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by

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What About the Locals?: The Impact of State Tourism Policy and Transnational Participation on Two Central Asian Mountain Communities

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and Transnational Participation on Two Central Asian
Mountain Communities**

by

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Dedication

I dedicate this dissertation to my family and friends for their years of unquestionable support and faith.

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First and foremost, I must thank the people of the Kazakh Altai and Issyk-Kul who assisted me with this project. These individuals – the guides, the porters, the guesthouse operators, and the spirited owners of local tourism firms were more than generous with their time and information. From them I learned of their deep respect and love for the places they call home. From them I gained a greater understanding of my own community, high in the mountains of Wyoming. Although we live several thousand miles from each other, we are in many ways experiencing the same problems that come from living in mountain settings. As Yevgeny Yevetchenko told me during one of our many discussions, “people who live in mountains all over the world tend to have the same problems.”

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The prospect of rural development is emerging as an important topic among development specialists. In their quest to focus more attention in this arena, the State, transnational investors, and international organizations are entering into complex partnerships to assist rural communities in attaining higher levels of development. Primary goals include bettering general infrastructure and creating employment and entrepreneurial opportunities for local communities. Many times, however, the geographic and economic context of regions where development projects are aimed, and

the participation of local stakeholders, is not properly taken into consideration. As a result, development goals prove difficult to attain.

Using qualitative data over a nine month period of field research, I examine the impact of state tourism development policy and transnational participation on two rural regions in Central Asia. The respective governments have differing approaches to the development of the tourism sector based primarily on their geographic and economic contexts. While one employs a broad policy seeking sectoral development part-and-parcel of the strong general economy and without soliciting outside participation, the other, because of limited self-capacity, employs a progressive policy that includes transnational investors and development agencies as key partners.

The findings suggest that a developing country in a strong economic and geographic position is better able to foster an additive industry like tourism and do so in a way that is equitable for local stakeholders. Local stakeholders take advantage of benefits the greater economy provides, despite the broad state policy and lack of outside participation. A country in a weaker economic and geographic position, regardless of comparative advantages in the industry and progressive policies that include outside participation, develops the industry in a way that is less equitable for local stakeholders because of the weak general economy, because outside participation creates foreign competition, and because the targeted clientele drawn is not likely to directly seek out the services locals offer. I contribute to the understanding of local development by demonstrating the impact of geographic and economic contexts and colonial legacy on development processes, the importance of local stakeholders in policy development and implementation, and the equity of bottom-up development planning.

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Chapter One

Introduction

Increasingly, state, transnational investors, and international organizations are focusing development programs away from traditional urban targets and more towards rural regions with high potential in specific industries. These public-private partnerships have several motives for pursuing development goals in rural settings. Such locales are typically endowed with exploitable resources that can spur on regional development. Rural regions are also typically compatible to sustainable forms of low-impact development, such as agriculture and the harvesting of perennial goods. In addition, there is a belief that rural development programs can be more effective than those programs aimed at urban centers because of the intimate link to aspects of community. Individual attachments to their communities are strong. As such, these individuals have more incentive to see development programs obtain their goals. The use of local stakeholders as developers and implementers of programs can lead to overall program success and strengthen the relationship between communities, the state, and foreign actors.

Development in mountain regions in particular has gained popularity as a topic of debate among researchers and policy makers (Singh, 1998; Dhar, 1999; Mohmand, 1999). The concern for the welfare and development of mountain communities is heavily driven by global factors. Contemporary trends in globalization, in particular transnational investment, international finance, the deconstruction of political borders, and programs initiated by international, national, and local organizations, have been at

the forefront. These agents use several tools at their disposal in attempting to enhance social and economic development in mountain communities. This includes fostering industries that take advantage of the few scarce and fragile natural resources available in mountain regions, and doing so in a non-exploitative manner. One of these industries is tourism. Tourism is an industry that is held up, partially in the literature and more concretely among policymakers, as an “ideal industry” for economies attempting to obtain greater levels of development. It is viewed as an ecologically sustainable vehicle that can generate infrastructure development, employment, foreign exchange, tax revenue for host countries, business ownership among local participants, and greater contact between and understanding among different cultures. This ideal image has become even more solidified in the past two decades as low-impact ecological and cultural tourism has dramatically increased in popularity among affluent western societies. A number of specialty travel firms, including Sobek, Frontiers International, and Orvis Travel, have sprouted up to take advantage of this demand.

But this ideal image must be balanced with the motives of its participants. The state and destination communities desire greater development of general and industry specific infrastructure, but this often clashes with the ecological concerns touted as being of primary concern by industry proponents. Locals may desire more jobs and revenue, but less willing to refrain from traditional practices considered undesirable to the industry, such as hunting specific species or herding livestock through venues considered high value tourism sites. Investments by profit-driven, foreign-owned firms may help generate visitation, revenue, and much needed infrastructure development, but their involvement can marginalize local firms and hinder future local business development.

And mission driven development agencies may consider their own participation as lending much to the establishment of a sustainable industry, but they do not always involve local stakeholders in project development and implementation, which further marginalizes local communities. With so many actors motivated by so many divergent goals, the question arises as to how tourism development can be successfully implemented without causing conflict between, or marginalization of, the various actors.

It is in this context that I examine how non-local actors, specifically the state, foreign investment, and international development agencies, shape tourism development in rural destinations, and how this impacts local communities in terms of the labor market, entrepreneurialism, the surrounding ecosystem, and local economic and social development. Specifically, I explore how state policy towards the industry is shaped by its own capacity for development, how transnational actors are incorporated into development policy, and how tourism development policy influences the social and economic changes occurring in destination communities.

To analyze this central theme, I conduct my investigation in two mountainous regions in Central Asia: (1) the Altai region of East Kazakhstan; and (2) Lake Issyk-Kul in the Kyrgyz Republic¹. In these two oblasts, a broad range of tourism service providers

¹ The actual research sites that were the primary focus of this dissertation were communities in each oblast where locals are engaged in seasonal employment in the tourism industry. These included “jumping off” or “gateway” communities, where tourists often meet their service providers and prepare for excursions to small rural communities within the oblast. The gateway communities had populations that ranged in size from 70 thousand to 275 thousand. The small rural communities ranged in sized from three to several hundred families. But as a whole, the research sites are representative of experiences of the oblasts as a whole.

Each oblast has at least one dominating physical feature that draws tourists. In East Kazakhstan Oblast, it is the Kazakh Altai Range. In Issyk-Kul Oblast, it is Lake Issyk-Kul and, to a lesser degree, the Central Tian Shan Range. Throughout this dissertation, I will use the terms Kazakh Altai and East

are catering to a wide range of tourists with origins as close as Kazakhstan and Russia and as distant as Western Europe and North America. In addition, tourism development programs – involving international, state, and local agents – have been established in both oblasts. The industry is diverse, ranging from large, internationally owned lake front hotels to mountain trekking outfitters catering to budget travelers. Statistics have shown continued growth in both tourism visitorship and revenue in Kazakhstan and Kyrgyzstan (see Table 1). Tourism in the two cases I investigate here mirrors this growth,

Kazakhstan and the Kyrgyz Republic share much in common: similar histories, similar social institutions, strong command-oriented governments, and a legacy of Russian imperial and Soviet domination. But very significant differences exist between them as well. Primary among these differences is the geographic and economic context of each country. Kazakhstan is a resource rich country with abundant supplies of oil, natural gas, and agricultural land. It is well connected to essential markets by rail, road, and to a lesser degree, air. In contrast, the Kyrgyz Republic is an isolated, mountainous country with very little by way of natural resources. Because of their divergent economies and geographies, they will have very different abilities when it comes to negotiating terms of international investment. As a result, new industries that become established in rural regions of these countries can affect the social and economic lifestyles of the local communities in divergent ways.

To examine the impact of international involvement and state policy on tourism development in mountain communities of Central Asia, I explore three specific research

Kazakhstan interchangeably and the terms Lake Issyk-Kul and Issyk-Kul interchangeably. In addition, the term Oskemen is used interchangeably with the term Ust-Kamenogorsk to denote the name of the gateway city to the Kazakh Altai.

questions in a comparative framework: (1) *how does state development policy in these similar yet divergent settings incorporate transnational actors to develop the industry in rural destinations?* In this question I investigate how different state policies incorporate transnational investors and development agencies and how the level of their involvement stimulates local and non-local involvement in the tourism sphere (Clancy, 2001; Evans, 1979; 1996; Evans, Rueschemeyer, and Evans, 1985; Poirier and Wright, 1993); (2) *In what way does the growth of different forms of the tourism industry influence the local labor market?* To answer this question, I examine how different forms of the tourism industry, primarily mass/upscale tourism and budget/low-impact tourism, and the ventures and enterprises they stimulate, influence employment and economic development, and migration flows in the local community (Freitag, 1994; Wahnschafft, 1982; Cohen, 1973); and (3) *How does the expansion of the tourism industry impact local communities in terms of the social and economic changes that are occurring within those communities?* Here I am concerned with the costs and benefits local communities experience through their employment in the sector, entrepreneurial growth, urban growth, community development, and impacts on the environment, and how the level of these costs and benefits vary across the community (Cochrane, 2000).

To answer these questions, I use sets of interviews and focus groups with individuals involved in the tourism industry in the mountain communities of East Kazakhstan and Lake Issyk-Kul. These research tools are used in conjunction with observations of the communities during both the tourism season and the off-season. The data collected in these communities is supplemented by interviews with policy officials in the administrative centers of each country.

The findings from this research emphasize the importance of geographic and economic contexts and the Soviet colonial legacy on 1) state capacity to develop emerging industries, and 2) the strategy a state chooses to take in order to develop emerging industries. I show that even those countries with a comparative advantage in a specific industry can struggle in its development efforts if its geographic and economic situation places it at a disadvantage.

Kazakhstan is a developing economy in a strong economic and geographic position because of its connection to global markets and possession of lucrative natural resources, specifically oil and natural gas. It has a certain degree of bargaining leverage when it comes to dealing with international actors, primarily investors and financiers. Two possibilities result from this kind of leverage. First, investment in a given sector is better able to integrate local concerns into development plans than in states with less of a bargaining advantage. Alternatively, and in the case of tourism in the Kazakh Altai, if the prerequisites placed on investors render investment in specific venues undesirable, or if worthwhile incentives are not provided to these investors, the result can be local domination of the sector in those venues.

As a result, even though Kazakhstan does not have a clear comparative advantage in tourism and the state does not consider it a high priority sector, it still has a number of tools at its disposal to develop the industry, and to do so in a way that is beneficial for local participants. In the Kazakh Altai, because of intense performance requirements and lack of incentives for foreign investors, participation by transnational firms is non-existent. The industry remains completely dominated by locally owned firms. The lack of foreign investment keeps western clientele numbers to a minimum. However, the

local industry compensates for this by relying on the country's strong economic position, its strong geographic position, and the legacy of Soviet tourism. Each of these elements works synergistically with each other to produce benefits for the tourism industry in the Kazakh Altai. The strong economy has produced a domestic market that, because of the Soviet legacy, continues to visit the traditionally popular venues located in the region. Kazakhstan's geography and interconnectedness places the Kazakh Altai within easy reach of the Russian market which, because of the legacy of Soviet tourism, continues to visit the traditionally popular venues in the Altai. In this way, tourism in East Kazakhstan does not rely heavily on western markets, and develops without it.

Local participants and the venues they occupy in the Kazakh Altai benefit in several other ways. Kazakhstan's strong, developing economy has produced a stable credit and banking system used to finance growth in their businesses. The strong economy has also created successful business partnerships, which emerges as yet another option for financing business growth. Because tourism continues to grow in the region without heavy reliance on the western markets, and because the industry remains a low priority by the state, there is less emphasis on deconstructing barriers, both national and regional in scope, that limit western visitation. These barriers include those that limit visitation into ecologically unique areas. With these barriers remaining in place, these areas remain intact. And because western involvement is limited, there is less of a focus on the Kazakh Altai by western development agencies. Development programs in the Altai are for the most part initiated by locals or involve locals in the project development and implementation. As such, these programs better take into account the concerns and desires of local stakeholders.

Kyrgyzstan is an isolated country with little by way of natural resources. The government, and well as international actors, is placing most of their development emphasis on the one industry which it has a comparative advantage: tourism. Because of the country's weak economic and geographic context, the state has less bargaining leverage when dealing with international investors and financiers. This position extends to all economic sectors, including tourism. The state must provide incentives to entice the participation of transnational investors. This includes tax holidays and the relaxation of specific business, labor, and environmental requirements. For investments in the tourism sphere specifically, incentives are extended to the relaxation of customs and visa laws and laws that restrict the movement of visitors in ecologically and culturally sensitive areas, as well as areas restricted for security reasons.

The result for communities and stakeholders in Issyk-Kul is heavy involvement by foreign firms who compete with them openly for the same clientele. Foreign owned firms have a significant advantage because they receive take incentives, have access to financing overseas, have greater access to foreign networks, and have greater cultural insight into the needs and desire of western clientele. Local firms serve a certain share of the western market, but it often independent, budget-minded clientele with limited funds to spend on services. The struggling economy renders the emergence of a domestic market non-existent. Kyrgyzstan's geographic context isolates Issyk-Kul from western and traditional Soviet markets, save that of Kazakhstani clientele just across the border. Locals employed by large, foreign-owned firms are for the most part relegated to menial service positions, which make the transfer of technical, managerial, and administrative skills unlikely. Communities as a whole experience little by way of increased

infrastructure development. This is partially because it is not required as a performance requirement for investment and partly because of the specific nature of the western market, which desires upscale, but low-impact, non-resort oriented services.

The weak economic position of Kyrgyzstan creates other difficulties for local stakeholders and communities. The poorly performing economy creates an unstable banking and credit system that is unreliable as a source for financing business growth. The most successful local firms are left to rely on savings. Thus they are unable to make large capital investments, instead funding expansion in spurts. Furthermore, in a inflationary economy like Kyrgyzstan, the savings these businesses rely on lose value over time. Local communities also face the degradation and over-usage of sensitive local ecosystems, the result of the state's deconstruction of travel restriction to stimulate visitation. And because of the intense interest in tourism development by international organizations, the larger sectoral development programs and projects are created and implemented in a top-down fashion, with limited input by locals. While the concerns of some local stakeholders are considered, those of others are neglected or ignored.

My findings illustrate the significance of the traditional Soviet domination of tourism in these two cases in combination with geographic and economic contexts. Soviet legacy influences everything from state institutional structure and policy to how local businesses approach their operation to the type of clientele drawn to particular venues and activities. This legacy has created certain advantages, such as a dedicated and established clientele. Yet it has also created serious development challenges, such as a lack of institutional memory among local tourism entrepreneurs and tourism infrastructure that does not meet the demands of emerging markets. As the industry

moves from one of colonial dominance to one of state and private dominance, balancing the costs and benefits of the Soviet legacy creates serious policy and industry dilemmas.

The findings from this study also illustrate how the costs and benefits of tourism development vary greatly among the local actors involved in the industry. Those who benefit the most is dependent on (1) the traditional form of social organization and authority that existed in the community before independence, and (2) those who can successfully negotiate the newly emerged political and economic system within the country that is stimulating growth in the tourism sector. Almost invariably, these actors are business owners who held positions of status within the Soviet system. They include state geologists, athletes, and athletic trainers. These individuals have used their previous social positions to gain a foothold in a growing industry. Those who are unable to negotiate this new system, or who existed at the low end of the traditional organizational structure of the Soviet system remain marginalized. For these individuals, tourism provides a source of seasonal, supplemental income. There is little variation in benefits between those who are employed by locally-owned firms and those who are employed by foreign-owned firms.

A Tri-Level, Comparative Approach for Examining Development in Local Communities

Research on tourism and local development has focused primarily on the experiences of community members with international firms and, more recently, international development agencies (Belsky, 2000; Chant, 1997; Levy and Lerch, 1991). My study builds upon previous work by Evans, Rueschmeyer and Skocpol (1985) and Evans (1979; 1996) that focuses on the role of the state in promoting development through foreign direct investment and local involvement. I incorporate a tri level

theoretical model to analyze tourism development. This approach can be used when researching the influence of other forms of economic development on local communities. At the upper level, I analyze the role that state development policy plays in importing international tourism investment and tourism development assistance programs. This includes examining the incentives states provide to foreign investors to secure investments, the requirements states place upon investors to insure benefits for communities, the perceived vs. actual goals of tourism development programs, the actors involved in program development and implementation, and how development agencies attempt to attain program goals.

Tourism development programs and related state policy regarding development have a significant impact on the middle-level of the theoretical model: the type of firms that become established in communities at the destination. This can include, but is not limited to, mass oriented, upscale firms; low-impact, upscale firms; and low-impact, budget firms. Transnational involvement is primarily linked with investment in mass oriented, upscale tourism, but more and more is becoming involved in low-impact, upscale tourism. Local involvement is almost exclusively limited to low-impact budget tourism. Several possibilities and combinations exist, but four outcomes are of particular interest for this research. (1) Transnational ventures can exist as enclaved, mass oriented ventures with little required inputs by the local community outside of labor; (2) state requirements for investment is so overly burdensome for foreign firms, or incentives so minimal, that investment is unprofitable. In this situation, services for tourists are handled by local ventures and non-local involvement comes in the form of intermediaries; (3) tourism development programs include goals of creating locally

controlled tourism service operations; and (4) tourism development programs include goals of establishing locally controlled service operations in addition to significant involvement by outside tourism firms. These outcomes exist in various forms in the cases involved in this study.

For each of my central questions, I have developed a theoretical path model that incorporates the three levels. They can be used to assist in conceptualizing the deductive impact of the state/policy level on the sectoral level and the community level. Each of these path models can be found in the appendix (Figures 1 through 3).

I employ a comparative method for studying the interface between similar actors in different environments that result in divergent outcomes. Comparative case studies are useful empirical tools for research, but only if the cases meet certain criteria based on phenomenological similarities and differences (Feagin, et al., 1991; Charrad, 2001). In this examination, I selected two cases with numerous similarities (Soviet domination, Eurasia, mountain regions, growing tourism industry) that exhibit divergent outcomes (impact on local communities) from a specific phenomenon (the level of outside participation as shaped by the geographic and economic contexts and development capacity of the two countries/states). In effect, the similarities are controlled, and the divergent outcomes for the communities are assigned to the geographic and economic contexts of the cases, which influence each state's development capacity. This investigation illustrates the importance of these factors despite comparative advantages in the industry being scrutinized. A systematic comparative study allows the researcher to emphasize important factors that are not necessarily discernible when cases are viewed singularly.

A Rationalization of Qualitative Methods for this Study

As a sociologist concerned with the impact of globalization processes on rural communities, I bring in elements from the fields of global development and rural sociology to analyze the relationship between state policy, international investment, and development programs, and the changes occurring in traditionally isolated mountain communities in developing countries. I find the tourism industry to be an imperfect development tool for the two cases involved in this study. The ultimate state goals of infrastructure advancement, job creation, and increased entrepreneurialism are only partially being realized. Benefits and costs are distributed unevenly across the social spectrum of the communities. Primarily, it is the deficiencies of tourism development policies and the action of non-local actors that put local stakeholders at a disadvantage .

The methods I chose for this study, primarily interviews and focus groups, allowed me to explore more deeply the experiences of community members involved in varying facets of the tourism trade. Key informants include tourism development program directors, managers of large multinational hotels, owners of small trekking firms and guesthouses, guides, porters, drivers, and interpreters. Over nine months of research, a series of rich narratives developed that highlighted the changes local actors and their communities are experiencing.

This research contributes to the sociological understanding of development and social change in that it looks specifically at individuals involved in a growing industry in developing economies, an industry whose advantages remain questionable. But it is also important because tourism is seen as an industry that not only brings developing regions into the global economy, it also brings individuals into an emerging global society

through contact with different cultures (Ashley et. al, 2001). The question remains, however, whether or not communities and individuals are actually benefiting economically and socially from this inclusion in a global society (Piore, 2002). My research sheds much needed light on this issue.

My research highlights the impact of top-down vs. bottom-up development processes on local community development. Most important in this regard, I show that even those projects labeled as "community-based" development programs are in many ways dominated by actors outside the community, and do not always take the interests of local stakeholders into account. I contend that a balanced approach which involves locals in both the planning and implementation phases can more adequately address the needs and concerns of locals, especially those in unique settings.

My research also contributes to sociology by exploring destination communities during the off-season. This is something that seems conspicuously absent from much of the previous literature on the impact of tourism on local communities. Observing locals residents during off-season periods provides important insight into how individuals live and exist when not reaping the economic benefits of peak season employment and, more interestingly, not preserving nomadic culture strictly for consumption by visitors.

The tri-level model which serves as the theoretical design of this research assists in explaining how the impact of tourism on the local community (the ground level) is influenced by state development policies and tourism development programs (at the top level), and the type of tourism (at the middle level) that becomes established in the local community. Furthermore, it assists in explain how geographic and economic contexts

often determine state policies and strategies for the development of key industries in which they have a comparative advantage.

The Structure of this Dissertation

The body of this dissertation is designed to introduce the reader to important studies concerning tourism and rural development in developing countries before introducing the communities involved in this study. Chapter Two brings in the literature from research on the use of tourism as a development tool in non-western countries. This includes the debate on the impact of international involvement in tourism and tourism development on rural communities, with an essential focus on research dealing with tourism in mountain regions. Chapter Three gives a history of tourism in Kazakhstan and Kyrgyzstan in general and the two cases in particular. Here I introduce the reader to the significance of Soviet era tourism on the contemporary industry in the two cases. This factor reemerges through the dissertation. Chapter Four outlines the methodology employed to collect and analyze the data, and addresses the methodological challenges I faced during the field research period.

Chapters Five through Nine discuss the significant finding from this research. In Chapter Five, I discuss the differing abilities and concerns of the two states to attract foreign direct investment in tourism, as well as their ability and willingness to work with development agencies that incorporate tourism as a development tool. Chapters Six and Seven examine the result of the convergence of State policy, direct foreign investment, and tourism development programs has on the cases involved in this study. Chapter Six concentrates on Issyk-Kul and how the South Shore and the North Shore are impacted differently and similarly by the development of two different niches of the tourism

industry. Chapter Seven focuses on the case of the Kazakh Altai, and the impact of State inaction in the promotion of tourism.

