (although not necessarily in terms of trade impact) [9].

The tourism sphere in Uzbekistan cannot develop without affecting formality and integration at the international level. One such direction is the bilateral agreements signed by the Republic with other countries. Moreover, it became the normatively legal basis for not only the departure of citizens outside the Republic but also the activity of tourism establishments, the strengthening of their partner connections, and the advancement of national tour products to the markets of foreign states, regions, and continents. Moreover, in a globalized world, multilateral cooperation remains important in all spheres of international relations.

In the process of signing the GATS, states do not undertake to liberalize the domestic market immediately for services in all sectors until the level of national regime assignment. It is also necessary during negotiation rounds to achieve a specific duration of a transition period for some service sectors with the priority of national economic policy and level of development. It was especially relevant to the adoption of the Decree of the President of Uzbekistan, Sh. Mirziyoyev, dated February 28, 2018 “On organizational measures to further regulation of the foreign economic activity of the Republic of Uzbekistan,” by which a working group was created to improve the system of customs and tariffs regulation and optimize customs payments during foreign trade activities. Also, to achieve effective systemic work and regular monitoring of the process of Uzbekistan’s accession to the WTO, the government approved “Roadmap”, which includes 34 activities aimed at preparing documentation for resuming the process of entering and adapting national legislation. Another step in this direction is the foundation of the Interdepartmental Commission for activities with the WTO, headed by the Ministry of Investments and Foreign Trade. The heads of various

ministries and departments of the country are included in this commission. At the same time, measures are being worked out to intensify the activities of the representative of Uzbekistan in the WTO in Geneva, whose work will be coordinated directly by the Ministry of Investments and Foreign Trade of Uzbekistan [10].

The experience of various countries shows that the success of tourism development directly depends on how this branch is perceived by the government authority and how much it uses state support. With their help, state incentive programs are being developed in a number of countries. Namely, the outbound tourism that provides benefits in taxation, the exercise of the border customs regime, the creation of favorable conditions for investment, the increase in budget allocations for infrastructure development, advertising in foreign markets, and staff training are included. It is well known that nations like Kyrgyzstan, Georgia, Ukraine, Moldova, and Armenia suffered more after joining the WTO, severely harming many of its sensitive businesses and possibly regressing economically. They were unable to take advantage of every advantage that came with being a part of this global organization.

According to A. Lanozska, the governments of the acceding countries routinely lack expertise and sufficient resources to introduce relevant legislative restrictions in order to ensure that liberalization is done in a thoughtful way. Thus, by asking the acceding countries to rapidly liberalize, the WTO Members are adding to the erratic and inconsistent liberalization pattern. At the same time, the acceding governments could potentially lose supervisory control over a large part of their economies by opening their unregulated service sectors to foreign competition. This goes against the very principles on which the WTO is based. The WTO accession process should support, not inhibit, careful institution building in the vital economic sectors of

each acceding country [11]. Meethan suggests that small-scale operations that involve “grassroots” participation will suffer as a result of the challenge by multinational providers. Free from investment obligations, they are not bound to make guarantees over the protection of local communities or the environment [12].

The Republic of Uzbekistan’s attempts to negotiate in the service sector, in particular in the sector of tourism, will not be simple. There are no foreign commercial agencies with cross-border supply and consumption abroad in the tourism sector yet. Consequently, there would appear to be several issues and misunderstandings with the promotion of their participation in the national tourism market. Surely, the Presidential Decree on “Additional organizational measurements for establishment conveniences for development of the tourism potential of the Republic of Uzbekistan” laid the foundation for progressing tourism business in Uzbekistan. Several preferences and privileges were accorded to them [13]. Nevertheless, the desires for foreign supply’s participation in the tourism sector are not included in this text. In order to further develop the legal basis in this direction and enable Uzbekistan to join the WTO-GATS, it is advisable to deepen the legal framework on the involvement of foreign supply and consumption abroad in the domain of tourism of the Republic of Uzbekistan.

It is important to note that WTO membership is “an absolute priority” for Uzbekistan [14]. Uzbekistan’s accession process formally resumed in July 2020 with the 4th Working Party meeting. Two more meetings took place in June 2022 and March 2023. As a result, Uzbekistan presented the latest legislative developments on the basis of an updated Legislative Action Plan as a follow-up to its earlier revision submitted in July. It highlighted steady progress towards the implementation of WTO-compliant

legislation in the areas of customs fees, TBT, SPS, trade facilitation, transit, intellectual property, import licensing, and other areas. In the lead-up to the meeting, Tashkent also circulated a consultation document with information on the process of adoption of legislation and the hierarchy of legal instruments, itemizing 23 pieces of legislation, including 14 drafts, in addition to 16 pieces of legislation submitted in July [15]. Moreover, in the last meeting of the Working Party, it was underlined that, on the bilateral front, Uzbekistan was requested to share its revised market access offers on goods and services with interested members. On legislation, Tashkent was invited to revise its Legislative Action Plan and provide copies of enacted and draft trade-related legislation [16]. Therefore, the process of negotiating and implementing the WTO legislation is ongoing in the Republic of Uzbekistan.