Chapters Eight and Nine delve into two specific aspects of the tourism industry in these two cases. Chapter Eight concentrates on how various tourism service providers in these communities (including moderately sized trekking firms, small guesthouses, and large, historically established resorts) cope with changes occurring in their businesses. This includes how these providers weather difficult times in the industry and how they deal with the matter of business growth and expansion in a hostile environment. Chapter Nine deals with the impact the different levels of the industry in these two cases is having on the surrounding environment. I give particular attention to the influence of the eco-tourism and trekking segments of the industry. These are typically viewed as eco-friendly endeavors. However, evidence from both cases suggests that this is not necessarily the case. Chapter Ten concludes the dissertation by summarizing the findings of the study and suggestions for future research.

Chapter Two

A Review of Tourism Research and Tourism Development Policy

Our examination of the impact of tourism development on communities in the Kazakh Altai and Lake Issyk-Kul will be enriched by gaining a greater understanding of how tourism is used as a development tool by states, transnational corporations, and international development agencies. The literature on this general theme stems mainly from its post-WWII use by state's and international investors in developing countries. Latin America, the Middle East, and South East Asia, were primary targets of development programs that incorporated tourism (Clancy, 2001; Chant, 1991, 1997; Levy and Lerch, 1991; Poirier and Wright, 1993). These programs were generally national or regional in scope and were centered in areas with certain comparative advantages, most notably those with marketable leisure-oriented commodities, such as beaches and cultural and historical sites. This research typically focused on the industry's impact on employment generation, national and regional revenue generation, and infrastructure development (Lea, 1988; McKee, 1988; Sinclair, 1997, 1998).

Several aspects of tourism's overall impact were neglected in past research, primarily because they were areas that have only recently emerged. For example, only a limited amount of studies focused on the impact of tourism on rural communities. Most notable in this regard is the work of Belsky (1999; 2000) on tourism in tropical communities, particularly in Belize. In addition, the literature is heavily skewed toward tourism development that has been spurred on by private sector investment. Very little previous research examines the role state policy plays in the tourism development

process, particularly on its ability or inability to garner greater social and economic benefits from investors in the tourism sector. The most relevant exception here is Clancy (2001), whose research outlined how Mexican tourism has been significantly affected by the state's export-centered strategy for growth development.

My research attempts to synthesize previous studies on general tourism development with research on themes relevant to the two cases involved here. This includes rural tourism and the emerging body of literature on tourism development initiated by international development agencies. In addition, I explore the research on state involvement in general and tourism specific development. Bringing these themes together enhances my argument of the role state policy plays in tourism development and the impact it has on the rural communities where tourism development projects are initiated.

This chapter is divided into three sections. I start with an overview of tourism as a development tool historically, concentrating on its stimulation in underdeveloped regions through direct foreign investment and state tourism promotion policies. I include in this section a) a discussion of the tourist streams and market niches relevant to this research, and b) a detailed overview of the arguments of proponents and critics of tourism development. In section two, I review the literature on the emerging involvement of international development agencies in tourism development in developing countries. I particularly concentrate on the rationale behind the policies and programs they are initiating and what these agencies feel are the primary benefits for the regions in which the programs are being established. I conclude with section three by briefly introducing the reader to present day tourism in Kazakhstan and Kyrgyzstan, with a focus on the two

cases involved in this study. This concluding section acts as a segway to Chapter Three, where I will examine tourism in Kyrgyzstan and Kazakhstan and the two specific cases historically and in greater detail.

The goal of this research review is to draw together several important aspects of a global industry in a way that illustrates the role they play in local development. This research suggests that state policy, international development agencies, and transnational corporations have a significant impact on the local communities where tourism is a growth industry. However, despite good intentions, the impacts are not necessarily beneficial to all community members, to the community as a whole, or to the surrounding ecosystem. Additionally, the degree of costs and benefits to communities vary depending on the degree of outside involvement of the different forms of transnational firms and development programs and the geographic and economic contexts of the venues where development processes are taking place.

An Overview of Tourism as a Development Tool

Tourism is one of the most promising, complex, controversial, and understudied of all development options for underdeveloped countries. Its implementation as a tool for economic advancement and diversification in developing regions began in earnest after WWII. Several factors contributed to this. Post-war Europe and North America were characterized by increased living standards and income among all social classes. This was accompanied by extended paid vacations and improvements in global means of transportation, which contributed to the growth of global mass tourism (Cohen, 1984). Added to these were other globalizing factors such as the increased desire to travel to more exotic destinations (Cohen, 1973; Dann, 1981; 1977; Foroohar, 2002). More

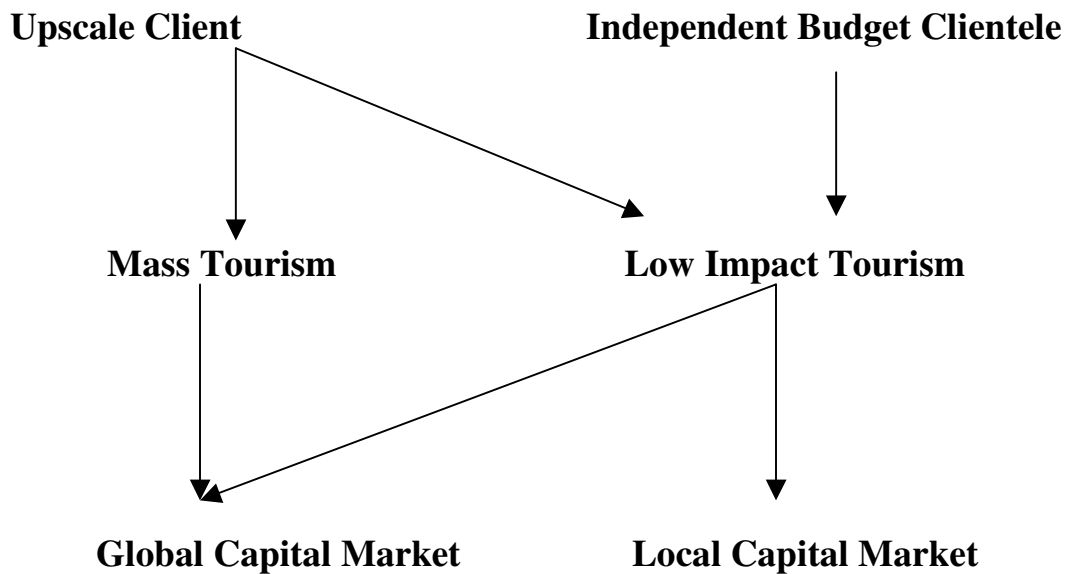
recently the newly advanced economies of Asia and the Middle East have added to the overall number of tourists visiting developing countries.

Important in our discussion of tourism as a development tool and its impact on destination communities is the nature of contemporary tourism streams and niches within the global tourism industry. Within tourism research and literature, two class and age-based “macro-niches” dominate: 1) upscale clientele drawn to exclusive and expensive amenities (Freitag, 1994; Collins, 1979), and independent, budget clientele drawn to more cost-effective tourism experiences (Scheyvens, 2002; Hampton, 1998). Upscale clientele have traditionally been oriented toward packaged vacations, typically involving full service resorts and catered visits to sites of interest. These are the classic middle-aged and elderly “sun, sea and sand” tourists visiting the Seychelles, the Caribbean, and Hawaii. Budget clientele have traditionally traveled independently for months at a time. These are the famous “hippie” youth backpackers who traveled from hostel to hostel through India and Thailand in the 1960s and 1970s (Cohen, 1973). This niche continues to have an impact on tourism and travel culture today, most recently through films such as *The Beach* (2000) and the novel *Are You Experienced* (1999)

Figure 2.1 displays a theoretical client-service model that assists in conceptualizing tourism streams and niches affect on markets. The independent budget clientele that I described above is drawn, for economic and travel preference reasons, to what is defined in the literature as low impact tourism (Lillywhite and Lillywhite, 1991; Smeding, 1993). This type of tourism is called “low impact” because capital intensive amenities – resorts, theme parks, casinos – are not part of the drawing card. Venues that are defined as low impact tourism sites are often villages, undeveloped beaches, multi-

day trails, and destinations that can be described as “secluded” and “isolated”. As such, sub-niches of tourism that are defined as sustainable (Briassoulis; 2002), community-based (Belsky, 2000), ecologically friendly (Brandon 1996), and culturally friendly (Richards, 1996) fall under the umbrella term “low impact”. This type of tourism has in most cases been under the control of the local market at given destinations, lending to the cost effectiveness of such travel to independent budget tourists who do not require luxurious amenities to begin with.

Figure 1 Clientele Service Model



Upscale clientele is typically associated with the exclusive and expensive amenity travel I described above. In the literature this is often called “mass tourism” (see Agarwal, 2002) because it involves a high carrying capacity at destinations. However, a fairly recent phenomenon, beginning in the 1980s, has been the penetration of upscale clientele into the low impact market. This new niche is composed of affluent tourists who desire an alternative to packaged, mass tourism programs (Cohen, 2002; Hawkins,

1994; Hughes, 1995; Kastenholtz, 2000; Schluter, 2002). The point of origin for these tourists is almost exclusively in developed countries of the West. Like independent, budget travelers, they are attracted to ecologically friendly cultural experiences in destinations that typically receive few visitors. However, they also require the upscale service that often goes along with packaged, mass tourism programs. Those with the capital and networks needed to provide such services in exotic destinations are almost solely transnational firms based in western countries. As such, these transnational firms compete directly with locally owned businesses. Thus, tourists and markets are converging in destinations where there used to be a more noticeable degree of separation.

When reviewing the available literature, it becomes clear that states considering tourism as a development tool have two basic options: (1) attracting foreign investment from transnational firms outside the country, or (2) using resources available to the state to develop the industry “in-house” (Cohen, 1984; Noronha, 1977; Butler; 1980). States also have the option of using both of these tools in conjunction with each other. Increasingly, a third tool– assistance from international and intergovernmental organizations – is emerging as an option (this I will deal with in greater detail later in this chapter).

Numerous development policies can arise from each option. Richter and Richter (1985) identified five policy choices when they reviewed the tourism development policies of South Asian governments: public v. private; domestic v. international; class v. mass; centralization v. decentralization; and integrated v. enclave tourism. From my review of the literature, I identify four policy approaches a government can adopt. One

or more of Richter and Richter's policy choices can be found within these four approaches:

1) A state can adopt a *command-orient approach*, where management and all services are provided by government affiliated entities;

2) A state can also take a *fostering approach*. Under this plan of action, the state assumes direct development control of the industry – constructing airports, infrastructure, hotels, transportation services, and tourism activity services. Once the sector has been successfully built up, the State begins to turn over parts of the industry to the private sector (see Goymen, 2000, for an example from Turkey);

3) Another policy can be termed as an “*uncontrolled*” approach (Smith, 1981). States using this approach actively seek out investment in the sector from both foreign and domestic investors. To do this, they typically provide a variety of incentives to prospective investors, ranging from tax incentives to the relaxation of certain laws;

4) Governments can also adopt a tourism development policy that combines approaches. For example, while taking a so-called “uncontrolled” approach, a government can do so in a “controlled” manner. Under this *combined approach*, the State is open to outside investment in tourism, but do not necessarily provide incentives for prospective investors. In fact, they can place performance prerequisites on investors, such as high tax rates or infrastructure development requirements for surrounding communities.

Transnational investment is a dominant theme in at least two of these approaches and is at least minimally involved in the combined approach. Cooperation between the State and private investment in regard to tourism development is viewed in the more optimistic literature as a win-win relationship for both parties (Chon, 2000; Edgell, 1993; Prime, 1981; Jones 1970). National governments are typically attracted to the economic and development potential of tourism, primarily the possibility for increased foreign exchange, tax revenue, advancement in general infrastructure, and increased employment. Transnational tourism firms are attracted to the promise of gaining a foothold in a potentially lucrative destination where their services would be in demand and the costs of operation are relatively low.

State promotion of tourism has been intense in many regions. But the path chosen by various governments is as diverse as the countries themselves and highly dependent on the resources available to each individual state. A strong economic position (i.e. strong bargaining position/leverage) may allow some to develop the sector in-house, while a weak position (i.e. weak bargaining position/leverage) may force others to seek outside investment from the outset.

Governments that take a *fostering approach* are typically heralded as “success stories”. These states are often in a strong economic position when compared to other developing countries. Two examples of states taking a fostering approach in tourism development policy are Tunisia and Mexico (Piorier and Wright, 1993; Clancy, 2001). In each case, the industry was and to a lesser extent still is oriented toward mass tourism. Tourism in these two cases was also initially directed toward the capital, large urban

areas, and specific high-profile or easily accessible destinations before becoming more geographically diversified across the countries as a whole.

In Mexico, the state was instrumental in expanding tourism in a more geographically equitable manner, which would meet regional development desires. The government aggressively planned the creation of five new tourist resorts and acted as the financier and entrepreneur. The state also initiated key institutional changes within the government, the most important of which was an agency (known as INFRATUR, located within the bureaucracy of the national bank) in charge of carrying out new tourism development plans. Working with credit provided by the World Bank, INFRATUR oversaw the construction of large-scale airports and the upgrading of highway systems, sewer and water works, and utilities.

The Mexican government also established a policy of attracting outside investment once the new tourism locales were properly developed. Private investors were given preferred credit for creating lodging or purchasing previously government created lodging. Transnational firms such as Inter-Continental and Hilton were early pioneers in the hotel sector in Mexico and were among the first to invest in the resorts targeted by the government. Today, TNCs make up a significant portion of resort hotel ownerships in Mexico.

The experience in Tunisia is similar to that of Mexico. The government was responsible for 40 percent of the accommodations built between 1960 and 1965 (Poirier and Wright, 1993). Thereafter, the industry was taken over by private investors. Much of the original development was focused toward the previous undeveloped coastal areas.

Mexico and Tunisia are typical of many developing states in that they promoted tourism because it is considered a reliable development option and exploits a hospitality product that each country possesses (in their cases, it is sun and sand). Focusing tourism toward underdeveloped regions is a way to extend certain types of infrastructure that resorts required and the local communities did not have. It is also provided employment opportunities, tax revenue, and foreign exchange for local communities.

However, market factors and desire to maximize profits among private investors means that resorts are often designed and structured in a way that does not necessarily maximize benefits for the local community and the surrounding ecosystem. Destination communities still suffer from high rates of unemployment and poverty. Because destination resorts are typically established as enclaves, there is only limited involvement of local entrepreneurs. While the resorts do stimulate employment opportunities, most are employed in the unskilled service sector – maintenance, housekeeping, and restaurant staff. Locals also complain of the degradation of formerly “pristine” beaches and the proliferation of hitherto unknown problems such as the growth of local narcotics trade.

The success of Mexico and Tunisia at stimulating growth in the tourism sector of their economies was largely dependent on the fact that they were in relatively strong economic positions. Economically weak states may have few if any economic resources to develop the tourism industry in their country, and may have to adopt an “*uncontrolled*” approach.

An *uncontrolled* approach is characteristic of the policy adopted by Nepal in the 1960s and 1970s. This high mountain Buddhist kingdom has been and remains one of the poorest countries on earth. Low-scale, labor intensive agriculture makes up 60

percent of its GDP and occupies 90 percent of the available labor force (Banskota, 1981). It is heavily dependent on foreign aid, which makes up 6 percent of GDP (Khadka, 1997). The growth of European driven tourism on the Indian subcontinent after World War II eventually began to trickle north and over the border into Nepal in the middle 1950s. Tourists were attracted to the trekking and climbing possibilities, as well as the possibility of experiencing Buddhist cultural. It was at this time that the Government began to consider tourism as a development option for the country (Burger, 1978).

The Nepalese government did not have the resources to promote the industry on its own. In fact, tourism in Nepal benefited less from direct Nepalese state investment than it did from Indian investment, when the Indian government completed a modern road from New Delhi to the border of Nepal. This allowed greater access to the Kingdom by both youthful budget travelers and affluent, upscale travelers (Smith, 1981). The Government of Nepal did stimulate tourism through a number of state actions. It eased visa restrictions in New Delhi, granting them to virtually everyone who applied. In addition, it did away with all travel restrictions outside of the capital of Katmandu (Burger, 1978).

The Nepalese recognized that, while this attracted the growing throngs of youthful “hippie” travelers who were not deterred – in fact, probably attracted – to the adverse natural travel conditions and the minimal cost of living, more was needed to attract more elite tourists, who were drawn to this exotic setting but turned off by the “extreme” elements of “roughing it”. To do so, Nepal allowed for the establishment of two foreign owned upscale hotels in the capital. Air India was established as a carrier to Nepal, joining Royal Nepalese Airlines, the relatively primitive national carrier. All of this

allowed upscale tourists with lots of money but little time to avoid the rough exterior roads and travel directly to the capital, from where they could venture into the mountains on short guided trips and still be able to return to the comforts of a western hotel in Katmandu. The result was a 700 percent increase of total visitor between 1962 and 1970, 79 percent of whom arrived by air (Berger, 1978; Smith, 1981).

Nepal also experienced the growth of foreign-owned trekking and climbing firms. These ventures could provide upscale outfitting services to elite clientele who wished to venture to the more exotic and underdeveloped part of the country (Smith, 1981). These destinations included the Anapurna Circuit, the Mount Everest Base Camp, and Pokkara.

Tourism in Nepal is largely driven by foreign owned ventures. Innovations on the part of the private industry has led to the continued growth of tourism. More recently, these innovations have included the installation of casinos in the major foreign-owned hotels. Tourism currently makes up 20 percent of total export earnings in Nepal and continues to employ more and more of the labor force (Banskota, 1998). However, several problems have arisen from this brand of “uncontrolled” tourism, most notably the degradation of ecological sensitive areas and a perceived loss of traditional culture through what can be called “Europeanization”, ala Borneman and Fowler (1997). The Nepalese government has responded by more strictly monitoring visa applications and visa violation, the latter of which is mostly characterized by overstaying the 30-day limit.

In sharp contrast to the Nepalese approach, the Mountain Kingdom of Bhutan, less than 300 kilometers to the east, takes a *controlled* approach to tourism. Bhutan is slightly better off than Nepal. While its per capita income is low, other indicators such as unemployment, landlessness, urban-overcrowding, and environmental strains remain

positive in comparison to other developing countries (Shah, 1989). It has few development options, but it experiences less pressure due to its relative position.

Tourism to Bhutan came late – in the 1970s – and was stimulated by several cultural events (revolving around the royal family) that exposed the country to the rest of the world. It was considered an exotic and isolated country with untapped travel potential, spurred on further by an attractive Buddhist culture. For the most part, the global travel community today views Bhutan in the same light.

Because it came on the travel destination scene late, Bhutan had a chance to learn from the Nepalese experience. It was a path they chose not to follow. Discouraged by the negative impact of Nepal's uncontrolled policy, particularly in the cultural and environmental arenas, Bhutan decided on a very strict policy in developing the tourism sector of its agriculturally-based economy. The industry is stringently regulated by the State. Only the national air carrier, Druk Air, is permitted to fly into the country. Without competition, they can afford to be expensive. Tourists are limited to scenic tours and visits to cultural sites, primarily Buddhist temples and monasteries (Smith, 1981), although the government is beginning to subcontract out trekking and rafting services. Guesthouses are ran by the state and all employees, including those who perform rituals for visitors, are employed directly by the government. Tourists are kept on a tight schedule. Interaction with Bhutanese is limited to guides and interpreters.

Originally, Bhutan limits foreign tourists to a strict quota, approximately 2000 visitors a year (Richter and Richter, 1985). Currently, no actual quota exists. However, the stringent visa and pre-arranged itinerary requirements, along with the high costs, effectively limits the number of potential visitors. Tourists follow a structured route and

are accompanied by guides during their entire visit. Bhutan does not cater to independent budget travelers. The average visit is approximately five days long and costs for these all-inclusive vacations average between \$165 and \$200 per day (Armington, 2002).

The Bhutanese experience suggests that even states with limited economic resources can successfully build a tourism industry that restricts outside investment and, thus, the leakage of tourist receipts outside the country. By structuring itineraries to specific locations, costs for upscale guesthouses, meals, and transportation services are limited. Structured itineraries also deters the cultural and ecological degradation problems experienced by Nepal.

Regardless, the overall economic impact of tourism on the country and the degree of development the industry creates is as limited as the amount of visitors who enter Bhutan each year (Smith, 1981; Richter and Richter, 1985). Because the amount of visitorship is small, the amount of income generated is not as significant as what is found in Nepal, and this is despite the fact that a visitor will spend in Bhutan in one day what a similar visitor in Nepal will spend in a week. And because visitorship is limited and itineraries are structured, the industry involves a limited amount of the labor force.

These four cases – Mexico, Tunisia, Nepal, and Bhutan – illustrate the vastly different approaches developing countries can take when building up the tourism sector of their economies. Their options are significantly limited by their available economic resources, their relative economic position, and their bargaining leverage when dealing with transnational investors. These cases also highlight the potential impact of each policy on destination communities and the national economy as a whole.

I now turn to a review of the literature that more specifically investigates the economic and social impact of tourism development on local communities, paying particular attention to those issues that are most important to the two cases involved in this research.

Tourism and Local Development

With recent trends in transnational investment and the policies of international development agencies (the latter of which I will deal with later in this chapter), much more attention is being paid to rural, localized development in traditionally isolated communities, especially those in mountains or resource poor islands (Evans, 1996; Wilson, 1992). A popular tool in rural development schemes for developing countries is investment in and growth of the tourism industry. Tourism is seen by some as a renewable, stable, and sustainable resource that can lead to better economic prospects for these regions and their populations. However, there is disagreement as to whether or not the benefits of the tourism industry outweigh the costs. Three topics of debate that are central to the cases of Lake Issyk-Kul and the Kazakh Altai are: (1) the environment; (2) the actual affect on local development; and (3) the impact on traditional cultural ties and gender roles.

Increasingly, perspectives of political ecology are being used to analyze tourism development in rural regions. This approach applies methods of political economy in ecological contexts to examine the ecological distribution of conflicts (Gossling, 2004; Martinez-Alier, 2002). The utility of political ecology perspectives is that actors and their interrelations are highlighted themes. To quote Gossling, “political ecology seeks to investigate the interaction of international, national, regional, and local actors at the

interface of environmental change, economics, and politics. Considering the historical context, political ecology focuses on the actors' interests and ideologies in order to understand their role in the observed developments" (2004). Political ecology is not simply about the actors and the environment, it is also about the actors' affect on overall development processes and the impact of those processes back onto the actors and their surroundings. In the examination I present here, several groups of actors emerge – international agencies, the State, transnational corporations, local communities, and, to a lesser degree, the consumers (tourists). Throughout this study, I will utilize elements of political ecology to analyze the interaction of these actors, the affect each has on development processes, and how each are impacted by overall development.

Political ecology often generates debate over the efficacy of top-down vs. bottom-up approaches to development. The literature on tourism development suggests the costs and benefits of each approach. Top-down approaches (Gossling, 2004; Honey, 1999; Wilkinson, 2000; Weaver, 2004) highlight the functional relationship between national governments and the global tourism industry, both of which work together to target investment, and as a result also development, at those settings where it can both succeed and benefit the highest number of participants. However, these scholars, as well as others (Duffy, 2001; Stonich, 2004; 1998; Zeppel, 2000) also note that often such a strategy does not incorporate the economic, social, cultural, and ecological concerns of local inhabitants of destinations. Bottom-up approaches, driven by local representatives of destinations and working in conjunction with international organizations, investors, and the State, are better able to take such concerns into account (Carroll, 1992; Cochrane, 2000; Lama, 2000). Yet if the State is not directly involved in the stakeholder

relationship, than the legislative and executive backbone of needed for effective development programs can be weak or lacking altogether. In this research, the value and efficiency of these two approaches will be critically analyzed.

Advocates of tourism development contend that the tourism industry is one of the most environmentally sustainable forms of economic development. The exportable product – hospitality – is one that is renewable, and cannot be exhausted like natural resources. It does not exhibit harmful side effects such as what occurs with timber extraction (clear cutting) or mining and manufacturing (air and water pollution). When the product is structured and marketed as ecologically friendly community-based tourism, it is argued, tourism can be even more environmentally friendly. Community-based tourism is used interchangeably with other low-impact tourism terms like eco-tourism and cultural tourism. These terms are defined by industry specialists a small-scale, up-market type of tourism where visitors have an interest in local natural history and culture and where the local tourist economy supports conservation efforts (Brandon 1996; Lindberg and Hawkins; 1993). This niche within the larger travel industry is thought to provide better backward sectoral linkages, reduce leakages of benefits out of the region, create employment opportunities, and promote sustainable development (Belsky, 1999).

Detractors suggest that tourism, including that which is promoted as community-based tourism, is far from a pure, environmentally sustainable type of industry. Several studies have highlighted the impact that construction of accommodations and other service components can have on the environment (Lea, 1988). Overcrowding and tourism activities during peak seasons are often seen as being prime causes of ecological degradation in sensitive areas. Monz (2000), for example, has shown that seemingly

harmless activities such as hiking can have a serious impact on the environment through erosion, specie destruction, littering, and the unintentional introduction of exotic species of flora. Evidence of this is on the trekking routes to the peaks of the Himalayas and the Karakorum in South Asia. These routes, which can see tens of thousands of western visitors every year, are littered with trekking and climbing refuse. Base camps at popular peaks like K2 and Everest are stacked with rusting discarded oxygen tanks. The Pakistani government has recently taken it upon itself to remove such debris from its trails (Piore, 2002).

One consequence of eco-tourism is that it often occurs in ecologically sensitive areas. Rainforests, lakes, coastlines, and mountain ranges are hot commodities in this segment of the travel industry. But as travel increases to these areas, so does their environmental fragility. In some cases, laws specifically designed to protect these zones from possible destruction by prohibiting economic activity are blatantly ignored or modified to allow certain types of industry. In the Indian state of Kerala, tourism activity was found to be responsible for 28 percent of violations within government protected Coastal Regulation Zones (this was mainly done through the construction of tourism accommodations within the CRZs). The state government, instead of attempting to strengthen or more strictly enforce the regulations, lobbied for a relaxation of CRZ regulations, stating that they were counter to the state's economic interests. This was done despite strong objections from a diverse coalition of local organizations (Sreekumar and Parayil, 2002).

The debate over tourism's impact on local economic development and local populations has been as robust as the debate over environmental issues. Protagonists

point out that tourism provides increased and better employment for locals and better chances at local entrepreneurialism. This is a sizeable benefit in mountain zones, where other forms of development are unlikely. With tourism often comes improvements in infrastructure, particularly roads, airports, and sewage works, as well as improvements in services such as health care facilities (Ashley et. al, 2001; Sinclair, 1998). Because tourism is such an attractive form of employment in developing countries, its successful establishment in rural areas often deters the out-migration of the local population, who would most likely migrate to urban centers without such development. In fact, tourism in rural areas is seen as an industry that can draw migrants from other parts of the country searching for better forms of employment (Cochrane, 2000).

Antagonists argue that, far from being economically beneficial for individual employees, tourism workers experience insufficient wages, precarious seasonal employment, and are relegated to low-end jobs while non-locals and transnational corporate employees occupy the high-end, higher paying, and more stable jobs (Clancy, 2001; Freitag, 1994, Levy and Lerch, 1991; Piore, 2002). Detractors also suggest that tourism accentuates the dependency of peripheral developing regions on the core states of advanced capitalist economies (Belsky, 2000; Lea, 1988). Nowhere is this more evident, it is suggested, than with the involvement of transnational corporations (TNCs) in tourism investments in developing countries. Research from this theoretical approach suggests that TNCs seldom invest large amounts of their own capital in infrastructure and local social services. Instead, these are supported by the hosting government. What is more, primary revenues generated from tourism generally leak out of the community and back into the hands of TNCs. Far less than an equal share of income and profits remain

in the hosting community. In addition, the involvement of TNCs in tourism in rural areas can lead to the marginalization of small local firms catering to tourists. All of these negative aspects are exacerbated when tourism enterprises are established as enclaves (Freitag, 1994; McKee, 1988; Speekumar and Paratil, 2002).

A significant amount of the literature on tourism and local communities has focused on cultural and gender role aspects. Tourism is seen by some as one of the best ways to integrate underprivileged groups into developing economies. Most notably in this regard are women, who can become economically self-sufficient and independent by providing goods and services to tourists (Godde et. al, 2000; Zagaris and Emery, 1988). Culturally, tourism is viewed as being both integrating and preserving at the same time. It fosters increased understanding by allowing people of different societies to meet. And because many tourists visit culturally unique and “exotic” destinations, locals tend to preserve their cultural uniqueness and heritage for paying tourists (Lea, 1988).

In contrast to the mode of thought of tourism empowering women, detractors point to studies that have shown that, in reality, women in the developing world tend to be less stably employed, lower paid, and occupy lower level jobs in the tourism industry. Furthermore, these women often must balance domestic and market work far more than men (Chant, 1991; Levy and Lerch, 1991). These detractors also argue that the domination of the core over the periphery exhibited in aspects of local economic development exists in aspects of culture as well. To quote Belsky (2000), “What is meant by this is the way local communities – and their cultural and physical environments – are socially constructed and offered up as international destinations and experiences for affluent tourists from advanced capitalist economies (p. 288).” The

“preservation” of culture is done not because the local community wishes it to be, but because it needs to be preserved for consumption by visitors. Yet another argument is that the act of tourism is almost strictly a western phenomenon that helps perpetuate what Borneman and Fowler (1997) call the “Europeanization” of the nonwestern world.

Thus, what exists is a significant dichotomy within the literature as to what the actual costs and benefits of tourism as a tool development option are to local communities in rural areas of developing countries. A goal of this study is to test these theories with evidence from two cases in Central Asia and determine which theoretical approach is stronger when considering aspects of local economic development, the local labor force, local entrepreneurialism, social and cultural change, and the surrounding ecosystem.

International Development Agencies and Tourism Promotion

Since the 1980s, international development agencies have become increasingly involved in promoting tourism as an option for sustainable economic development in rural regions. They are viewed as “benevolent developers” by many states and communities because they are mission driven, whereas investors are, for the most part, profit driven. States and communities also see them as more flexible than transnational corporations. By this I mean they are more willing to work with local communities and seek out local inputs and advice. The goal of many of these organizations is to help foster locally owned businesses that cater to tourists, whereas transnational corporations are profit driven. Local entrepreneurialship is at best a byproduct. What is more, because development agencies are mission driven, they have the ability to help foster

community-based tourism in destinations that might draw tourists but are not necessarily profitable for transnational firms to operate.

International development agencies typically work in conjunction with a diverse set of partners when establishing tourism promotion programs. These partners almost always include a State agency and a local NGO. Depending on the intentions of the program, the partnership can also include a local tourism firm and a locally based State entity (for example, a national park or other protected area). And depending on the resources available to the development agency, the partnership can include a financier like the World Bank, European Bank for Reconstruction and Development, the Asian Development Bank, or the Islamic Development Bank.

Both international development agencies and transnational community-based tourism travel firms that promote community-based tourism do so based on certain assumptions. These assumptions include: 1) at the destinations, there limited alternative sources of income available to local inhabitants; 2) existing sources of income are maintained because community-based tourism complements traditional economic activities; 3) local inhabitants can earn income and other benefits with little investment, so little is lost if tourism doesn't produce adequate benefits; and 4) insufficient environmental protection undermines tourism development and general economic development across the region where destinations are located (Belsky, 1999; Lindbergh and Hawkins, 1993).

International agencies became involved in promoting community-based tourism in the 1980s. Southeast Asia, the Indian Subcontinent, the Caribbean, and Latin America were among the first regions to attract organizations like the United State Agency for

International Development (USAID), UNESCO (United Nations Economic, Social, and Cultural Organization), UNDP (United Nation Development Program), and the World Wildlife Fund (WWF). In the mid-1990s, Nepal, Northern Pakistan, Mongolia, and states of the former Soviet Union began to gain the attention of these organizations as well. As countries with extreme mountain zones, these states contain destinations for travelers who gravitate toward the activities advertised under community-based tourism schemes. These are also destinations that are typically underdeveloped and have few development options. As such, they attract the attention of development agencies promoting community-based tourism.

Despite the benign intent of international development agencies, community-based tourism is not always beneficial to the environment (I have already discussed briefly the impact tourism can have on ecologically sensitive areas during peak seasons). But neither is it always beneficial and equitable to all members of the community. Belsky's research in Gales Point, Belize, strongly suggests this. The Gales Point Manatee Community Conservation Project was started by American wildlife biologists with funding and resource assistance provided by USAID, UNDP, U.S. Peace Corps, and the Global Environmental Fund. Characteristic of many of such projects, the originators conducted meetings with local residents and solicited signatures for a support document for proposed project, which called for: 1) a locally supported reserve that integrates multiple land use for private and government owned land and insurance of sustainable use of resources; 2) maintain local structure (farming, fishing, and hunting); and 3) give locals a supplementary source of income through tourism, resulting in self-sufficiency and less pressure on natural resources (Belsky, 1999; 2000). With support from the

Ministry of Tourism and the Environment, a Special Development Zone (SDZ) was created that limited certain human activities.

Belsky highlights many problems local residents faced after the implementation of the project. Among these was the contradiction between the advertised “traditional Creole lifestyle” and how locals actually lived. Guesthouse operators were encouraged by project planners to serve Creole cuisine to visitors, but the SDZ prohibited hunting much of the wildlife that is part of such meals. What is more, some of the protected species were not revered as symbols of wilderness (as was advertised) but rather were seen as pests (in particular, the forest rodent known as gibnut).

But the most pressing problem concerned the internal community divisions that were created by the project. Planning called for an equitable distribution of resources, benefits, and clientele among project members. However, many complained that only a small group of families received the majority of tourists. Typically, these were residents who were better off and more able to meet the western standards that travelers “required”. As tourism into the community increased, non-project members began to offer their own services, not only through accommodations but also through guiding and transportation services. These individuals often undercut the prices offered by the project members, resulting in lost income for the latter.

Belsky’s research suggests that crucial mistakes can be made by development agencies and NGOs who attempt to promote community-based tourism in underdeveloped regions. For one, these communities do not exist in a vacuum that is impenetrable to social divisions and economic desires. As more tourists descend on a new “undiscovered location”, all members of the community, not just those involved at

the outset of a program, can and often times will attempt to harness their own resources to gain benefits from increased traffic. This can be done at the expense of original project members. It is rare if ever that projects will receive full community support or be able to maintain the support they receive indefinitely.

Lastly, these organizations must be careful when attempting to project a local image that does not necessarily parallel the actual culture of the local community.

Contemporary Tourism in Kazakhstan and Kyrgyzstan

Tourism in Central Asia takes advantage of its historical roots and geographical makeup by concentrating mainly on resort/recreational tourism, adventure/eco-tourism, and international tourism along the ancient Silk Road routes. While all the countries in the region (with the exception, possibly, of Tajikistan) have experienced dramatic increases in both tourist arrivals and receipts since independence, Kazakhstan and the Kyrgyz Republic have been among the most successful in this regard. The two regions involved in this research were traditional tourist destinations for citizens of the Soviet Union. I analyze this aspect in greater detail in Chapter Three. Thus they, both have a strong tourism base from which to build after independence. Today, most tourists who travel to Issyk-Kul and East Kazakhstan are from the former Soviet Union, with the majority either arriving from Russia or coming from within the two countries.

Kyrgyzstan is considered by many industry and area specialists as having the most potential of all post-Soviet states for growth in tourism (Meyhew et al, 2000; Nusurov, 2001). This is due primarily to its location on the Silk Road and to the possibilities for adventure, ecological, and cultural tourism. 94 percent of the country is mountainous and has an average elevation of 2,750 meters (9020 feet). The peaks of

Khan Tengri (7010 meters) and Pobeda (7439 meters) are among the highest in the Tian Shan mountain range and regarded as up-and-coming destinations in adventure sports like skiing and mountain climbing. The massive alpine lake of Issyk-Kul acts as the center of the tourism sector in Kyrgyzstan and the base for resort tourism on the north side of the lake and adventure and ecological tourism on the east side of the lake.

As a resource poor and sparsely populated country, Kyrgyzstan is focusing intensely on developing the tourism sector as one of its primary growth industries. From the beginning of his administration, Kyrgyzstani president Askar Akaev has advocated tourism development as a tool for economic growth and stability and has actively been involved in its promotion. Most recently, the Akaev regime endorsed the United Nation's 2002 International Year of Mountains, meant to focus world attention, especially that of tourists, on the World's mountain destinations (Blua, 2002).

Indicators provided in Table 1 suggest that the tourism industry in the Kyrgyz Republic has shown signs of growth over the last decade in almost every category. The statistics on the actual number of visitors varies widely and is dependent on the definition of "tourist". One definition counts all non-citizens who enter a country. This would include individuals who entered for purposes of business and those who are in transit to a destination outside the country. Another, more stringent classification, defines a tourist as an individual who travels purely for recreation and leisure (Sinclair, 1997). According to the National Statistical Committee of the Kyrgyz Republic, Kyrgyzstan had 58,756 visitors and generated \$15.3 million in non-CIS tourist receipts in 2000. 66 percent of these visitors came from Europe and 13 percent came from North America. These numbers were dwarfed by the number of visitors from the former Soviet Union, which

totaled 405,000. Most of these tourists came from Kazakhstan, Uzbekistan, and Russia (Nurasov, 2001). It is believed that the total number of tourists to visit Kyrgyzstan probably doubled between 1995 and 2000.

Yet despite this growth and the potential for future growth, the general feeling is that the industry in Kyrgyzstan is at best under-performing. While the global political and economic climate has definitely played a role in recent downturns in total tourist numbers (examples include the Russian ruble crisis in 1998, the Asian economic crisis, the 9/11 attacks, and the current tensions in the Persian Gulf), industry professionals also cite an inability on the part of the government and NGOs to both develop the industry and generate sufficient international interest and investment. Infrastructure of almost every kind is lacking outside of the oblast of Chuiskaya and the largest city and capital of Bishkek has yet to be connected by either air or rail in a sufficient manner with international transportation hubs outside of the country (Blua, 2002; Chernyak, 2002; Mayhew et. al, 2000; Orozobekova, 2002).

Like the Kyrgyz Republic, ecological, adventure, and cultural tourism are the main elements of the sector marketed in Kazakhstan. While it lacks the “extremeness” of its neighbor to the South, it does contain a large portion of the Great Eurasian Steppe and tourism officials and entrepreneurs are attempting to push Kazakhstan’s ancient nomadic culture as a reason to visit. The two exceptions to this endless flatness is the northern reaches of the Tian Shan mountain range in the Southeast, near the former capital of Almaty, and the Kazakh Altai range in the extreme East. These two regions receive the overwhelming bulk of tourists visiting Kazakhstan (Mayhew, 2000)

According to the Kazakhstan Tourism Association, at the end of 2001 the country had 650 tourist firms (425 of which were located in Almaty) and 154 hotels. Between 1999 and 2001, the number of hotel rooms increased by 30 percent (Dzhalilov, 2001). 1.8 million travelers visited the country in 2001, up from 1.4 million in 2000 (See Table 1). These numbers, however, also include those visiting on transit, official, and business visas. None of these figures speak to the impact of domestic tourists in Kazakhstan. A quickly developing country, domestic tourists are continually making up a larger portion of visitors to destinations in the country. Tourism receipts for the country has shown significant signs of growth: in 1995 receipts totaled \$122 million and reached a high of \$407 million in 1998. Receipts total \$363 million in 1999. These figures equaled 2.0%, 6.0%, and 5.2% of total exports for the country (UN ESCAP, 2002).

In contrast to the Kyrgyz Republic, Kazakhstan is a resource rich country with vast reserves of oil and natural gas and rich agricultural land. Tourism is a growth industry in the country, but one that is far less of a priority in comparison to Kyrgyzstan. Despite this, the tourism sector in Kazakhstan benefits because of investment in other sectors of the economy. The prime destinations of Kazakhstan have relatively well developed infrastructure due to the fact that it has been developed for other industries. In this respect, tourism is additive to the Kazakhstani economy and part-and-parcel of development in other industries.

One clear indication of this additive effect is the interconnectedness of Kazakhstan's tourism destinations to the rest of the international market. Four major sub-routes of the Trans-Siberian Railway connect Central Asia through Kazakhstan (UN ESCAP, 2002). In addition, Almaty acts as a major air transportation hub for the region,

connecting Kazakhstan to Europe, Russia, and Turkey. The city of Oskemen, which acts as the gateway to the Kazakh Altai, is connected to Germany via *Irtys Airline*, making it affordable and easy for tourism clientele in Europe to reach the Kazakh Altai.

Recently, this highly profitable route was purchased by Kazakhstan's national airline, *Kazakh Air*, and is still maintained.

A Concluding Review

Through this literature review, I have attempted to highlight the critical issues and actors involved in current development policies in rural regions of developing countries. In doing this, I have also attempted to develop a model that assists in explaining how different actors and their policies, impact local communities where development programs are involved. I focus on tourism as a development option because it is a diverse industry which three actors – the State, transnational corporations, and development agencies – have an interest in as a tool for developing rural regions. Tourism is viewed by these actors as an environmentally sustainable industry that can bring employment, revenue, foreign exchange, and general development to previously disadvantaged regions. However, despite its reputation as an ecologically and culturally sustainable industry, tourism has proven to be an imperfect development tool that is not always ecologically friendly and is not necessarily beneficial to all members of the community.

In the following chapters, I introduce tourism in two mountain regions of Central Asia and employ the model presented here in uncovering the impact of tourism and tourism development policies on the communities in these two regions.

Chapter Three

Soviet and Post-Soviet Tourism in a Historical Context

Tourism is far from a new phenomenon to Lake Issyk-Kul and the Kazakh Altai. In fact, there is a long established tradition of leisure travel to these destinations. The pattern of tourism to the Altai and Lake Issyk-Kul follows a similar pattern found throughout the Soviet world. For the most part, the characteristics of tourism found at these destinations today – client demographics, services offered, and the role of the state – can be traced directly to the development of this sector during the Soviet period. Other characteristics, like transnational involvement and local control of the industry, can be traced to developments since the collapse of the Soviet political and economic system.

In this chapter, I investigate the evolution of tourism during the Soviet and post-Soviet periods. What I illustrate is that (1) tourism development in these cases does not exist in a simple vacuum of time. The manifestation of tourism in Issyk-Kul and the Kazakh Altai did not come about since the independence of their respective states and the subsequent free market reforms that followed. Rather, it has a long history; and (2) this history equates to a legacy that has a significant impact in how tourism in these cases exists today, in terms of the clientele, the services offered, and the role of the state. In order to understand the argument of this overall research – how the development of tourism and the role of the State and international actors impacts destination communities – we must first understand this history and its legacy.

Tourism and State Involvement during the Soviet Period

Prior to the Bolshevik Revolution and the centralized political and economic system that came with it, tourism in what would become the Soviet Union mirrored

tourism in the rest of the western world as it existed at that time. It was driven primarily by the small number of social, political, and economic elites at the top of the social hierarchy in Imperial Russia (Hall, 1991). Most of these people traveled to destinations in Europe, particularly France, Prussia, and Scandinavia. Russian elites also traveled within the southern tier of the empire, mainly the Black Sea and South Volga region. International travelers were made up of a handful of social elites from Europe (Hopkirk, 1994). They traveled to similar destinations as their Russian counterparts, but were also pulled to the adventurous Russian frontier, including Siberia and Central Asia.

The collapse of the Russian Empire was followed by a socialist political and economic system introduced by the Bolsheviks. It was a system that placed emphasis on immediate and rapid industrialization. The industrial worker was the centerpiece of society for the ruling socialists. Ideologically, they were committed to the principle that leisure and good health were the right of all working people. As Shaw (1991) stated, this was all part of a new social environment that would allow citizens to develop their potential to the fullest. There was a recognized link between tourism and health. Well rested workers would be healthy workers, which in turn would lead to greater industrial output. Thus, in the Soviet period, vacations and leisure were both earned and prescribed. They were earned through hard work in a target industry of the economy such as mining or steel production. They were prescribed by representative agencies to ensure a strong workforce and increased production.

Within the first few years of the Bolshevik Revolution, Lenin nationalized all resorts and spas in the USSR, declaring them as facilities to be used for medical and rehabilitation purposes (Pospelov, 1987; Shaw, 1991). With the State driving all aspects

of social and economic policy, it was naturally *the* dominant force in tourism as well. This extended to both management and service provisions. Tourism was centrally controlled. However, this control was not in the hands of one specific administrative body. Rather, tourism was controlled by a number of different State entities. A prime example of this was control over tourist facilities. Spas, resorts, camps, and sanatoriums were spatially dispersed throughout the entire Soviet Union. These facilities and the services provided there in could be controlled by a host of ministries, state organizations, local government bodies, collective farms, and industrial institutions (Hall, 1991). It was a non-market response to an industry that, in the capitalist eye at least, is quintessentially market-oriented. The control of the industry by state bodies allowed for the administrative distribution of leisure to the public. In short, the State controlled the Soviet population's access to leisure.