“It should be emphasized the positive impact of joining the WTO for the Republic of Uzbekistan’s international image and ranking,” mentioned during the in-depth interview with Sokhib Muminov, Head of the Service Sector Regulation Department for accession to the World Trade Organization under the Ministry of Economy and Finance of the Republic of Uzbekistan. As an expert and participant in these proceedings, during his interview, S. Muminov underlined that “Uzbekistan is open for negotiations with interested countries in all spheres, including the GATS agreements of the WTO. At the same time, the government of Uzbekistan considers the successful practices of selected states and tries to make commitments considering the national interests and legislation of the country. As for the sphere of tourism, Eastern countries are interested in pilgrimage (“Ziyarah”) tourism development in Uzbekistan, and during negotiations they emphasized (Indonesia, Turkey) this aspect. In general, tourism services are one of the softest

spheres in the GATS and in the WTO, which countries try to easily take into consideration. The national legislation allows for the opening of branches of international tour companies, tour operators, and functions in the territory of Uzbekistan. However, some restrictions regarding the protection of national interests should be followed during these proceedings.”

Conclusion

When contrasted with some of the rather limited development methods used in many regions of the world, the liberalization of international tourism may have a significant impact on development. It can expose nations and cultures to currents of democracy and free thought, global peace and understanding, human rights respect, and good governance. It may result in the replacement of outdated, environmentally harmful technology with more contemporary apparatus. It can produce the wealth required to solve issues related to sustainable development. The realization of these chances depends on our ability to overcome the related obstacles. As Hoekman points out, “we think the best way to see GATS is as a platform for future liberalization rather than as a tool that didn’t result in any liberalization, assuming that clarifications have been made” [17]. The development of the GATS should be based on broader concerns such as equity, participation, and development rather than open markets and increased global access. If this is the case, mechanisms will have to be created to cope with the changes in governance which the GATS will encourage, to be able to channel resources to local communities, and to cope with the environmental pressures that emerge [18].

The government must have a clear plan for domestic reform if they are to engage in the GATS negotiations effectively and reap the greatest benefits. They also need to be aware of the main obstacles preventing them from exporting. The government of Uzbekistan should ideally seek better

access to export markets while pursuing domestic changes through multilateral trade agreements, which are desired in any case. Given the foregoing, it is evident that, while taking into consideration the features of Uzbekistan’s tourism industry and its stage of growth, it is imperative to comprehend, investigate, and evaluate the effects of the GATS and WTO processes on Uzbekistan’s tourism development.

- The analyses showed that GATS would benefit the tourism sector of Uzbekistan in several ways:

- The production of tourism services;
- The free movement of people linked to these services;

- The global and sustainable development of tourism;

- As the fundamental framework for economic growth, GATS will assist in the establishment and adoption of an “open and fair competition system”;

- More employment opportunities will be created;

- More demand for tourism activities, through exhibitions, incentive and business travel, meetings, and conventions;

- GATS will support Uzbekistan’s tourism sector in adapting to emerging global tourism trends and in assisting its member nations in responding quickly and effectively to such trends;

- Uzbekistan’s tourism-related enterprises looking to grow internationally can benefit from GATS. If Uzbek businesses took a more active part in the globalization process, they would have a greater position in the global market.

The expansion and advancement of human resources will be aided by GATS. Globalization will cause the industrial structure to change more quickly, which will increase the demand for fresh, highly qualified workers. It is also vital to pay attention to another important aspect of the issue. The regulation of tourism services under the GATS is closely related to other important service sectors. When conducting negotiations on the tourism

services of the Republic of Uzbekistan, it is necessary to take into account not only narrow areas but also the reforms in related areas. In particular, these include transportation issues (in the case of airlines), political issues (visa issuance), and legal regulation of the activities of legal entities, financial services, internet services, and telecommunication services. The government should consider the tourism services sector as a supply chain sector in connection with other services.

It comes as no surprise that the key to the success of tourism in Uzbekistan is the government's clear awareness of the importance of tourism in the country's economic development. Tourism is an essential tool for increasing economic

growth, improving quality of life and employment, and developing the overall balance of payments by offsetting deficits in other sectors. These include significant economic growth, income growth, the removal of political hurdles, the relaxation of travel restrictions, the liberalization of air transport, and targeted marketing activities. These factors are expected to accelerate the growth of tourism over the next decade. In terms of trade limitations, tourism legislation, and foreign investment, Uzbekistan's tourism industry must overcome a number of challenges in both the public and private sectors. Consequently, further development of Uzbekistan's tourism sector is connected, in a sense, with the GATS' enforcement.

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