The most unique factor of Soviet tourism was that certain state organs played defining roles in planning, defining, and managing the industry. Their function was based partly on their connection with certain activities or the segment of the population they represented. Three of the most prominent organs and the groups they served were: (1) the Central Council of Trade Unions, which served the industrial working class in the USSR; (2) the Ministry of Education, which served the Soviet youth; and (3) the Committee on Physical Culture and Sport, which served the strong and ever-present athletics and outdoor sports culture that existed in Soviet society. These bodies worked in conjunction with a handful of other organizations to provide and promote tourism services to the groups they represented (Shaw, 1991). In essence, these three administrative bodies controlled tourism in the USSR.

In the world of Soviet tourism, *the* most dominant state agency was the All-Union Central Council of Trade Unions (AUCCTU). As the representative of all industrial workers, the primary activities of the AUCCTU were fundamentally different from its western counterparts. Because “confrontational” action such as strikes and collective bargaining were illegal, the AUCCTU main function was in dealing with issues of social welfare. Providing and planning leisure activities and facilities was one of these functions (Ruble, 1981). Within this organization, a wing known as the Central Council for the Administration of Health Resorts worked in conjunction with the Ministry of Health to maintain spas and sanatoriums throughout the USSR. The principle function of the Ministry of Health was to dictate health policy at facilities and to train and supply personnel. It was these State bodies that organized the majority of vacation and leisure activities of the Soviet labor force. Spas and health resorts were the most popular form of tourism facilities, or at least the facilities used by most citizens. These facilities were typically located near bodies of water – the Black Sea, the Baltic Sea, Lake Issyk-Kul, and the Volga and Dneiper rivers – or near natural thermal features – Tunka Valley in the Russia Altai and Rakhmanov Springs in the Kazakh Altai,

A second wing of the AUCCTU, the Central Council for Tourism and Excursions, was responsible for providing other tourist accommodations. This included hotels and sports-related activities/accommodations. Examples of this were mountain tourist bases and ski bases in the Altai, the Urals, the Caucasus, and the Tian Shans. The Central Council also had the responsibility of managing what could be called independent tourism – activities arranged by clubs rather than by the Central Council itself. This

included skiing clubs, wildlife and nature clubs, motorcycle clubs, and even gardening clubs (Riordan, 1977).

The Ministry of Education also had a commanding role in dictating tourism policy, although to a lesser degree when compared to the AUCCTU. It was responsible for school-based tourism for youth through the Central Children's Excursion and Tourism Station (CCETS). The CCETS worked with the Komsomol (Young Communist League) and children's Pioneer organizations to provide and maintain facilities (Shaw, 1991). These facilities were often organized as youth camps and were highly structured. A variety of programs were developed and camps could typically host young people for one week to one month stays. Youth tourism was also oriented towards cultural and historical centers. Moscow, Leningrad, Volgograd, Minsk, Yalta, and Kursk were visited by CCETS accompanied youth groups during the summer months. These cities were the site of Soviet theatre and music, government, and historical site of the Russian Empire and the Bolshevik Revolution.

The Committee on Physical Culture and Sport controlled Soviet sports at all levels. This included not only mainstream sports (football, basketball, gymnastics, and boxing, for example) but what would be considered "alternative" sports, many of which are outdoor oriented. The Soviet Union had serious, world class teams in mountain climbing, rafting, and kayaking. In all such sports, the Committee on Physical Culture and Sport maintained Master of Sport programs. Athletes who gain certain high-standing credentials in their sport could become Master of Sport candidates. After they attained even higher credentials –something that could be accomplished through winning international competitions, setting world or course records, pioneering new routes, and

pioneering new techniques – an athlete could become certified as full Master of Sport (Riordan, 1974; 1977).

Master of Sport athletes were popular icons in Soviet culture. Through the state-controlled media, their exploits were made known to the public. The status of these athletes helped draw people to their sport. Climbing, trekking, rafting, kayaking, and ski mountaineering centers in the USSR were established with support from the Committee on Physical Culture and Sport. These centers were located throughout the Soviet Union, including the more extreme destinations such as the Caucasus, the Tian Shan, Pamiri, and Altai ranges, Siberia and the Russian Far East. Soviet citizens were drawn to these destinations to take part in these outdoor activities.

Tourism in the Soviet Union was diverse and showed evolutionary patterns over its 70 plus years of existence. While the AUCCTU, the Ministry of Education, and the Committee on Physical Culture and Sport developed tourism programs and policy for the groups they represented, there were signs in the 1970s and 1980s of a growing desire for ethnic and cultural tourism programs, resulting from decreasing security constraints on minorities wishing to visit kinship locations. In all respects, Soviet tourism was communal as opposed to being individual or family oriented. When a Soviet citizen visited a resort in Sochi on the Black Sea, he or she was often in the company of fellow workers from his or her factory or collective farm. And while tourism was primarily domestic (due to the strict security concerns of the Soviet government), international tourism grew throughout the post-WWII period, reaching its apex in the 1980s (Hall, 1991). Most of these were inter-bloc visitors coming from East Europe. Outbound international tourism remained minimal during the entire Soviet period, specifically

because private travel abroad was almost never granted and most citizens did not have the financial means to travel to the majority of foreign destinations.

A case can be made that state involvement in tourism during the Soviet era was the driving force behind the industry. But in many ways it limited the industry from reaching its full potential. Hall (1991) suggests that the nature of the Soviet regime created restraints that were not compatible to a service oriented sector of the economy like tourism²:

1. As a major service industry, tourism requires flexibility and the ability to respond to changing consumer demands. Flexibility, market-response, and changing fashions were not concepts that sat easily within the Soviet organizational model.
2. As a service industry requiring initial capital and human resources, tourism appeared to be an utterly inessential diversion from the primary socio-economic concerns of socialism.
3. By attracting foreign visitors, tourism was seen as serving those people against whom Soviet society had been galvanized. The supervision of visitors and their interaction with the host population required substantial from the state's internal control agencies, both to maintain the validity of the state's xenophobic rhetoric and for the actual protection of foreign guests.

² While Hall's analysis was directed specifically at the Stalinist regime, his comments can be placed just as easily on the entire Soviet structure. The Post-Stalinist political and economic system was more or less similar to its Stalinist counterpart in terms of its adaptability to market forces, its distrust of non-socialists, and the overall socioeconomic concerns of socialism.

It is in this context that modern tourism developed in the Lake Issyk-Kul region and the Kazakh Altai. Rakhmanov Springs, a hot springs resort located deep in the Kazakh Altai, was directly managed by the AUCCTU and used as a rest and rehabilitation resort for workers employed in the Soviet mining industry. Nearby, Mt. Belukha (4506 meters) was a destination of Soviet climbers and a proving ground for aspiring members of the Soviet climbing team. On the north shore of Issyk-Kul, scores of lakeside resorts hosted high ranking members of the Soviet government and military. These were among the most “plush” accommodations in the USSR. On the south shore of the lake, thousands of visitors descended on the Central Tian Shan Range each year. Soviet mountaineering and hiking clubs would frequent local towns and villages to make excursions to Khan Tengri (6995 meters), Peak Pobeda (7439), Inylchek Glacier, and the Sary Jas River.

Sites like Rakhmanov Springs, Lake Issyk-Kul, and the Central Tian Shan Range were all relatively difficult destinations to access. However, state interest in these sites, and the control and subsidization that came with such interest, allowed these sites to be continually maintained to a certain standard of quality. They remained popular destinations during the entire post-war Soviet era.

Historical Overview of Post-Soviet Tourism: Kazakhstan and Kyrgyzstan

The collapse of the Soviet Union not only forced independence on the former republics, but also the rapid transition from a command to a market oriented economy. In Kazakhstan and Kyrgyzstan, several sectors of the respective economies were affected, not least of which was tourism.

The most essential feature of post-Soviet change in tourism for Kazakhstan and Kyrgyzstan was the privatization of the industry. Many of the formally state-run facilities were released for private ownership, most often at bargain prices (Stewart and Weldon, 2002; Trushin and Trushin, 2000). Many were purchased by Kazakhstani citizens who were in a strong financial position and had some form of knowledge of the types of services they wanted to provide, or both. In many cases, these individuals were middle and lower level apparatchiks in the former Soviet system³. The newly emerging market economy also allowed individuals to start their own firms. These were generally small businesses – trekking firms, guesthouses, and cultural/ecological tourism ventures. To be successful, these business owners needed to have knowledge of the services they were offering to their clientele. However, because these were small businesses, they did not require the financial capital that was needed to purchase and maintain facilities that were previously run by the State. Examples of these two types of local business owners (those who purchased state-run facilities and those who started their own small businesses) exist throughout Kazakhstan and Kyrgyzstan. The local business owners I interviewed for this study primarily fall into these two categories and their experiences will be reviewed in later chapters.

Decentralization allowed a third type of private actor to emerge: the transnational firm. Foreign firms purchased state facilities that were deemed “non-essential”, or not vital to state interests (Zhukov, 2000). This was principally every tourism complex in Kazakhstan and Kyrgyzstan. Transnational acquisitions were performed by firms located in CIS countries for the most part, no doubt because networks that had developed during

³ This is a phenomenon that occurred throughout the republics upon the collapse of the Soviet Union. See Solnick (1998) for more discussion on this topic.

the Soviet era remained strong. What is more, the historical legacy of Soviet tourism made inter-CIS investment economically viable. Thus, it made sense for private hotel firms centered in Kazakhstan, Russia, and Uzbekistan to purchase hotels at popular destinations like Lake Issyk-Kul. The services they provided to predominantly local (or former Soviet) clientele could be transferred to traditional tourism destinations when the clientele visited those site as well. What is more, these clients were already familiar with destination, if not the facility as well.

Non-CIS investments are centered primarily in major metropolitan locations- Bishkek in Kyrgyzstan and Astana and Almaty in Kazakhstan. But since independence, rural destinations like Issyk-Kul have experienced a form of outside, non-CIS, foreign investment through the development of small, low-impact, upscale trekking firms. These transnational ventures have taken advantage of changes in the global tourism market, the most significant of which is the desire among upscale tourists for an alternative to packaged, mass tourism programs (Cohen, 2002; Hawkins, 1994; Hughes, 1995; Kastenholtz, 2000; Schluter, 2002). Such tourists are almost exclusively based in Europe, Australia, and North America, and are attracted to ecologically friendly cultural experiences in destinations that typically receive few visitors. However, they also require the upscale service that often goes along with packaged, mass tourism programs. Small, transnational firms have the capital and the networks that local firms often lack to meet such demands. They are typically based in the capital cities or major metropolitan areas of the host country and work with home offices in the west and through a series of networks in several western countries.

Decentralization has not meant the disappearance of the State as a factor in tourism and tourism policy in the post-Soviet era. On the contrary, the governments still play an important regulatory and developmental role. Kazakhstan and Kyrgyzstan each have a state body whose job it is to develop the tourism industry in their respective economies. In Kazakhstan it is the Agency for Tourism and Sport. In Kyrgyzstan, it is the State Committee of Tourism, Sport and Youth Policy. Within each oblast of the two countries is a local agency that dictates national policy at the local level. In some instances, these local offices can develop local tourism policy. The national agencies work in conjunction with other State bodies (for example, the Ministry of Natural Protection in Kazakhstan and the Special Representative of the President on Foreign Investment) to stimulate and promote tourism. The major change is that the state has moved away from the non-market, earned-and-prescribed approach that I described earlier, to a market orientation where the goal is developing the industry, attracting private investment, and promoting leisure services for their sale on the open market. The contemporary state agencies involved in tourism development and promotion in the Kazakhstan and Kyrgyzstan do this with varying degrees of success. A more detailed description of the development and policy roles of the respective state agencies will be provided in chapters Five and Six.

Concluding Remarks: The Legacy of Soviet Era Tourism Development and Decentralization

The evolution of tourism during the Soviet era has had a reverberating effect on contemporary tourism in the former republics. State involvement is not as dominating of a feature, but what is most interesting is how particular aspects of prior state involvement

have continued. The structure of the two state bodies that dictate tourism policy – the Agency for Tourism and Sport in Kazakhstan and the State Committee of Tourism, Sport and Youth Policy in Kyrgyzstan - indicates a strong link between tourism, sports, youth development, leisure, and physical fitness. These links were present during the Soviet era, when the Committee for Physical Culture and Sport and the Ministry of Education were directly involved in developing tourism. Their role has changed from one of managing facilities and prescribing tourism and leisure to those they represent, to one of development, promotion, and attracting private investment.

The legacy of these links are present in the private sector today as well. Rakhmanov Springs, the hot springs resort in the Kazakh Altai, was maintained by the Central Committee of Trade Unions and used primarily as a facility for Soviet miners. After Kazakhstan gained independence, the now privately owned Rakhmanov Springs maintained contracts with Kazakhstani mining firms, allowing for price-reduced group packages for employees. Youth tourism packages during festivals and the summer season are offered by numerous local tourism firms. And adventure tourism firms that are oriented toward outdoor recreation – climbing, trekking, skiing, and river running – are in many cases owned and/or operated by Master of Sport athletes.

The Soviet legacy extends to the primary clientele in the contemporary tourism industry in Kazakhstan and Kyrgyzstan. The vast majority of visitors are from former Soviet states, especially Russia. These tourists almost invariably visit traditional sites of leisure, such as Lake Issyk-Kul. Lake Issyk-Kul is also visited by an increasing number of Kazakhstan's emerging middle and upper middle class, many of who live just across

the order in Almaty. Aspiring Russian alpinists continue to visit traditional proving grounds in the Central Tian Shan and Altai Mountains.

A carryover from Soviet era tourism that is having a significant impact on contemporary international tourism is the legacy of inflexibility and unresponsiveness to consumer demands on part of both locally owned firms and CIS-based transnational firms. This is a problem that has been identified by those within the industry (including foreign investors and policy officials) as well as by the media and international organizations concerned with fostering the tourism industry.

To understand tourism today in Kazakhstan and Kyrgyzstan, we must understand the historical context of its development. Tourism in these countries does not exist in a post-Soviet vacuum. It is not an industry that was “discovered” by locals or international actors upon independence. Rather, it is an industry with a long history in these countries and in the cases examined in this study. The legacy of this history plays a significant role in contemporary tourism in terms of the role of the state, who the consumers and service providers are, who is investing, where the destinations are located, what activities are offered, and how both consumers and providers conceptualize tourism.

Chapter Four

Data and Methods

Social scientists must become intimately acquainted with community-level processes to understand how both international and national processes influence everyday local life. This was one of the primary goals of my investigation. Achieving this goal is enhanced by employing research that is ethnographic in nature. Ethnographic research typically focuses on social and cultural life at the community level. Research subjects are selected because they have an overview of the activities of the community. These informants identify other informants representative of the community, using purposive sampling to obtain subjects in all empirical areas of investigation. Informants are interviewed multiple times, using information from previous respondents to elicit deeper responses. This process is meant to uncover common cultural understandings related to the issue being examined. These collective understandings on a subject are subjective, yet they are often interpreted to be more significant than objective data (Coffey, 1999; Denzin and Lincoln, 1994).

Ethnographic research allows the researcher a sufficient level of immersion in the settings they are studying. It also allows for intimate relationships to develop with subjects. The relationships are still professional, with the role of subject and researcher clearly defined. However, when the subject understands the purpose of the research and the questions being asked, and also understands that the researcher is, in at least a removed way and for a short time, part of the community, more personal details about their lives can be uncovered.

The tri-level design of this research called for me to conduct research in two distinct but closely linked venues within each country. The first of these are the administrative centers of the respective countries: Almaty and Astana, Kazakhstan, and Bishkek, Kyrgyzstan. Bishkek and Astana are the capital cities of the two countries and where the governmental offices I was interested in are located. Almaty and Bishkek is where the head offices of the national statistical committees are located. It is from these offices that I collected the national tourism data that supplements this study. But more importantly, Almaty and Bishkek are the administrative centers of the international organizations and development agencies operating in the countries. In my original proposal, I only considered state actors as relevant at the policy level. However, once in the field, I immediately discovered the importance of international organizations. These actors emerged as critical players in tourism development and emerged as especially significant to my study. While rural communities remained the central focus of my study, the role of policy actors were far more important than I had originally theorized.

The other two venues are the actual cases involved in my research. Throughout this dissertation, I call them Lake Issyk-Kul, Kyrgyzstan, and the Kazakh Altai in Kazakhstan. To be more exact, the two venues are actually administrative units: Issyk-Kul Oblast and East Kazakhstan Oblast. The research sites were not just one rural community in each oblast, but several communities. There were two fundamental reasons that I chose rural mountain communities as the primary venue for my research. First, when considering the study of development in general and tourism development more specifically, they often receive less attention than urban centers or tourism destinations such as beaches and tropical locations. But more importantly, the evolving

global tourism market is making exotic mountain locations a key destination. Community-based tourism, an umbrella term for ecotourism, cultural tourism, and adventure tourism, is being centered directly on what is perceived by potential consumers to be “undiscovered” venues. It is marketed to upscale clientele who demand low-impact, uniquely packaged experiences. Mountain destinations, and the people that inhabit them, are a fundamental piece of the community-based tourism niche. But we do not completely understand the impact of this niche on the actual communities, primarily because it is so new. By studying the actual communities, we can better understand how they are influenced by this particular type of tourism.

Preparatory Work

In preparation for my research, I took courses in beginning, intermediate, and advanced Russian language over a four year period⁴. The Russian language is not the official language of either country where I conducted research. However, due to the heavy influence of Russian and Soviet colonial domination over Central Asia during the past two centuries, Russian is a commonly spoken language throughout the region. It is spoken at all levels of government. Statistical data from the national statistical committees is offered in Russian. Most newspapers with wide regional circulation are printed in Russian and reports issued by NGOs and intergovernmental organizations are typically in Russian.

⁴ Regardless of my preparation, I did have comprehension difficulties with formal interviews with state officials. These interviews did get easier as my research progressed, but from the outset I employed interpreters for them. Only with the last two state/policy level subjects did I conduct my interviews without the assistance of an interpreter. I found sectoral and community level interviews and focus groups far easier and never felt the need for an interpreter.

A year prior to starting my field work, I conducted pre-dissertation research in Kazakhstan, Kyrgyzstan and Uzbekistan, with funding provided by the Mellon Foundation and the Population Research Center at the University of Texas at Austin. Originally, my intent was to prepare for research on how State migration policy influences internal migration and urbanization. However, when investigating this issue in Issyk-Kul during my two months of pre-dissertation research, the affect of the growing tourism market on the communities located there emerged as a much more viable and exciting topic. My focus thus shifted to the impact of State tourism development policy on mountain communities in places like Issyk-Kul. This preparatory work allowed me to identify and complete preliminary interviews with tourism employees and managers of tourism firms. These individuals would act as key informants for my primary research and would assist in identifying other informants who would take part in my study.

Preliminary research also allowed me to identify the venues where I would conduct my research and, more importantly, how to organize logistics during what would be the dead of winter. Many of these could not be reached by vehicle because of their isolation at that time of the year. To reach these destinations, I used rondanee ski and backcountry gear provided by Dynastar/Life-Link. Rondanee gear allows the skier to cross-country ski on flat, level land and uphill, and then fix his or her heels into rear bindings to ski downhill.

As a native of Jackson Hole, Wyoming, I feel comfortable on skis and in the mountains. Growing up in this small town defined by tourism, and in a family immersed in the tourism trade, exposed me to the costs and benefits of seasonal tourism to communities and individuals. This spurred my interest in the industry, but it also gave

me an advantage in that I had an idea of not only what to look for, but also when to look for it. I understand that individuals involved in seasonal tourism have approximately 100 days in which to earn their money, they have very little time to talk about anything unless it is directly related to bringing in revenue, including discussing deep issues about the tourism trade with a social science researcher. Knowing this directed me to conducting the field research in Kazakhstan and Kyrgyzstan in the off-season – between October and May. My direct knowledge about the industry assisted me in gaining the trust of the locally owned firms, who generally provide services similar to the businesses where I grew up.

Data Collection

This research was funded with a Foreign Language and Area Studies (FLAS) Fellowship for Dissertation Research provided by the Department of Education and distributed by the Center for Russian East European, and Eurasian Studies (CREEES) at the University of Texas at Austin. I began my research in East Kazakhstan Oblast in August of 2003. Unfortunately, after only two weeks of being in the field, a death in the family forced me to return to the U.S. in late August. I finally returned to East Kazakhstan on September 11th, 2003, to restart my research. A timeline of my research is as follows:

September 11, 2003 – October 16, 2003 – Fieldwork conducted at Rakhmanov Springs and Lake Markakol, East Kazakhstan Oblast.

October 16, 2003 – October 29, 2003 – Fieldwork conducted with local firms and local administrators in Ust-Kamenogorsk, East Kazakhstan Oblast.

October 29, 2003 – December 15, 2003 – Interviews with policy level officials in Almaty, Kazakhstan.

December 15, 2003 – January 19, 2004 – Interviews with policy level officials in Bishkek, Kyrgyzstan.

January 19, 2004 – February 4, 2004 – Fieldwork conducted in Cholpon-Ata and other communities on the North Shore of Lake Issyk-Kul, Issyk-Kul Oblast, Kyrgyzstan.

February 4, 2004 – April 2, 2004 – Fieldwork conducted in Karakol and other communities on the South Shore of Lake Issyk-Kul, Issyk-Kul Oblast, Kyrgyzstan.

April 2, 2004 – May 1, 2004 – Additional Fieldwork conducted in Rakhmanov Springs and Lake Markakol, East Kazakhstan Oblast, Kazakhstan.

I employed the following methods in collecting the data used in this research: (1) interviews with state officials, officials from international development agencies, local NGOs, managers of transnational firms, owners of local firms, and employees of both; (2) focus groups with employees and subcontractors of transnational and local firms; (3) observations of daily life in the communities where I was conducting my research; and (4) collection of supplementary archival data. This primarily consisted of statistical information from national statistical committees. But I also collected relevant newspaper articles, policy documents, and reports from state agencies, local NGOs, and international development agencies.

These research methods complimented each other, allowing for increased reliability and validity through triangulation. For example, I learned more about the perceived and actual impact of a community-based tourism development program when questions about the program were asked of those who developed the plan (through development agencies at the policy level), those who are implementing the plan (such as development agencies and businesses at the sectoral level) and those involved in the program at the ground level (the prospective employees and subcontractors).

Reliability is difficult to achieve when performing qualitative fieldwork. However, the use of multiple data sources (interviews, statistical data, focus groups, and observations) from multiple levels (state and policy level, sectoral level, and community level) increased the reliability of my findings in that the data from my observations, interviews, and focus groups joined together to confirm one another. One example of this is how a particular issue regarding tourism in East Kazakhstan surfaced in my study. I asked interview subjects from the village of Urunkhayka in Kazakhstan to identify factors that they feel limits tourism visitation to their community. They named a number of factors, many of which were also identified by tour operators from Ust-Kamenogorsk who bring tourists to the village. One of these factors was the special permits required of all visitors wishing going to border zone destinations like Urunhayka. Horseback and trekking guides from the village identified this issue as well during focus groups I conducted a few months later. The impact of permits also arose through my observations, as I was forced to wait several weeks before being issued a permit to venture to Urunkhayka. In all instances, be it through focus groups with employees or interviews with subcontractors and tourism entrepreneurs, the utility of border permits to Kazakhstan as a whole was questioned, and considered minimal at best.

Validity is considered somewhat easier to achieve in the field, as one is taking objective information and gathering comparable insights from individuals who are actually living the process being examined. Other qualitative researchers have pointed out (Black, 1993; Creswell, 1994; Kirk and Miller, 1996) just how attainable validity can be through fieldwork. Smithey (2002) spoke of how he continually adjusted his research design – including his methods, his respondents, and even his venues – as well as his

theoretical approach to enhance the validity of his findings. I found myself doing the same during my tenure in the field. I adjusted my theory to include the role of international organizations and increased the impact that state policy actually has on tourism development. In doing so, my interview subjects increased to include NGO, IGO, and development agency officials. My questioning protocol changed as well. In doing this, I gained a greater understanding of overall tourism development, the role and intentions of policy makers, and the impact of these factors on communities.

Interview and focus group subjects at all three levels were selected purposively. At the state/policy level, the key informants were individuals who officially represented state, international, and local agencies that promoted or shaped tourism development policies in the two cases I was examining. At the sectoral level, I was allowed a certain degree of leeway in that several local ventures operate in each venue. I selected owners of a diverse set of firms that offered a variety of services and had a diverse clientele base. The sectoral level interviews also include managers of two transnational hotels, one each in Kazakhstan and Kyrgyzstan. At the community level, interviews and focus groups were conducted primarily with workers who are employed directly by the firms involved at the sectoral level of my tri-level model. Also included at the employee level were interviews with subcontractors who offered their services to several firms or directly to tourists.

Below I give detailed information regarding the four research methods I employed:

Interviews

Weiss (1994) assessed that the utility of interviews as a method for collecting data stems from the ability of the researcher to access the observations of others. I agree with this assessment, and add to it that observations include personal experiences with and opinions of the phenomena being studied. This is important in a tri-level study like that presented here. My research design called for interviews with subjects involved at various levels of tourism and tourism development. For example, asking a question about effectiveness of a particular biodiversity program being initiated in the Kazakh Altai that involves actors at all three levels from the tri-level model can generate responses that vary widely across the three levels. Policy level officials might express their pleasure over the direction that the program is going, the response of local communities, and their confidence that the program will meet its goals. Sectoral and employee level interviews, on the other hand might generate responses regarding the ineffectiveness of the program, the lack of communication between those on the ground and those in control, the impact of a lack of funding, and the unrealistic goals of the program.

At three different levels, two very different perceptions about the same event emerge. Their observations are important, but so too is their experience as players in the same event. Their opinions vary based on where they exist in the event hierarchy. This is significant when dealing with issues of globalization, where outside global forces have an important impact on an issue like local development.

Interviews at the policy level were conducted with two different actors: state officials and officials from international development agencies in both countries⁵. Unforeseen problems occurred with the state interviews in Kazakhstan that could not be

resolved. My original proposal called for interviews with officials from the Agency for Tourism and Sport, the Agency for Economic Planning, and the Ministry of Natural Resources and Environmental Protection. These interviews were important because these three bodies are directly involved in particular aspects of tourism development. The Agency for Tourism and Sport is given the duty of developing and steering tourism policy and legislation. The Agency for Economic Planning has the role of securing foreign investments reviewed and approved by the State Agency of Investments (an arm of the Ministry of Foreign Affairs), including investments in the tourism sector. The Ministry of Natural Resources and Environmental Protection is responsible for all national parks and *zapovedniki*⁶. Two important protected areas are located in East Kazakhstan and draw the majority of international tourists visiting the oblast.

During the one and a half months I spent doing research in Almaty, Kazakhstan, I repeatedly attempted to arrange appointments with officials from these state bodies. I enlisted the support of members of academia and business in Almaty who were assisting me with other aspects of my research. Despite official letters from myself stating the goal of my research and the specific questions I would be asking, I was only able to secure an appointment with the Chairman of the Agency for Tourism and Sport. However, my first scheduled appointment with him on November 21st was cancelled and I was informed that he would be available the following day. When I returned to his Almaty office the next day, he was again unavailable and out of Almaty. I attempted to

⁶ A *zapovednik* is a specially protected nature preserve. They were originally established during the Soviet era and exist throughout the former Soviet Union. Most *zapovedniki* were retained by the newly independent republics. Typically they compose a smaller geographic area than national parks and are centered around a specific physical feature. Officially they are considered a higher status protected body than national parks. However, they do not necessarily receive more funding.

secure two more appointments at the end of the month. Both of these were arranged but again cancelled by the chairman. Two more appointments during the last week of my research in Almaty were arranged but again cancelled.

In the end, I was unable to arrange a meeting with the chairman. These incidences, when combined with other data gathered in the course of this research, turned out to be useful to my study. During an interview with an official from a local NGO concerned with tourism development, I stated my intention to interview an official from the Agency for Tourism and Sport. In a quite sarcastic tone, he said simply “good luck”. He stated that interviews and just simple correspondence with the Agency are difficult. According to him, the Agency does not take tourism development serious. He listed a wealth of evidence of this. His statements were echoed by officials from other development organizations I interviewed in Kazakhstan as well as by subjects involved in the sectoral level interviews. It indicated a lack of engagement on the part of the State. This emerges as a central theme in Chapter Six where I examine the role of the government in tourism development more closely.

In contrast, all policy level interviews I proposed in Kyrgyzstan were realized. These interviews were with officials from the State Committee of Tourism, Sport, and Youth Policy, the State Committee on Property and Direct investment, and the State Forestry Service. Like their Kazakhstani counterparts, these bodies are involved in specific aspects of tourism development. The State Committee of Tourism, Sport, and Youth Policy, helps develop policy and enforce legislation for the tourism sphere and works in conjunction with international agencies interested in developing tourism in Kyrgyzstan. The State Committee on Property and Direct Investment works to promote

investment in Kyrgyzstan, with a special emphasis on the tourism industry. Part of their mandate is to work on issues of infrastructure where specific foreign investments are going to take place. The State Forestry Service maintains all specially protected areas within Kyrgyzstan, including national parks and *zapovedniki*. They also work in conjunction with international organizations attempting to assist in the establishment of additional protected areas within Kyrgyzstan. An example of this is attempts to establish a biosphere around Lake Issyk-Kul, with funding and technical and administrative assistance from UNESCO and the German international development agency GTZ.

Policy level interviews were also conducted with officials from the oblast governments. These were primarily with the Agency for Tourism and Sport from each case. These interviews were important in that they showed the different degree of autonomy that exists among oblasts in each country. While in one case the Agency can only dictate the policy of the national body, in the other case the oblast agency is allowed to work directly with tourism service providers and development agencies to foster the industry locally.

Interviews with officials from intergovernmental and international development agencies occurred in both the administrative centers of each country and in the two oblasts. Like so many developing countries, a vast number of international organizations are at work in Kyrgyzstan and Kazakhstan. The groups I was interested in were those that were specifically involved in tourism development in some way in the two cases I investigated. In general, most of these organizations are involved in tourism promotion projects, eco education and ecotourism programs, and biodiversity programs. They range from United Nations affiliated agencies to country specific organizations.

In Kazakhstan, I interviewed officials from the following organizations:

In Almaty:

- (1) The Eurasia Fund – an affiliate of the USAID that is establishing an ecotourism and eco-education program in conjunction with local tourism service providers in East Kazakhstan.
- (2) The Peace Corp – a volunteer organization based in the United States. This agency is supplying volunteers to local NGOs attempting to promote community-based tourism in rural villages.
- (3) United Nations Development Program (UNDP) – This organization is involved in a high profile, heavily funded, transboundary biodiversity program in the Altai-Sayan region of Kazakhstan, Russia, Mongolia, and China. Part of the sustainable development aspect of this project is developing community-based tourism in the rural villages of the Altai-Sayan region. The Altai-Sayan Project is funded by the Global Environmental Facility (GEF – an environmental arm of the World Bank) and co-managed by the World Wildlife Fund (WWF).
- (4) United Nations Educational, Scientific, and Cultural Organization (UNESCO) – UNESCO has initiated a project entitled “Development of Cultural and Ecotourism in the Mountainous Regions of Central and South Asia.” The key objective of the project is poverty reduction for mountain peoples through sustainable development, primarily ecotourism.
- (5) Kazakhstan Mountaineering Federation (KMF) – This local NGO is an implementing agent of the UNESCO project described above. They operate

primarily in the Tian Shan Range of Kazakhstan and are involved in ecological education and ecotourism education of villagers.

- (6) Eco-Altai– a local NGO primarily involved in environmental protection, eco - education, and sustainable development in the Kazakh Altai with funding from a diverse set of international sources. It is directed by a part owner of a community-based tourism firm that operates out of Ust-Kamenogorsk in East Kazakhstan Oblast.

As a supplement this data, I attended a two day seminar for ecologically-oriented NGOs based in Kazakhstan. This was not planned in my original proposal, but was rather an opportunity that arose while I was in the field. The seminar was organized with an educational format, the goal of which was to help attending members develop strategies, seek out funding and partnerships, build membership, and determine proper lobbying targets. The seminar highlighted the growth of civil society and social and environmental concern in the region, but it also illustrated the fragility of concerned groups when operating under a command-oriented government.

In Kyrgyzstan, my interviews with organization officials where conducted in the capital of Bishkek and in Karakol, the administrative center of Issyk-Kul Oblast. The following organizations were interviewed:

- (1) *Gesellschaft fur Technische Zusammenarbeit* (GTZ) – a German development assistance organization. They are the main sponsor and assistance provider for the Issyk-Kul Biosphere project currently underway in Kyrgyzstan. GTZ works with other development agencies, local NGOs and community members, and the State Forestry Service

- (2) Helvetas – a Swiss-based development agency which has initiated a community-based tourism program throughout Kyrgyzstan, with a special emphasis placed on Issyk-Kul.
- (3) Pragma Corporation – Pragma is an implementing arm of USAID. Through their “Enterprise Development Project”, Pragma provides business training and advisory services, quality management services, and accounting reform services to locally owned tourism ventures through classes, seminars, and one-on-one free consultations.
- (4) Kyrgyzstan Community-Based Tourism Association (KCBTA) – this group, with funding from Helvetas, provides: (a) planning and marketing for tourism; (b) works with experts in the field of CBT to produce better community-based tourism services in Kyrgyzstan; and (c) arrange events that can draw a greater number of tourists to local destinations. They work closely with small guesthouses and cultural performers in Issyk-Kul
- (5) TACIS – TACIS is a development agency affiliated with the European Union. They fund a project entitled “Regional Development Issyk-Kul” (RDIK), the goal of which is poverty alleviation for rural communities. TACIS provides hospitality training, advertising and marketing for guesthouse operators and small and medium sized tourism service providers. They have established a Tourism Information Center in the town of Karakol.
- (6) NGO Leader – A dynamic local NGO located in Karakol and funded by USAID, the Soros Foundation, IREX, and the Kumtor Operating Company (a Canadian mineral extraction company that operates in Issyk-Kul). NGO

Leader provides eco-education for the youth in the Issyk-Kul region and have established the Youth Mountain Club, which provides training in mountaineering skills to local children, including first aid.

The interviews with sectoral level and community level respondents were conducted in a diverse set of venues. Most interviews with managers of transnational firms occurred in Bishkek and Almaty. The one exception here is a Kazakh owned upscale resort hotel on the shore of Lake Issyk-Kul. Interviews with the managers of local tourism ventures took place in the two gateway cities of Ust-Kamenogorsk in East Kazakhstan and Karakol in Issyk-Kul Oblast. Employee and subcontractor interviews took place in various small villages and towns throughout the two oblasts, including Ust-Kamenogorsk and Karakol. I designed my sectoral and community level interviews to better identify differences in the relationship of businesses and employees with the state, relevant development agencies, employees, subcontractors, and the surrounding communities as a whole. All subjects signed consent forms that were written in Russian and assured that their identities would be protected. Throughout this dissertation, I use pseudonyms in place the actual names of businesses, managers, and employees. In all cases, the interviews were recorded. Interviews typically took between eighty and ninety minutes.

Below is a table outlining the subjects I interviewed from the sectoral and community level:

My questioning protocol differed between sectoral and community level respondents. Those questions are listed under Appendix A. The questions acted as a loose guide and were not strictly adhered to. They were designed to be open ended and

Table 1 Sectoral and Community Level Interviews

Location	Manager- Trannational Firm	Manager-local firm	employees and Subcontractors	Guesthouse Owners
Almaty	2	0	0	0
Bishkek	2	0	0	0
Ust- Kemenogorsk	0	2	1	0
Karakol	0	2	8	4
Bastori	1	0	4	2
Issyk-Kul countryside	0	0	3	0
Altai countryside	0	0	8	0
Total	5	4	24	6

Total of all interviews: 39

enhance exploration into possible answers that I as a researcher had not considered. This proved to be a useful tactic and lead me to important elements involved in tourism and biodiversity in these venues. For example, upon asking one local tourism firm owner how he operates during the off-season, he explained to me that he and his business takes part in conservation projects with international organizations, and that he receives a small albeit important form of supplemental income for his participation. This answer, given during one of my first interviews of my research, pointed me towards the important role development agencies play in these regions, and how local tourism ventures are closely linked to them. It also highlighted a particular coping mechanism some firms employ to whether the tough economic times that occur during the off-season.

Additionally, I interviewed a tourism faculty member from Turan University in Almaty. This interview provided me rich information on tourism from a more academic standpoint. Issues the subject discussed included problems with tourism indicators in Kazakhstan, the training of Kazakhstanis for managerial positions and business ownership, and the lag in infrastructure and quality facilities in non-urban centers.

Focus Groups

Typically, focus groups are conducted to fine tune survey and interview questions involved in a larger research project, or to identify emerging themes in a particular phenomenon being studied that the researcher may not have considered. But it is also a useful tool to obtain raw but highly informative data when investigating specific issues. My focus groups consisted strictly of employees and contractors. They took place in three communities that received high seasonal tourist traffic. In East Kazakhstan Oblast, I conducted a focus group with seven subcontractors in the village of Urunhayka in Lake Marakol *Zapovednik*. All respondents were from the village or from one of the three smaller villages that surround the lake. They ranged in age from 24 to 49, all were male, and were ethnically diverse, consisting of five Kazakhs and two Russians. The respondents were either guides (trekking or horseback), supplied horses for tourists and guides, or housed tourists in an “unofficial” guesthouse. I classify them as subcontractors because they lease out their services to one of three tourism services based in Ust-Kamenogorsk who bring clients to the lake during the summer season. They do not lease their services directly to tourists.

The two remaining focus groups took place in Karakol, Issyk-Kul Oblast. The subjects were all employed directly by one of two locally based firms, although they did at times work for other firms during the season when their primary employer did not have work available. One was with a group of six porters. These individuals ranged in age from 18 to 24, all were males, and were ethnically diverse, consisting of Russians, Kyrgyz, a Tajik, and a Tartar. All have been employed with their primary employer between two and three years. As porters, their job consists of carrying camping gear, cooking gear, and the personal items of tourists on trekking and climbing expeditions.

The other focus group took place with four trekking and climbing guides. Their primary employer was different from the one who employed porters involved in the other focus group. But like the porters, these subjects did work for other tourism firms when their primary employer did not have work available. All the subjects were between the age of 16 and 24, all were males, and were ethnically diverse, consisting of Russian and Kyrgyz. All have worked for their primary employer between one and five years.

These focus group subjects were purposively selected. I was introduced to them by their employers, who were also subjects involved in the sectoral level interviews. I explained to them the purpose of my research, what questions would be asked, the confidentiality of their responses, and how their responses would be used. The focus group session in Lake Markakol took place in the private home of an employee who I was renting a yurt from. No assistant accompanied me for this focus group session. In Karakol, both focus groups took place on the campus of Karakol State University, in a room provided by the tourism faculty⁷. For these focus groups, I employed an assistant who was a tourism student at Karakol State University and an intern at the Tourism Information Center funded by TACIS. Each session was initially intended to last between seventy five and ninety minutes, but I found all of them to go a bit longer, between 100 and 105 minutes. All the subjects for the focus groups were selected because they were involved in the primary types of tourism services that exist in the destinations where they work and live.

The theme of each session was not overly specific, but nor were they over diverse. The questioning protocol was established to explore the respondents' perception of their

⁷ In exchange for the use of the room, I guest lectured for one of his courses, the topic of which was my research and theories of tourism development.

employer, their clientele, international organizations, the government, and the impact of tourism on their community and the surrounding environment. Their participation gives a broad representation of the employees in the local tourism market. By separating the subjects into specific employment categories (for example, porters, climbing and trekking guides in a diverse setting, and horseback and trekking guides in a precise setting), I could ask questions that allowed them to more accurately reflect shared experiences, because they were among subjects with similar backgrounds in a specific occupation. Focus group responses shed light on the experience of community members involved in tourism and how the industry influences their daily lives, the workings of their community, and the surrounding ecosystem.

Observations

Direct observation assisted me in identifying aspects everyday life in the communities I examined, including the similarities and differences in the experiences of each community. This provides an all important background for the study. From observations, I learned of the physically strenuous work guides and porters are involved in, the isolation of many of the more distant communities and the lack of development there in, the extreme differences in development between the enclaved resorts on Lake Issyk-Kul and the small villages less than one hundred meters away that supply the labor, and the harsh economic environment under which many of the small businesses operate. My observations also assisted me in developing deeper conversations and more exact questions with my interview and focus groups subjects. Direct observation involved weekly visits to markets and bazaars, attending *manaschi* performances⁸, watching

⁸ A *manaschi* is a narrator who recites verses from the oral Kyrgyz epic *Manas*. *Manas* is a story of the founding and establishment of the Kyrgyz nation in the 10th and 11th centuries. The recitals can go

falconry demonstrations, attending the annual *Noorus* festival in Karakol, visiting tourism facilities, and living in standard apartments with inconsistent water, electricity, heat, and trash removal.

Archival Research

My archival research consisted primarily of collecting statistical tourism and general development data from the respective national statistical committees. The data was fairly accessible and much of it was digitalized and could be downloaded onto disks at the facilities for nominal fees. Much of the data was extensive, but I have found that some of the data provided by Kyrgyzstan is not necessarily provided by Kazakhstan and vice versa. Furthermore, not all of the data is taken down to the oblast or rayon level. This confirms the problems mentioned by officials from the State Committee for Tourism, Sport, and Youth Policy, who stated that one of their goals is establishing stronger indicators and collection methods. I also collected reports from the different state offices, international organizations, and development agencies involved in this study. At the sectoral level, I collected advertisements and flyers from the businesses involved. There were also relevant newspapers articles from Bishkek, Almaty, Karakol, and Ust-Kamenogorsk. Most articles were in regard to statements made by officials from the government, including the presidents of Kazakhstan and Kyrgyzstan.

Data Organization

on for hours and can be highly emotional for both the narrator (who wears elaborate traditional dress for the performance) and those who are very familiar with the tale. Attempts are being made to put *Manas* down on paper, but for the most part, it is an oral tradition. It is recognized as one of the lengthiest and most sophisticated oral tales in existence, despite the fact that much of it has been lost throughout history (Stewart and Weldon, 2002).

All transcription of the 59 total interviews and focus groups were preformed by myself. The majority of these occurred immediately following each session, either that evening or the following day. The exceptions were eight interviews and one focus group that occurred in extremely isolated destinations that had either no or minimal power outlets for my laptop. During those sessions, I used my laptop only for writing field notes. I transcribed these sessions upon my return to the administrative centers. Although transcribing each session myself allowed me to reflect further on the data the emerged, and despite the fact that I became much more efficient with each transcription, I found the process tedious and extremely time consuming. In retrospect, it would have been much easier for me to have hired transcribers while I was in the administrative centers of the countries or oblasts. I also used a rather dated recording device, despite the fact that digitalized recorders were available before I departed. These are two factors that I will certainly reconsider for future research.

Throughout the course of my research, I kept relatively meticulous field notes. Through these notes, I recorded my initial and changing perceptions about each venue where I conducted my research, and thoughts on my conversations with the subjects involved in the interviews and focus groups. Approximately seventy field note entries were made consisting of a total of 110 typed, single-spaced pages. The notes were divided based on the venue where they took place. Six times I emailed a synopsis of my field note back to my committee to inform them of my findings and problems I was experiencing. From these notes I would receive valuable feedback from my committee which often guided my research further.

All transcribed data and field notes were transformed into *Word Perfect* documents using a standard portable notebook. This simple software allowed for easy transcription, data storage, and filing. *Microsoft Access* was used to organize the data, such as demographics, names, pseudonyms, and other identifying information. The most useful (and costly) of the research software employed was NUD*IST qualitative research software, version N6. This powerful organization and analysis tool was used to organize data through a coding scheme based on themes and venues involved in this research.

Note from the Field: Challenges and the Research Experience

During my time as a graduate student I have had experience doing both quantitative and qualitative research, both in the classroom, in training, and in real world situations. I can firmly say that, while I gained much by way of knowledge from this practice, nothing amounted to more of an overall learning experience than the eight to nine months I spent in the field performing this dissertation research. At times, there were certainly learn-on-the-fly situations. But, although I experienced difficulties, I found myself becoming comfortable with my research and the research process. The tension of lining up an interview and then meeting with a state official had disappeared by the final months while I was abroad. Approaching a single family settlement alone to interview the patriarch about his experiences with tourists during the summer became common place. And learning that knowledge of horsemanship (something I developed in my native Wyoming) could go a long way in building a relationship with a subject led me to employing that skill as often as the opportunity presented itself.

Perhaps the most challenging, yet at the same time, stimulating part of my research experience was being faced with emerging findings that would force me to

adjust my theory, methods, and data sources. This was a possibility that my committee had warned me about. Key among these findings was the importance of international organizations, particularly development agencies, to sustainable rural development through biodiversity programs that included community-based tourism as critical component. Their unique involvement in tourism meant that they had a crossover effect – they took the role of a policy actor in that they established tourism development programs, often in conjunction with the State or state agents, but at the same time worked closely with tourism firms and employees through training programs, advertising, and marketing. This was challenging because not only did I have to adjust my data sources to include interviews with officials from international organizations and the local NGOs they frequently worked with, I also had to adjust my theory to consider their impact on tourism development from the policy level, and the possibility that they existed at both the policy level and sectoral level at the same time. Yet this was also exciting because it was, for me, a new factor that I had not considered yet seemed to have a fit in my argument: they were an international actor like transnational firm, they differed from transnationals in that they were mission driven as opposed to profit driven, and they worked closely within and between the three levels of my theoretical model.

Field sites produced challenges for data collection, but also were challenging in terms of defining the term “community”. Settlements in East Kazakhstan and Issyk-Kul are diverse. There are gateway communities – Ust-Kamenogorsk and Karakol – which act as jumping off points for tourists and bases for local firms. But there are also destination towns and villages – Urunhayka, Rakhmanov Springs, and Cholpon-Ata. This is not to mention the score of smaller settlements throughout the oblasts that act as

suppliers of the labor force and also receive visitors throughout the summer season. When taken as a whole, these communities range in size from 275 thousand to single family herding plots with a maximum of eight people. Experiences in such a diverse group of settlements are not the same and they are impacted by tourism differently. While in the field, I attempted to highlight these differences in my field notes. I attempt to do the same throughout this dissertation.

My living arrangements were as diverse as the settings where I performed my research. In the urban centers and gateway communities, short stays usually required living in inexpensive hotels, while longer stays (typically in Almaty, Bishkek, and Karakol) required living in private, rented apartments. In the isolated venues, I would most often rent a room or bed from a family, or I would rent a private yurt that families sometimes had set up as guest quarters for visitors.

Earlier I touched on how some of the field sites could produce technical challenges. There were physical challenges attached to them as well. Their remoteness made travel extremely difficult, especially in the winter. Travel by road for some of them was impossible, which required me to proceed on skis. For most of these, I would hire a guide for the first visit, and then go alone if subsequent visits were required. Traveling via skis was not necessarily common place for this research, but it certainly was a key component of my travel to access some of the most remote sites. In Kazakhstan, I traveled twice via skis to Lake Markakol to perform follow up interviews and a focus group. In Kyrgyzstan, I used my skis five times to access research sites in the Terskey Ala-Too and Sary Jas Ranges. Skiing distances ranged in length from a maximum of twenty four kilometers to a minimum of eleven kilometers. In addition to this, there were

times when trekking was necessary to reach research sites as well as tourist sites that were commonly visited during the summer months. Their distances ranged between 24 kilometers and four kilometers. During my eight to nine months in the field, I lost approximately 16 pounds. This was no doubt a combination of elevation, cold temperatures and the physical exertion required to reach these sites during the winter.

In the end, I cannot stress enough the importance of immersion and habitation within the field and its overall contribution to this study. I have not thought of observations as a critical piece to multifaceted research. However, I now see observations in a new light. They were very important for my study giving it a rich background that could be obtained in no other way. My daily life in the field gave me insight as to the daily working of the people and the communities as a whole. The two week tourist has certain perceptions they gain from their experience while in the destination. These perceptions can vary greatly from those of the locals who call the destination home. This is something that I will touch on throughout the body of this dissertation.

Chapter Five

Tourism, Development, and the Role of the State

Through a review of previous literature and research, specifically the work of Clancy (2001) and Poirier and Wright (1993), I have demonstrated that state capacity for developing the tourism sector of its economy is enhanced by a clear, specific policy that can evolve to take into account emergent factors. In the Mexican case, Clancy illustrated that state capacity can be further advanced through the inclusion of a diverse set of actors both within the government and in the private sector. There are extreme cases, such as the strict control approach taken by Bhutan, which itself was a reaction to the costs of Nepal's *laissez faire* approach. The literature further suggests that state options for development are diverse. They can directly assist the local industry through either public private partnerships or limiting outside involvement to allow locals to dominate. A state can also take transnational investment into account. Such parties can be involved through the provision of incentives, or the state can prescribe specific development requirements on investors in order for them to take part. Investigations of more recent tourism development projects have highlighted the importance of an additional actor: international development agencies.

The path a state takes toward development is dictated by external factors, of which the primary one, and the one I will deal with in this chapter, is economic. Specifically, I am speaking about 1) the economic position and strength of the country, and 2) the economic potential of the sector in question in comparison to other areas with development potential. Sectoral potential and a country's economic position are in large part determined by geographic and environmental contexts – physical isolation, physical

connections with neighbors or countries in other parts of the world, and possession or lack of possession of particular resources. These elements and the role they play will be discussed further in chapters VI and VII.

The economic position of a country can be measured by factors such as per capita GDP, global demand for the resources it possesses, and the ability of the state to negotiate successfully with foreign investors. The economic potential of a sector can be measured by the global and national demand of the goods produced within that sector, as well as current rates of sectoral growth. These factors are significant determinants in how much of the government's resources will be devoted to a particular sector and play a role in how transnational and local investors will be involved. They play a role in what niches within the industry will receive most attention. And lastly, sector potential and economic position influence the involvement of national and international organizations.

To better illustrate the effect of state development capacity on emerging industries, I examine the role of the government in Kazakhstan and Kyrgyzstan in developing the tourism sector of their respective economies. These states play surprisingly divergent roles. In Kyrgyzstan, the resource poor, sparsely populated country of extreme landscape that I briefly introduced in Chapter I, the state plays an active role in tourism development and promotion. It has developed a clear, extensive, and evolving policy that involves the private sector and a wide variety of international organizations. Its policy and policy outcomes are highly dependent on its precarious economic position, geography, and the potential of the industry. Kazakhstan, the resource rich country in our study, takes an inactive approach. The state has no clear or specific policy toward the development of its tourism industry. There are limited

transnational investments stemming from several factors, not least of which are burdensome performance requirements. Transnational firms are further hindered by lagging tourism specific infrastructure at key destinations, and unconstructive travel barriers, factors that also impact local firms. Like the Kyrgyz Republic, Kazakhstan's policy toward tourism is shaped by its economic position, a position that is relatively strong in comparison to most post-Soviet states due its possession of abundant oil and natural gas reserves. These factors make Kazakhstan less reliant on tourism as a development tool, despite the potential of the industry within its borders.

What I highlight in this chapter is that state development policy is strongly correlated with the geographic and economic context of each case, regardless of the comparative advantage of the industry that may exist within the respective countries. A geographically and economically constrained state may have to solicit outside assistance to develop a high potential industry. Conversely, a state that is less hindered by its geography and general economy can allow additive industries to develop part-and-parcel of more primary economic sectors. I investigate the policy of each government individually, highlighting documented policy and pertinent information derived from key informant interviews. The data from draws attention to the problems the industry faces at the policy level, as well as the perception of the State's job performance at developing the tourism sector.

Kazakhstan

History and geography has been relatively benevolent to Kazakhstan. 300 years of Imperial and Soviet domination undoubtedly caused irreparable damage not dissimilar to that experienced by other former colonies across the developing world, but it also left

the country with a highly educated labor force and relatively strong social and general infrastructure. It is crisscrossed by paved highways and railroads. Natural resources are abundant and exploited to their fullest. Mining is a traditionally strong and continually growing industry. Situated at the heart of the Great Eurasian Steppe, Kazakhstan has in the past been an agricultural giant. Since 2000, the country has shown dramatic gains in the production of wheat and livestock, the two main pieces of the agricultural sector⁹.

But overshadowing all of this is Kazakhstan's possession of rich oil and natural gas reserves. The massive fields at Tengiz, Kumkol, and Kashagan, along with half a dozen smaller fields, produced over 360 billion barrels of petrochemical energy products for global consumption in 2003. Oil and natural gas alone has led to a wealth of investment and technical support from multinational conglomerates, helping to vault Kazakhstan's annual GDP to \$29.7 billion in 2003 in a region that averaged \$9.8 billion in the same year. Kazakhstan is in a unique position enjoyed by few former Soviet republics. Its vast resources, interconnectedness with influential neighbors and relatively stable economy has put the country well on the path toward greater development.

With so many options and with such a strong economic position, tourism ranks low on the Government's development radar. This is despite the fact that the industry has strong potential. The Kazakh Altai and the Northern Tian Shan Range provide opportunities for ecological and adventure oriented tourism. Kazakh Turkistan, on the border with Uzbekistan to the south, is home to the country's richest Islamic sites. And throughout much of rural Kazakhstan, traditional nomadic lifestyle offers prospects for

⁹ Agriculture accounted for 10.9 percent of Kazakhstan's GDP in 2003. Gross agricultural output was about \$2.8 billion, with grains share approximately 25 percent. Gross agricultural output in the first 6 months of 2004 showed a 16 percent increase as compared with the corresponding period of the previous year and totaled \$2.33 billion so far.

cultural tourism. Tourism potential extends to infrastructure. As one of the cosmopolitan centers of Central Asia, Almaty is well connected via air routes with regions of high tourism streams, especially Europe and Asia. Two major rail routes connect Kazakhstan with the heavily traveled Trans-Siberian railroad to the north and in 2003, a railroad opened that connects Kazakhstan with China. But with large reserves of a lucrative resource with high global demand, tourism, like many sectors with tremendous possibilities, receives little attention.

The actions of the Government suggest that it remains inactive in the development of what they consider non-priority industries for the country. Oil and natural gas has the ability to seriously drive the national economy, which in turn will lead to the further development of other sectors. The continuing enhancement of infrastructure and the transfer of technological knowledge occurring within the oil industry can be used within and by other sectors. What is more, investments in the primary sectors of the economy can be used to draw in investments to develop other sectors. Tourism itself is a primary example of this model, and there is evidence of it occurring in Kazakhstan. Upscale, foreign-owned and operated hotels in Almaty, Astana, and the “oil cities” in the western part of the country have been constructed to service the expatriate business class. There is talk of renovating the roads and airports in oil cities to better link them to Astana and Almaty¹⁰. And the ideas for the construction and renovation of ski resorts in the Tian Shan Mountains is in large part due to belief that expat businessmen and the growing middle class in Kazakhstan will be principle users.

¹⁰ A recently completed highway running the 1,600 km from Almaty to Astana is recognized as the best and most advance road in Central Asia today.

The government has an Agency for Tourism and Sport responsible for policy development and implementation. Five and ten year plans have been proposed several times. The Agency also hosts seminars and workshops with industry specialists and business leaders in the country. Yet these same specialists and leaders continually complain about the substantial lack of effort by the State. The most common criticisms are: (1) the lack of any kind of clear policy, (2) arduous barriers to free movement, (3) a difficult investment environment, and (4) a lag in tourism specific infrastructure.

State Involvement: Vague Policies and Burdensome Barriers

Elena Snyegyova is the director of the East Kazakhstan Agency for Tourism and Sport. The principle role of her agency is to act as an implementing arm of the national body for the East Kazakhstan Oblast. Finances come directly from the national Agency for Tourism and Sport and can only be used to maintain facilities and personnel and fund specific types of advertising. Each oblast agency assists in the marketing of tourism within the oblast they represent. In East Kazakhstan, the Agency directs most of its marketing funds towards regional festivals and to funding local businesses' participation at international tourism exhibitions. These funds, however, are limited. For example, the largest tourism event in East Kazakhstan is the annual Belukha Festival every August. The East Kazakhstan Agency only provides money for brochures and part of the Festival's web site. Most of the resources are provided by participating local businesses. At the ITB Exhibition held every March in Berlin, Germany, the Agency pays for booth space for select businesses from the region, but all transportation costs must be covered by the businesses.

The national body's basic function is to provide a platform for planning and enhancing tourism nationwide. Currently the Agency is working under a three year development plan that simply calls for "the development of all aspects of tourism within the Republic of Kazakhstan". Snyegyova readily admits that the present policy is far too broad to be effective. But her chief concern is that the national Agency doesn't take into account the diversity of Kazakhstan's tourism sites. The Kazakh Altai and the Tian Shans are uniquely different from Kazakh Turkistan or Lake Balkash. More importantly, these sites have different problems that require solutions specific to each individual site. Regionally specific problems, according to Snyegyova, can best be addressed by regional bodies. Unfortunately, the national body does not provide the regional bodies with the resources, nor the mandate, to address these problems. For her, the greatest problems facing the industry in Kazakhstan are sagging tourism infrastructure, and barriers to the free movement of visitors to Kazakhstan. For East Kazakhstan, this last issue takes on both a national and regional character.

Barriers to the free movement of travelers in the Republic of Kazakhstan represent the most harshly criticized aspect of State policy by the tourism industry as a whole. For travelers coming from desirable points of origin, such as North America, Europe, and East Asia, visa requirements are at best difficult when compared with competing destinations. A single entry tourist visa for a citizen of the United States cost 105 dollars and applicants must submit their passports to a consulate or embassy of Kazakhstan with a written statement describing the purpose of the trip. Visas cannot be extended once inside the country. After arriving, visitors must register their visas within five days. Registration fees through travel agencies cost an average of 30 dollars and can

take upwards of five days to process. In addition to this, travelers are required to have their passports on their person at all times and they must reregister at additional destinations within Kazakhstan if their stay is longer than five days.

These barriers influence tourism throughout the entire country. But as Snyegyova commented, each site within Kazakhstan has its own problematic issues that are unique and separate from the larger national problems. For East Kazakhstan, the issue is the international border with China and Russia. Mt. Belukha is one of the primary destinations for visitors to the Kazakh Altai. It draws thousands of tourists every year. Some go to climb one of the twin peaks, but most are simply trekking up to and camping at one of the two base camps. The mountain is just across the border in Russia, and part of it straddles the border. The most scenic and easily accessible side of the Belukha faces the Kazakh side. But to actually reach the mountain and the base camps from the Kazakhstan side requires crossing the Russian border. Visitors would have to have a Russian visa to do this, but to make matters more complicated and more expensive, they would also have to possess a double entry visa to cross back into Kazakhstan.

A more pressing border issue concerns the requirement of special border zone permits for destinations within 50 kilometers of international borders. These zones are considered special security areas by the Ministry of Defense. Travel within these zones by visitors is allowed, but strictly regulated. Visitors must pay an additional fee of 30 dollars for permits that take at least 40 days to process officially. The two most popular destinations in the Kazakh Altai, Lake Markakol and Rakhmanov Springs (from where trekking tours to Belukha originate) are within these zones. Local firms complain that the red tape – visas, registration, and special permits – visitors must navigate through is

so overwhelming, even with the assistance of local travel agencies, which it has led to a loss of clientele.

To my mind, if we want to develop tourism, it shouldn't matter about these border zones with China and Russia. I can understand a permit, but these permits we should be able to do in one or two days. Not forty or forty five. This is a big problem for us. Sometimes, we will have an interested party in France or Holland. And they only have two weeks to organize their vacations because they might be on a strict schedule with their work. So for example, they will email us and say that they are interested in going to the (Rakhmanov) Springs and want to arrive here in two weeks. We have to inform them that we will have to supply their documentation to the ministry office first and it will take six weeks for their permits to arrive at our office. For these people, they will lose interest very quickly and just decide to go somewhere else. Maybe Kyrgyzstan or India (Victoria Ivanovna, Director of Tourism Management, The Springs Corp, October 2003).

Geographic location has placed East Kazakhstan in a catch-22 position. The Kazakh Altai has always been considered the frontier, even during the Imperial and Soviet eras. By remaining relatively undeveloped, it attracts tourists seeking unique cultural and ecological experiences. But as often is the case, frontiers are typically near borders. The extreme security measures taken by the State in regard to these borders acts to limit full tourism potential. Potential is further limited by difficult visa regulations, a problem that is more national in scope. The industry in Kazakhstan and East Kazakhstan Oblast have expressed their grievances over these issues directly to the Agency for Tourism and Sport with little response.

Next, we turn to a problem that concerns destinations found outside of the high traffic metropolitan sites: the lag in tourism specific infrastructure. Outside of Almaty, Astana, and Kazakhstan's oil cities of Aktobe, Aktau, and Atyrau, upscale accommodations and dining establishments are either limited or nonexistent. It is also difficult to find financial institutions that will cash travelers checks. In Ust-

Kamenogorsk, only two such banks exist. This is a problem the director of the East Kazakhstan Agency for Tourism highlighted during our interview. Improving this infrastructure could occur with greater foreign investment. However, current State policy towards foreign investment makes this possibility unlikely.

The problem of insufficient tourism infrastructure in Kazakhstan is similar to that faced by Kyrgyzstan. But Kazakhstan has an advantage in that it is well connected with Russian travelers and, more importantly, it has a growing internal tourism market that is fueled by a growing economy and a growing middle class with disposable income. These travelers do not demand, nor expect to receive what industry experts call “international standards” in service and amenities. What is more, the internal tourism market is less affected by travel barriers. The cultural insight of many service providers in Kazakhstan is better matched with this more traditional type of clientele than it is with western tourists. Kyrgyzstan’s service providers are better equipped to meet the demands of such clientele as well. However, what they lack is a growing internal market. Many visitors to destinations in Kyrgyzstan such as Lake Issyk-Kul continue to be middle and upper class Kazakhs and Russians, not citizens of Kyrgyzstan.

In Kazakhstan, the government is a key player in attracting foreign investment. Investment proposals are screened by government officials, sometimes at the highest level (OECD, 1998). The 1997 Law on State Support for Direct Investment called for investment stimulation in the following sectors:

- infrastructure (including electrical infrastructure and telecommunications);
- light manufacturing; high-yield varieties of crops, livestock, fertilizers and pesticides;
- social sector investments, including investment in the health, education, sports, and tourism sectors;
- investments connected to the transfer of the capital to Astana.

It also called for certain incentives for investment, the most important of which were:

- up to 100 percent tax relief on the first five years of the investment;
- up to 50 percent tax relief on the second five years of the investment;
- partial or full customs duty exemptions on equipment and raw materials needed for the investment.

(Source: EBRD, 2001; Umurzakov, 2003; UN SCAP, 2002)

However, the vagueness and lack of clarity of investment laws, contradictory legislation and provisions, poor implementation, and arbitrary interpretation by officials have rendered the 1997 law largely ineffective (Umurzakov, 2003). Performance requirements have consistently been amended to the 1994 Law on Foreign Investment and the 1997 law and appear to contradict several of Kazakhstan's bi-lateral investment treaties and the prerequisites of trade organizations like GATT and the WTO¹¹. These performance requirements are the result of a contract between the individual investor and the State Agency for Investments, a department under the auspices of the Ministry of Foreign Affairs. Typically, these performance requirements might include tax obligations, obligations to train local specialists, contributions to social funds or needs, Contracting local service providers, equipment, goods and raw materials, and development of surrounding infrastructure (USDC-ITA, 2001).

Performance requirements illustrate the Government's confidence in both its economic position and in its ability to dictate the terms of international investment in a way that is beneficial to the country and local communities. A recent example of the State's growing confidence was its ability to force a renegotiation of contracts in the high

¹¹ The most significant of these amendments was passed in September, 1999. This amendment requires investors to contract with Kazakhstani service providers, and to purchase Kazakhstani equipment, goods and raw materials so long as these meet the requirements for participating in government tenders. The *Republic of Kazakhstan New Law on Investment*, which further extends performance requirements.

priority industry of oil and natural gas. The most high profile of these negotiations involved the development of the Tengiz oilfields with ChevronTexaco during the Fall of 2002. The renegotiation calls for ChervonTexaco to KazMunaiGaz's (Kazakhstan's national oil company) portion of the field's development through 2005, while at the same time paying a flat tax of \$600 million USD through the same period (Cutler, 2003). A review of recent reports by investment monitoring agencies suggests that these performance requirements extend to other sectors of the economy.

Despite the 1997 Law's apparent focus on attracting investment in tourism, data from interviews with managers of foreign owned firms confirms that performance requirements are being placed on transnational investors within the sector. The most prominent of these is the requirement of foreign firms to operate as a joint venture with a Kazakhstani based firms and for a certain number of managerial positions to be filled by Kazakhstani citizens. But specific, ad hoc requirements can be placed on them as well. One upscale Turkish owned hotel in Almaty was required to build a 10,000 watt transformer to replace one that supplied significantly less power. In doing so, several more businesses in the surrounding area have been able to receive power from this new transformer. This illustrates that investments in neglected industries like tourism are not devoid of stringent performance requirements.

An element of protectionism exists within the tourism industry. Flights to locations other than Almaty and Astana are restricted to domestic carriers only. This is something local firms have expressed moderate concern over, in that foreign travelers do not trust the safety and security provisions of Kazakhstan's domestic carriers. Their

feeling is that flights on national carriers from Europe to destinations such as Ust-Kamenogorsk would be better served by an international carrier.

When compared to the more high profile-high profit petrochemical sector, performance requirements on foreign investment in tourism cannot be considered unreasonable. However, in a growing but still precarious industry, the costs of performance requirements might be substantial enough that foreign investment is restricted only to the more secure and developed destinations such as Almaty, Astana, and the “oil cities”. Outlying areas like the Kazakh Altai, despite their potential, might be too undeveloped, making investment in these locations either undesirable or unprofitable.

A weak State policy, travel barriers, performance requirements for investors, and underdeveloped tourism infrastructure has resulted in an industry that, despite increasing growth, lacks direction and fulfillment of potential. Travel to Kazakhstan’s major cities is difficult enough for a foreign visitor. But travel to outlying destinations, those places suffering from unemployment and deficient in various kinds of infrastructure, is even more so. Insufficient tourism infrastructure, a problem cited by policy officials, association officials, and business leaders as a serious hindrance to the maximization of growth and potential, is an issue that the State does not appear willing or interested in addressing directly.

One possible resolution to this dilemma is foreign investment. But with travel barriers and performance requirements, investment in outlying areas seems unlikely. To stimulate investments into these outliers, not only would barriers need to be deconstructed, but a clear investment policy that guarantees incentives called for in the

1997 Law on State Support for Direct Investment would need to be established. For the time being, the only actors involved in tourism in Kazakhstan's outlying areas are local firms and international agencies promoting tourism investment.

International Involvement: Development Agencies and Sustainable Tourism Promotion

International organizations involved in tourism development in Kazakhstan are primarily interested in forms of community-based tourism (CBT). The State does not necessarily solicit their participation, but they do show signs of increased interest in the role these organizations can play in the further development of emerging economic sectors, especially those that affect rural regions of the country. An indication of this are statements made by President Nursultan Nazarbayev regarding the goals and resources of development agencies: because they are mission driven and less concerned about profit, they are more flexible when dealing with sustainable and more equitable development in underdeveloped regions of the country. Nazarbayev contends that the State should naturally give such organizations a certain amount of leeway in promoting their development programs (Noce and Shimansky, 2003).

The involvement of international organizations employing tourism development in Kazakhstan is diverse. For some, like the Peace Corp and Volunteer Services Overseas (VSO), CBT is a small component of a larger NGO development program to promote and strengthen civil society at the community level. For other, such as UNESCO, CBT is a major piece of a sustainable development project meant to alleviate poverty and deter out-migration from rural mountain villages. In the Kazakh Altai, two programs of different sizes have been initiated that use CBT as a development component. The largest is the Altai-Sayan Project, a complex, multi-level program,

involving multiple countries, organizations, and funding sources. The smaller and more area specific is a Private Enterprise Development Program involving individual communities in Katon-Karagai National Park.

The Altai-Sayan Project is a transboundary, biodiversity project that involves the implementation of ecologically sustainable forms of economic endeavors that can assist regions in fostering greater forms of overall development. International actors include the World Bank's Global Environmental Facility (GEF) and GTZ, both of which are the principle financiers, and UNDP and the World Wildlife Fund, who are the implementing agencies. Currently in the initial stage, pilot programs are occurring in the Katon-Karagai and Kurchum rayons, the two least developed and most isolated regions of East Kazakhstan. After the successful completion and evaluation of the pilot programs, the project will be expanded to include a greater part of the Kazakh Altai.

The economic activities promoted by the project include livestock raising, timber harvesting, and community-based tourism. Each of these promoted activities takes into account other goals of the project. Community-based tourism, in addition to providing income for locals, also assists in cultural and ecological preservation of the region and its people and in the maintenance of Katon-Karagai National Park. As an integral part of the region, the Park works in close conjunction with the Altai-Sayan Project. It provides working space and free access to Park resources for project personnel. In turn, the project assists the Park with managerial, administrative, and technological development.

The involvement of local administrative bodies has become a key element of the project. Zharas Takenov, a UNDP official directing the Altai-Sayan Project, explained that the head of the East Kazakhstan Akimat provides contributions in the form of local

administrative assistants who act as consultants, in addition to space and facilities for project personnel¹². This official explained to me that the local Akimat needed no stimulation to be involved.

Abaydelen (the head of the East Kazakhstan Akimat) has a personal interest in the project. I do think this is an exceptional case. We have had some difficulties getting state ministries involved at a certain level. But I think the Akimat understands that this is about the future of the region. The region has good potential for these kinds of economic development. The future of the Altai very much depends on agriculture and tourism (Zharas Takenov, Altai-Sayan Project Director, November 2003).

But there is disagreement over the actual aims and dedication of the Akimat to ecologically sustainable development. At a workshop I attended in Almaty for local NGOs in Kazakhstan, an organization concerned with water usage in East Kazakhstan explained that the Akimat is much more interested in enhancing more profitable industries such as mining and mass timber harvesting, and that the Irtysh River drainage has experienced high levels of erosion and pollution due to the unregulated growth of these industries.

Developing CBT requires the direct involvement of local experts in the region and field. To accomplish this, the Altai-Sayan Project is assisted by local firms and local NGOs who are funded with grants to produce reports and databases. The firm *Altai Adventures* and the NGO *Friends of the Altai* are subcontracted consultants for the Altai-Sayan Project. The directors of *Altai Adventures* are the founders and current directors of *Friends of the Altai*.

The Eurasia Fund's Private Enterprise Development Program in the Kazakh Altai is much more specifically focused on CBT than the large scale Altai-Sayan Project. This program provides training and education to local communities about the importance of

¹² An Akimat is the official term for a local government in Kazakhstan.

their environmental and cultural surroundings. Through seminars and workshops, locals are instructed in ways of catering to potential CBT clientele so that they may gain an extra source of income. In addition, funds are provided to improve parts of their personal surroundings – guestrooms, houses, yurts, community facilities, or for the purchase and upgrade of essential gear – which will allow them to use them to provide services to tourists. The program requires that four key actors take part: a national park, a local NGO, a local tourism firm, and a specific community or communities. *The Springs Corporation*, a local company based in Ust-Kamenogorsk, acts as the local tourism firm component of the program. Its managers were the key proponents for the establishment of the program in the Kazakh Altai and proposed for its implementation in two villages where they have a history of involvement in Katon-Karagai National Park.

Kyrgyzstan

One cannot overemphasize the gravity of economic conditions in Kyrgyzstan today. It remains one of the poorest and least developed of the former Soviet Republics. This is illustrated in the tables provided in chapters One and Two. However, these indicators only tell part of the story. They tell nothing of the extreme lag in infrastructure outside of Bishkek, particularly with roads, sewage, and electricity. Nor do they tell of the burdensome debt the country owes to global financiers like the IMF and the World Bank. These problems stem from several factors. Certainly mismanagement, corruption, and colonial legacy are partly responsible and have been documented in the literature (Fiacconi, 2004; Henderson, 1998; Walton and Kanbur, 1999). But at the heart of the overall problem is the simple issue of geography. Kyrgyzstan's extreme environment, geographic isolation, and lack of natural resources renders it unfavorable for most forms

of economic development. It remains a net importer of oil, natural gas, and coal from Uzbekistan and Kazakhstan. Manufacturing is minimal. Kyrgyzstan's economy is primarily defined by agriculture. Over 65 percent of the country's 4.8 million citizens (as of the 1999 census) reside in the countryside. 55 percent of the population is employed directly in agriculture and forestry.

Yet it is this constraining geography that many within and outside of Kyrgyzstan are counting on to be the country's saving grace. The sparse, traditionally nomadic population and unique landscape give Kyrgyzstan strong potential in the global tourism market. Several international organizations and multinational tourism firms with interests in the country are tapping into this prospect, as is the Kyrgyzstani government, local entrepreneurs, and local tourism organizations. The State has become possibly the strongest advocate for the development of this sector of the economy. Almost every arena of the government, from the various ministries and committees to the President's office, is involved in some capacity.

State Involvement: Promoting International Participation

Officials I interviewed during my four months of research recognized the difficulties the industry faces. Limited general and sector-specific infrastructure is the primary problem within Kyrgyzstan that affects tourism. But globally tourism is a precarious endeavor. Events in one part of the world can impact tourism on the other side of the globe. In interviews I conducted at the sectoral level, owners and managers of tourism ventures identified the SARS epidemic in East Asia and the war in Iraq as specifically cited reasons for cancellations among their clients. Thus, even if a popular destination is fairly well-developed and boasts of high standards in accommodations and

services, it can still suffer downturns in visitation and revenue because of a regional event thousands of miles away. Yet tourism is incredibly resilient. The World Tourism Organization recognized this in 2003, when they documented the rebound in travel that followed the downturn after the 9-11 terrorist attacks (Frangialli, 2004).

The position of the Kyrgyzstani State is that, while global tourism precariousness and resiliency is something they cannot control, they can influence tourism at home through vigorous marketing and development. With limited financial and development capacity, the governments seeks to foster tourism development in three distinct ways: (1) spelling out a clear and evolving pro-development tourism policy; (2) attracting participation from foreign investors and mission-driven development agencies; and (3) deconstructing barriers to the free movement of tourists.

2002 was to be a watershed year for tiny Kyrgyzstan. Six years before, at an international conference entitled “Mountain Research – Challenges and Directions for the 21st Century”, then President Askar Akaev suggested to the United Nations’ delegates and representatives of the Agha Khan Development Network that serious consideration should be given to officially designating an entire year to thorough research in the realm of development for fragile mountain regions like his. Soon after, he submitted a proposal to UNESCO for the establishment of the International Year of Mountains (IYM). Two years later, the U.N. General Assembly passed a resolution declaring 2002 to be the “Year of Mountains” (UNGA 55; 2000). The project was to be organized by UNESCO, UNDP, the United Nations Environment Program (UNEP), and the Food and Agricultural Organization (FAO). It included an International Mountain Summit (held in Bishkek in October of 2002), an official website, brochures, and the establishment of

blueprints for sustainable development for mountain communities. These development blue prints were primarily geared toward two economic sectors – agriculture and tourism¹³.

The impact of IYM is uncertain. Independent observers claim that, if a significant goal of the program is to greatly increase visitorship to mountain countries through tourism, the benefit of IYM is minimal at best (Blua, 2002; Chernyak, 2002). But if anything, IYM illustrated the Akaev regime's understanding of the true challenges facing Kyrgyzstan. At the Global Mountain Summit that Bishkek hosted in 2002, Akaev spoke of the "gradual loss of the originality of the mountainous areas because of the decay of the culture of tribal people, international rivalry and migration," and said that "effort should be made to consolidate relations among the communities living in these areas to regain their originality (Phuyal, 2002)." Isolation, sparse population and restricted access to markets, knowledge, and new opportunities of growth were additional issues raised by the Kyrgyzstani delegation and other attendees. Akaev recognized that remedies are limited, and that tourism is one of only a handful of realistic approaches that the country can take¹⁴.

Tourism remains the primary industry of focus for the Kyrgyzstani government. A number of State bodies are engaged in the development and promotion of the sector. Three in particular have a dominant role in this undertaking, all of which are in some way are involved in Issyk-Kul. These are (1) the State Committee for Tourism, Sport and

¹³ Consequently, 2002 was also declared as the "International Year of Ecotourism" by the United Nations.

¹⁴ Askar Akaev was overthrown in a peaceful popular uprising in March 2005. The new president, former prime minister Kurmanbek Bakiev, was declared interim president upon Akaev's ouster and was officially elected president in July 2005.

Youth Policy; (2) The State Committee on Property and Direct Investment; and (3) the State Forestry Service.

The State Committee for Tourism is the principle body for the management of international and internal tourism. Their specific tasks, as outlined in the 2001 Provisions of the State Committee for Tourism (*Polizheniye*, 2001) are as follows:

1. Enforce all laws, decrees, and decisions regarding tourism that stem from the Office of the President of the Kyrgyz Republic, and offer reports and advice concerning such.
2. Finance the expenses of oblast and regional Committee offices.
3. Seek out financial and technical assistance for the development of the tourism sector from international organizations and state donors.
4. Define and conduct committees, forums, and seminars for analyzing and developing the tourism sphere.
5. Create a standardized system for the classification of tourism services and facilities within the Kyrgyz Republic.
6. Develop interregional cooperation and agreements to assist in the expansion of tourism.
7. Preserve and develop current sites and complexes, particularly those used for health and medicinal purposes, and seek out potential sites for future creation and development.
8. Promote tourism within the Kyrgyz Republic with the specific purpose of attracting both internal and international clientele and direct internal and international investment.

My interviews with the Uran Zhundusov, the manager of the Tourism Development Department at the State Committee for Tourism, illustrates the evolving nature of the government's overall development program for the industry. In 2003, the State Committee added two significant elements to its development strategy. The first of these was to initialize a project with the Agha Khan Development Network, a privately

funded agency advancing rural development in Islamic countries in Africa and Asia. This project seeks to identify potential geographic locations and activities for upscale tourism that will include the participation of private investors and international organizations. This element builds upon tasks 3 and 7. The second element seeks to improve tourism indicators within the country, which loosely fits with task 5. Zhundusov claimed that this was by far the most pressing issue currently for his department, as the official numbers on visitation and revenue generated in the industry are, in his opinion, far below the actuarial numbers.

When I asked Mr. Zhundusov to name the obstacles that his office considers the most pressing for Kyrgyzstan, he listed the problem with indicators alongside problems such as underdeveloped infrastructure, the lack of finance of the industry on the part of the government and private sector, and the difference between local and international standards. But Zhundusov says that this problem cannot be over stressed.

Underestimated numbers leads to underestimated funding, not to mention the underestimated measurement of potential. This will further exacerbate the seemingly larger problems within the industry.

The feeling of the State Committee for Tourism is that they have very little influence over many of the problems facing the industry. The problem regarding the disparity between international and local standards is one that, according to Mr. Zhundusov, is an obstacle clearly within the private sectors' sphere of influence. The private sector's willingness to change is paramount if this problem is to be properly addressed. The lack of finance on the part of the government and the private sector must be addressed through external financing, specifically foreign investment and, to a lesser

degree, the assistance of international development agencies. Addressing this problem in this manner will aid in addressing the problem with underdeveloped infrastructure. This requires the creation of an investment friendly environment within Kyrgyzstan through incentives, which is something that falls outside of the State Committee for Tourism's specific sphere of influence.

Some problematic issues can be addressed directly by the State Committee. The first of these is one that they have already addressed: deconstructing barriers that restrict the free movement of visitors into and within Kyrgyzstan. This falls under task 8 of the 2001 Provisions. Almost all the owners and managers of tourism firms that I interviewed in Kyrgyzstan claim that the State's efforts in this arena have been far and away the most beneficial piece of legislation for their businesses. Based on recommendations from the State Tourism Committee, the Ministry of Foreign Affairs has ceased requiring tourists from North America, Japan, and most countries within the CIS and European Union to register their visas upon entry into Kyrgyzstan. Border crossings have also been streamlined. Tourists from the above mentioned locations are required only to present their passports and visas to enter. No customs forms or questionnaires need to be completed. This is a significant departure from the stringent travel restrictions placed on tourists during the Soviet era.

In addition to the deconstruction of travel barriers, the Kyrgyzstani government permanently withdrew special status zones in high mountain areas. The official term for these special status areas were "Alp Tour Zones". Visiting these zones required a permit for an additional fee and the system was open to corruption by local officials and members of the militia who patrol the zones. This has had a significant impact in Issyk-

Kul, where most of the trekking, climbing, and cultural sites are located. I discuss Alp Tour Zones and the impact of their removal in greater detail in chapters Seven and Nine.

The second problematic issue where the State Tourism Committee feels it has clear influence concerns the indicators and statistics used to measure the industry. The number of tourists, the number and type of tourism businesses, and the amount of revenue generated from tourism are considered the most important indicators. Data for these statistics is currently collected from three sources: (1) the National Statistical Committee, which collects their data from the NSC offices in each oblast; (2) the Ministry of Finance, which collects information from their oblast offices; and (3) the gubernatorial offices of each oblast. Zhundusov complained that there is a wide disparity between the numbers collected by the three bodies.

The predicament for the State Tourism Committee is that to create better measurement instruments would require the reconstruction of the barriers to free movement that they have previously worked so hard to tear down and that has been received so well by the tourism business community in Kyrgyzstan. Reintroducing the registration of visas will better assist in the collection of tourist numbers and where tourists are coming from, but such a move would be highly unpopular in the private sector. Another solution that is being given greater consideration is the introduction of a “migration card” that visitors would complete upon entrance to the country. There is debate, however, as to how simple the process should be made, what information should be required, and whether or not there should be an exit portion to the card when one is preparing to leave. Zhundusov admitted that all these measures can lead to the possibility

of increased corruption by border guards and the militia. In effect, the relaxed visa and registration regimes has the latent effect of cutting opportunities for corruption.

Collecting data on the number and type of businesses and individuals involved in the tourism sector is yet another predicament. At one time there was a licensing program through which tourism businesses must have their operations licensed with the State Committee. However, Zhundusov admitted that the program lacked teeth. There was little if any legal backlash if a firm was not licensed. It is now being proposed by many circles within the State Committee to begin a new and stronger licensing agency, something that falls under task 1 of their 2001 mandate. However, this suggestion has received even greater criticism than suggestions about the reconstruction of free movement barriers. A number of businesses, both local and foreign owned, consider such a measure to be overly burdensome and, more importantly, would be open to corruption, especially if licenses would have to be renewed. The fear is that inspections of businesses would be required by Tourism Committee officials, and corrupt officials may demand a *vzyatka* (bribe) from a business owner for the business to pass an inspection.

The State Tourism Committee's predicament comes in balancing its concern for the primary tasks in the 2001 Provision. Developing mechanisms for collecting better data is needed to help better predict tourism potential, to better target funding, and to attract foreign investment. However, doing so may hinder the Committee's ability to promote tourism and attract more clientele and investment, as called for in task 8 of the 2001 provision.

The State Committee on Property and Direct Investment does not have anything like a mandate for their involvement in tourism like the State Committee for Tourism. But as a body whose prime function is the promotion of investment, and with tourism considered one of the principle vehicles toward greater development, they have an interest in the industry. Janybek Azamat, a senior analyst for the Investment Promotion Center (IPC), a wing of the State Committee on Property and Direct Investment, stated that his office recognizes the major problems facing development in general in Kyrgyzstan – a small population, geographic isolation, weak infrastructure, and no real industry. However, what the country can at least provide, he added, is a favorable investment environment.

Attracting investment in tourism is a primary goal of the IPC, although there is not necessarily any incentives given to tourism investors that do not exist for investors in other industries. Probably the most effective is the considerable tax holiday given to all foreign owned firms, no matter what their size. The tax holiday is composed of a zero percent tax rate on businesses for the first two years they are in operation. Yet even after this period, foreign owned businesses are not required to pay taxes on profit¹⁵. Azamat went on to say that originally the tax holiday was designed to be for a longer period of time than the current two years. However, to secure credit from the International Monetary Fund (IMF), they were required to restructure their tax program, so that higher payments could be made toward loans. This signifies the willingness of the State to promote a strong investment environment in Kyrgyzstan.

¹⁵ The tax holidays are not established for local firms.

Investors have also been attracted by the Free Economic Zones established in areas considered to have the highest potential for economic potential: Bishkek, Issyk-Kul Oblast, and Naryn Oblast. Within these zones, businesses of any kind – both local and foreign – pay a flat tax rate of five percent, not including taxes on profit, regional tax, and special use taxes. They also enjoy relaxed custom regimes and a simplified procedure for export-import operations. This has been a boon for local businesses as well who operate within these zones. Most international and local tourism firms are based in or operate in Bishkek or Issyk-Kul.

In similar fashion to the State Tourism Committee, the IPC seeks out assistance from international organizations interested in the development of tourism in rural regions of Kyrgyzstan. Their primary partner in this regard is the Agha Khan Development Network, which also works in conjunction with the State Tourism Committee to identify areas with prime tourism potential and develop a marketing research plan for Issyk-Kul. Outside of Issyk-Kul, the IPC works with other development agencies, in particular the Islamic Development Bank.

The State Forestry Service, an agency of the Ministry of Ecology and Emergency Situations of Kyrgyzstan, is responsible for specially protected areas within the country – national parks, *zapovedniks*, and *zakazniks*¹⁶. The strong link between tourism, international organizations, and the environment represented within these specially protected areas makes the Forestry Service a player in the game of tourism development in the Kyrgyz Republic. But it is the planned development for the Issyk-Kul Biosphere

¹⁶ *Zakazniks* are protected areas that are less regulated than *zapovedniks*. In essence, they fall between national parks and *zapovedniks* on a given protection scale. Unlike *zapovedniks*, legislation does not specifically call for official, state authorized scientific research to take place in *zakazniks*.

that has placed them in more of a leadership role. The establishment of the Biosphere was proposed to the Kyrgyzstani government by UNESCO in 1994 as part of the organization's World Heritage and World Biosphere programs. It was officially initiated in March 1997. In 1999, the Kyrgyz Republic passed legislation officially recognizing the Issyk-Kul Biosphere and giving them the status of specially protected areas at the national level (*Zakon No. 48*).

The aim of the Biosphere projects is to preserve unique natural resources within given geographically specific locations and cultivate the biosphere in a culturally and environmentally sustainable manner. Environmentally sustainable economic sectors – specifically tourism, agriculture, and harvesting of native flora – are stressed.

Biospheres, according to UNESCO, “can be distinguished from other protected areas by the fact that people living in the cultural landscape and their use practices are explicitly part of the Biosphere concept” (GTZ GmbH, 1998). The Issyk-Kul Biosphere project funding and planning is being provided by the German Agency for Technical Cooperation (GTZ) and the Agha Khan Development Network. For ecological tourism to grow, the government and international agencies recognize the need for the long-term ecological protection of Kyrgyzstan's most valuable destination.

The Issyk-Kul Biosphere is composed of approximately 45 thousand square kilometers of Issyk-Kul Oblast, which is virtually the entire oblast. The Biosphere is separated into four zones. Core zones entail the strictest protection of the natural environment, forbidding any type of human land use, save low impact tourism activities on the part of visitors and their service providers and the harvesting of specifically designated types of flora. Economic activities on the part of the State and private

industry are prohibited. For the most part, these core zones are located within pre-existing national parks and *zapovedniks*. Buffer zones typically, but not necessarily, surround core zones. Strictly controlled economic activities are allowed in these areas. According to both GTZ documents and GTZ official Raihan Jeenbaeva, such activities are limited to ecologically and culturally oriented tourism and traditional livestock raising. Transition zone are areas where further development is allowed, including those that fall outside of agriculture and low impact tourism. The last of the zones, rehabilitation zones, are areas that have experienced heavy ecological damage and require supervised regeneration. Once a rehabilitation zone recovers, it becomes part of one of the three designated land use zones¹⁷.

While agriculture and herding is the primary socio-economic focus of the Biosphere, tourism is considered important because it provides a crucial form of

¹⁷ The primary task of the Biosphere project is to develop a framework for future ecologically sound land use practices. Internationally, the Biosphere concept builds upon the cultural and environmental importance of the object being protected. Lake Issyk-Kul has traditionally been considered a sacred geological entity among Kyrgyz people and is considered an indicator of the overall ecological health of the region.

Biosphere development is being supported by State officials for social reasons as much as ecological reasons. Advocates cite the deterioration of living conditions for rural people since the collapse of the Soviet Union, particularly in the arenas of social infrastructure, supplies and goods, insecurities in land use. Traditionally, the people of Issyk-Kul are herders. Even today, 47 percent of the inhabitants are involved in agriculture (GTZ GmbH, 1998). But this economic sector has been severely affected by the Soviet collapse. This is illustrated in the lack of experience in agricultural practices on the side of land users. An example of this cited by GTZ in their document is that there is a prevalence on the part of herders and farmers to make land use decisions based on short term subsistence needs. The underperformance of this economic center can be seen in the dramatic fall in the number of livestock in Issyk-Kul since independence. Sheep abundance in Issyk-Kul has fell from 1.7 million in 1993 to under 600 thousand in 1997. Remedying problems in livestock raising is the ultimate priority of the Biosphere project. Solutions include rotating grazing land, focusing on herd performance as opposed to herd size, and natural fertilization of soils.

The use of community-based tourism is being advocated because it is considered an environmentally and culturally friendly niche of the tourism market. It can provide important supplemental income to the herders of the region. However, the Biosphere also advocates the continuance of traditional resort tourism on the North Shore of Lake Issyk-Kul.

supplemental income for local peoples. Community-based tourism is touted because it is deemed an ecologically and culturally friendly niche of the larger industry and fits well with the uniquely marketable nomadic culture of local herders. Efforts to support this niche include assisting locals in constructioning alternative accommodations such as yurt camps and guesthouses for use by foreign visitors, as well as harnessing local skills in horsemanship and hunting so that guides can provide horseback trips and wildlife viewing services to visitors. The latent effect of this will be the strengthening of environmental awareness of locals through tourists and vice versa.

The review above of State policy in Kyrgyzstan demonstrates that the Kyrgyz Republic, through the direct involvement of three specific governmental bodies, actively encourages the participation of international agencies in the development of tourism in Issyk-Kul. GTZ, UNESCO, and the Agha Khan Development Network play a commanding role. But missing in much of this are the many development agencies that are taking a more local, ground-level approach toward tourism development. While Agha Khan, UNESCO, and GTZ are constructing comprehensive development plans that involve tourism, several other organizations have more targeted, grassroots projects. Three such groups with interest in community-based tourism in Issyk-Kul are: (1) the Pragma Corporation (an implementing agency for the United States Agency for International Development); (2) TACIS (a development agency representing the European Union); and (3) Helvetas, a Swiss based development agency.

In Chapter Two, I discussed the relative attractiveness of community-based tourism as a development tool for rural mountain regions. Advocates portray community-based tourism as ecologically and culturally friendly, and praise its ability to

create backward economic linkages for communities. What is more, the control of community-based tourism can be more easily retained by the locals involved in the industry. In Chapter Three I discussed the global marketability of this relatively new niche. An every growing number of middle and upper class tourists from the West are demanding alternatives to packaged, mass tourism programs. They are attracted to ecologically friendly cultural experiences in destinations that typically receive few visitors. It is for these reasons that mission-driven organizations like TACIS, Helvetas, and Pragma have latched on to this niche within the greater tourism market.

For TACIS and Pragma, community-based tourism is just one piece of what is for each a larger development project, although these projects are much more regionally focused than the more comprehensive programs being pursued by UNESCO and GTZ. Pragma's Enterprise Development Project (EDP) provides advising, personnel, management, and accounting training services to private businesses that are at least 75 percent locally owned. In Issyk-Kul, the project is centered predominantly in the town of Karakol, on the underdeveloped South Shore. Karakol is the base for all local trekking and climbing firms in the oblast and most of them have or are currently taking part in this project. Personnel training consists of individual customer service seminars. Industry specialists employed by Pragma instruct employees on proper etiquette to use toward foreign guests from diverse backgrounds. EDP Director Elena Zabirova feels that this part of the project has been effective and popular. However, she contends that it is the business management and accounting training elements of the EDP that are most crucial:

It is because the idea of owning a business is still so new in Kyrgyzstan. For many people, certain aspects of managing a business is difficult. Many times the companies we work with lack clear accounting skills. For example, very few of them base managerial decisions on their accounting system. So they have

problems with payroll and taxes or just paying bills. This is especially so for tourism companies, because their business is very seasonal. They have to plan for months of no income or activity. It becomes very difficult for them to plan for future growth (Elena Zabirowa, EDP Director, Bishkek, Kyrgyzstan, January 2004).

Her statement illustrated the vulnerable position of small businesses in Kyrgyzstan.

Managerial and accounting training also employs the use of specialists in a seminar setting and is typically done on a one-on-one basis with individual client businesses.

Like Pragma's EDP, TACIS' Issyk-Kul Regional Development project (IKRD) is based in Karakol and concentrates its activities on the South Shore. With the overall strategy of poverty alleviation for rural communities, IKRD is involved in agricultural reform, establishing localized food processing, and developing local participation in the growing tourism industry. TACIS also employs the use of seminars and workshops. However, these are more oriented towards increasing quality standards for managers, owners, and employees through "hospitality training". Workshops and seminars cover a diverse set of issues: preparing vegetarian and international cuisine for foreign guests; first aid; organizing camps; communicating with guests, preparing guestrooms and guest yurts, and matching prices with services. These seminars are established for the growing number of guesthouse operators as well as trekking and guiding firms. Many members from this group cannot participate in Pragma's Enterprise Development Project due to business size restrictions.

Another key element of the IKRD project is marketing. A TACIS official I interviewed suggested that this was probably the most important feature of the program. This feeling stems from the fact that, outside of foreign published guidebooks, advertising for the smaller trekking businesses and guesthouses is nonexistent:

You see, marketing is one of the major problems for tour operators in this town. Very few people who come here know where to find a place to stay. And when you are outside of Karakol, there is really no information at all. You cannot find any information on yurt home stays on the South shore of the lake (Genevieve Cahill, Tourism Advisor, TACIS IKRD, February 2004).

The main feature of the marketing element of IKRD is the Tourism Information Center in Karakol. This facility has a listing of all the different tour operators, guesthouse operators, hotels, and restaurants in Karakol and the surrounding area, giving the services offered and prices. The small facility and its advertisements were provided by the local government, which is recognized as a stakeholder in the IKRD project TACIS attempts to keep involved as much as possible. The Center is staffed by English speaking student interns from the tourism faculty at Karakol State University. The Center has been successful enough to interest TACIS into establishing another information center in the village of Bokenbaeva, 200 kilometers west of Karakol.

Helvetas differs from Pragma and TACIS in that their tourism development program – Kyrgyzstan CBT – is a project in and of itself. It does not stem from a greater and more complex project. Furthermore, it focuses only on one specific piece of the tourism industry in Kyrgyzstan: operators of small guesthouses, yurt home stays, and bed and breakfasts. Local trekking and climbing ventures are not involved, due to the size of their business and the fact that they do not fit into Helvetas' strict definition of community-based tourism. Like Pragma and TACIS, Helvetas provides hospitality training and advertising, but also provides a small credit line to CBT groups. Groups are established throughout Kyrgyzstan and each group can have several members. The most active groups are in Naryn and Issyk-Kul oblasts. Issyk-Kul has four groups. Three of

these are located on the South Shore. The Karakol group contains 16 members, 12 of which offer accommodations.

The success of the Helvetas program comes from its two pronged marketing system. The first of these is a tourism development company based in Bishkek called Nomad's Life¹⁸. Helvetas established this company in 2000. It is currently run by a former Helvetas consultant. The company promotes community-based tourism and secures clientele to bring to CBT members that Helvetas supports. The second piece of this marketing system was to develop the Kyrgyzstan Community-Based Tourism Association (KCBTA). KCBTA is made up of 10 tourism firms, all based in Bishkek and five of which are foreign owned, who use CBT members as subcontractors. KCBTA also promotes cultural festivals where member groups are located.

Industry promotion and the provision of incentives by the State has led to a certain degree of investment in tourism by transnational corporations. With a few exceptions, these investments have become concentrated in the two tourism and travel centers of Kyrgyzstan – Bishkek and Issyk-Kul. In Issyk-Kul, investments are exclusively located on the resort-intensive North Shore. Almost all of the internationally owned resorts here belong to corporations based in the former Soviet Unions. In many cases, the resorts originally belonged to Soviet republics and this ownership has been retained in some fashion. Not all the resorts have been privatized. Those that the State has not been able to sell have fallen into disrepair. But those that have been privatized are reaching high international standards.

¹⁸ Nomad's Life is a pseudonym.

These businesses cater primarily to the traditional tourism market that developed during the Soviet era. Most of the tourists are Kazakhs who travel across the border from Almaty and Astana. Many Russians also vacation on the North Shore. Kyrgyz make up a small portion of total visitors to the Lake, due primarily to an undeveloped local market, something I will discuss further in Chapter VII. These resorts are primarily enclaved, the managerial positions are all filled by foreigners, and all services are provided within the facility and little by way of subcontracting.

In Bishkek there are a few internationally owned hotels, but most headway in terms of transnational investment has been made in the low impact, upscale niche of the industry. These are small businesses that offer high quality accommodations in the capital, high quality transportation for tours throughout the rest of the country, often supply amenities during tours, and subcontract out specific services from locals at tourism sites and destinations. The clientele of these firms are upscale, low-impact tourists who come from Europe and North America. These firms operate heavily in Issyk-Kul where locals provide lodging, horseback tours, and cultural performances. So while these transnational firms are not officially based in Issyk-Kul, they still have a tremendous impact on tourism in the region. They are primarily owned by one or two individuals from Europe or North America. In a few cases, they are jointly owned with Kyrgyzstani businesses.

Implications: State Capacity and the Development of the Tourism Sector

Kazakhstan is a country that is placing all its bets on oil and natural gas. This sector has generated foreign investment, the transfer of technological knowledge, and increased national revenues. State inactivity in the tourism sector suggests the absence of

a long-term strategy for the development of industries outside of petrochemicals. Oil and natural gas has the ability to seriously drive the national economy, which in turn can lead to the further development of other sectors. The State gives very little direction to the development of tourism, and has yet to create a specific, comprehensive plan.

Kazakhstan has potential in tourism, yet not near as strong as Kyrgyzstan. Even so, the evidence from this research suggests that tourism will develop because Kazakhstan is already well on a path towards development, thanks in large part to its strong petrochemical industry. This is despite the lack of attention showed to the tourism industry by the State, despite the barriers, and despite the limitations of its current tourism-specific infrastructure. Kazakhstan's relatively strong general infrastructure, easy access to traditional and emerging tourism streams, and growing internal tourism market gives it a tremendous advantage. Tourism will not be a principle tool for greater development of the country as a whole. Instead, it is an additive industry that is developing as the rest of the economy develops, and in doing so can lead to further development of those outliers where the industry has potential.

The relatively stable infrastructure that Kazakhstan enjoys does not extend to tourism infrastructure. Almaty, Astana, and the oil cities have upscale hotels and restaurants and financial institutions where travelers checks and credit advances can be processed. Outside of these cities, such facilities are few and far between. Tourism in Kazakhstan also suffers from a lack of expertise in certain niches of the industry, such as catering to upscale, western clientele. However, the industry is only partially impacted by these factors because of the strength of its internal market and the clientele it attracts

from Russia. These clients do not necessarily demand what industry experts call “international standards” in service and amenities.

Attracting international tourists is still a goal of the industry within the Kazakhstan, and as such low international standards and the lack of expertise in such services remains a problem. These deficiencies could best be addressed through the involvement of transnational investment. But performance requirements and the lack of incentives renders investment in outliers unlikely.

The strict barriers to the free movement of travelers impacts the flow of international tourists nationwide. It is unquestionably the most criticized issue among local and international firms in Kazakhstan. Visa costs are high and registration requirements complex and time consuming. For destinations close to borders, such as the high potential sites in the Altai and Tian Shan mountains, these barriers exist alongside burdensome requirements for travel within border zone. Both of these barriers create paper work and costs that deter some from traveling to these parts of Kazakhstan, or Kazakhstan altogether.

The result of these factors for a destination like the Kazakh Altai is an industry that continues to grow, but is far from reaching its potential. Performance requirements, insufficient tourism infrastructure, and problematic visa registration and travel restrictions combine to make foreign investment in these regions undesirable. One beneficial outcome of this is that local entrepreneurs come to dominate the market with little by way of outside competition. In addition, local firms in Kazakhstan in general take advantage of a domestic and traditional tourism market, as well as assistance from international agencies in developing a niche in tourism that is more marketable to non-

CIS tourists. Without State support or foreign investment, however, the likelihood of tourism infrastructure being developed in a timely and satisfactory manner isn't great. This aspect, alongside the barriers to the free movement of travelers, keeps the visitation of international tourists from being maximized.

Kyrgyzstan's geographic and cultural features give it a comparative advantage in tourism, even in relationship to its next door neighbor, Kazakhstan. This is recognized by foreign investors and international organizations interested in the developing the industry. Elements of both are establishing footholds in the country to take advantage of what Kyrgyzstan has to offer. Despite this, the likelihood of Kyrgyzstan fully developing the tourism sector is not great and reaching higher levels of development through tourism even less so. Its underdevelopment, and its isolation, will make such aspirations incredibly difficult.

As a resource poor country, the government relies on outside participation to foster the tourism industry. This participation comes in two forms: development agencies and foreign investment. The key problems identified by State officials I interviewed – mainly underdevelopment, low hospitality standards, and lack of finance – requires outside assistance. Ideally, each of the outside actors does something specific for the industry to address these problems. Through foreign investment, capital is sunk into tourism specific infrastructure. With tourism specific infrastructure, comes the development of general infrastructure like roads, electricity, and sewage systems. Foreign investment can raise quality standards, which in turn can bring in more and higher paying guests, contributing to the greater revenue.

The mission driven programs of development agencies are designed to foster tourism in underdeveloped rural regions that have the greatest potential. These projects are diverse, ranging from large, multi-focused development programs to smaller projects that focus on a particular niche industry in a very specific region. The goal of all these programs is to develop infrastructure, employment opportunities, and entrepreneurialism among local inhabitants. For the smaller and more localized programs, the desire is to attain these goals in a manner that is environmentally sustainable. It is the preservation of ecosystem that takes precedent.

To attract this participation the State enlists two strategic tools at its disposal: (1) it provides incentives for investment, and (2) it attempts to provide a favorable environment for tourism through the deconstruction of barriers to free movement of visitors.

Incentives have helped stimulate investment. However, if the goal is to increase investment that will benefit rural regions, the State has been only partially successful. In Issyk-Kul, investment from transnational firms has been concentrated on the North Shore in the form of Soviet era resorts. These investors are primarily located within the former Soviet Union. Investment from western countries has been almost exclusively in the form of low-impact upscale tourism firms that are based in Bishkek and subcontract out services to inhabitants in Issyk-Kul. As such, these firms control the supply of tourists. Residents of Issyk-Kul benefit from increased seasonal employment. However, gains in infrastructure development and entrepreneurialism are minimal at best. Such is the nature of this emerging niche in the tourism market, where guests demand both upscale service and unique experiences with indigenous folk in their “traditional” settings. Due

to Kyrgyzstan's unstable economic position, the state currently has very few options available to make this relationship more equitable for locals. It has virtually no leverage to enforce performance requirements that might change this situation.

The impact of Kyrgyzstan's geographic isolation on tourism cannot be underestimated. At the same time that it is a drawing card for adventurous cultural and ecological tourists, it is also a hindrance, as it makes accessing and moving through the country difficult. Manas International Airport is serviced by only a handful of international carriers outside of Central Asia, the three primary ones being Turkish Airlines, British Airways, and Aeroflot. It is connected by rail to Kazakhstan and Uzbekistan via a circuitous route with a bad reputation for crime. A well developed road connects Bishkek to Almaty, but roads connecting Kyrgyzstan to Uzbekistan through the Fergana Valley and China over the Torugart Pass are very much undeveloped. The Torugart Pass is only open during five months during the summer.

The deconstruction of barriers has assisted in lessening the affect of undeveloped routes to and through the country and has benefited both local and foreign owned businesses. However, the State Committee for Tourism faces the predicament of re-erecting barriers to address the problem created by weak indicators. This predicament becomes even more acute when faced with the fact that re-erecting barriers can create increased opportunities for corruption on the part of low-level officials and the militia.

The strongest international participation has come from development agencies. Their concentration is on the South Shore, where infrastructure is considerably less than the North Shore. Top-down development programs, such as the Biosphere project, along with bottom-up programs, like those initiated by Pragma, Helvetas, and TACIS, all

promote tourism because of the industry's potential and environmentally sustainable image. Certain problematic issues arise from their involvement. There is very little by way of coordination between programs. Agencies dealing specifically with community-based tourism – Helvetas, Pragma, and TACIS – perform many seminars and workshops that are virtually identical. Topics such as cooking, first aid, guestroom design, camp site construction, and organizing tours are covered by each agency. Many of the local employees I interviewed in Karakol who participated in these seminars characterize them as redundant. Much of the information is either covered in previous workshops or was information that they, as seasoned veterans of the tourism trade, already had sufficient knowledge of. This suggests a waste of the precious resources available to these organizations.

The most controversial issue regards the convergence of development agencies' mission-driven motives with the profit driven motives of transnational firms. This has come about with the creation of the Nomad's Life Tourism Development Company and the KCBTA by Helvetas. Local tourism business owners in Karakol see this as the creation of direct competition by an agency whose goal is suppose to be the advancement of rural regions.

The involvement of development agencies in Issyk-Kul is not strictly about community-based tourism. The Biosphere project encompasses all of Lake Issyk-Kul and most of the surrounding mountain ranges. In a majority of the devised zones, most of the planned economic activities are to revolve around agriculture and low impact tourism. However, many other agencies have initiated projects in the Biosphere area or are developing plans to do so. Mass oriented, upscale tourism is a key component to these

programs. Agha Khan's tourism development site research call for the construction of additional upscale resorts on the North Shore as well as an airport in the resort town of Cholpon-Ata.

Grander plans are being proposed by the Japanese Agency for International Cooperation (JICA). On the underdeveloped South Shore, they propose a four star hotel and resort complex, complete with four-wheel drive tour vehicles, golf courses, and seaplanes for use on the lake. These projects touch upon both of the other controversial issues raised by locals. Certainly, additional resorts, golf courses, airports, and seaplanes will violate some of the ecologically oriented zone requirements called for in the Biosphere. Upscale resorts and other facilities will require investment from the outside. No doubt jobs will be created, but so too will competition for local entrepreneurs.

What this can tell us about both general and sectoral specific development is that, while state policy often shapes development strategy, the policy itself is shaped by a number of external factors. Poor, isolated countries may only have a handful of resources they can offer to consumers, and even the resources they do possess that have potential cannot necessarily be developed by the state if it has little capacity to do so. In such a position, the state can look to assistance from outside participants, and solicit their participation through generous incentives.

Resource rich states that are well connected to markets are naturally more advantaged. They may have the resources to develop particular sectors on their own, or have the leverage when dealing with investors to squeeze them for more requirements when they invest. These states are often in such a strong economic position that they are already well on the path towards development. This gives them yet another advantage, in

that particular sectors of the economy can grow without receiving specific attention from the state. These sectors are additive to the general economy and will grow alongside more primary economic sectors.

In the proceeding two chapters, I will demonstrate that, for local participants, the outcomes in states with a strong economic position are not always benign, nor are the outcomes in states with a weak economic position always negative. Barriers and difficulties exist at all level – global, national, and local. What emerges as a constant is that locals will harness what advantages they have to benefit from the industry in which they are involved.

Chapter Six

The Kazakh Altai: A Tale of One City and Three Villages

The Great Eurasian Steppe can best be described as an endless sea of rolling hills covered in waves of scrub and grass, flowing in all directions on the compass. In autumn, it can seem like a wasteland of spellbinding flatness, brown and lifeless without moisture. In the spring and summer, following months of snow and rain, it can feel like the most fertile place on Earth. The seas of rolling hills are green, save the dots of sheep, yaks, and horses grazing among growths of wildflowers. This is the grand contrast of the Steppe: it is at the same time deadly and inviting. Wedged between the Gobi and Taklimakan deserts to the east, the Tian Shan and Hindu Kush Mountains to the south and Siberia to the north, the Steppe is the most prominent feature of the Eurasian landmass. It rises out of Manchurian China as a plateau, and then stretches almost 10 thousand kilometers to the west, gently sloping downward and ending at the foot of the Carpathian Mountains in Romania and Moldova. The plateau is disturbed by only one distinguishing imprint: the Altai-Sayan Mountains.

The Altai-Sayan rises like a row of snow-capped daggers from an uncountable number of valleys spread out across the conjoining borders of Kazakhstan, Russia, Mongolia, and China. Peaks such as Belukha, Khuiten, and Kara-Oluk stand between 4000 and 5000 meters in elevation. It is also the headwaters of the Ob and Yenisey, two of the great Siberian rivers flowing north to the Arctic.

Like most of the eastern steppelands, the Altai is culturally defined by a strong nomadic tradition. Historically, the indigenous peoples of this region were herders who worked in animal husbandry and the raising of livestock. Many who live in the Altai

continue in this traditional pattern of existence. There is great pride in the nomadic lifestyle among the various clans still residing here. Abilities on horseback are greatly touted, as are traditional skills such as throat singing and producing the perfect batch of koumiss, the fermented horse milk that is the national drink of all Eurasian nomads. Kazakhs claim the Altai to be the birthplace of Chingiss Khan, a fact greatly disputed by the Mongols, the Buryats, and other peoples of the Steppe, not to mention the Chinese.

The Kazakh Altai is the essential feature of the East Kazakhstan Oblast. For the better part of a century it has draw visitors, most of whom came from Imperial Russia and the Soviet Union. Rakhmanov Springs, an alpine hot springs used as a health resort during the Soviet period, was and still is a major tourist destination in the region. Soviet climbing teams and mountaineering and outdoor clubs would flock to Mount Belukha (4506m) each summer. Like Rakhmanov Springs, Belukha and other peaks still draw visitors. Today, a growing number of tourism firms in the region are attempting to tap into both this established market and a new market of tourists coming from outside the boundaries of the former Soviet Union. The cultural and ecological qualities of the Altai act as an effective drawing card.

East Kazakhstan enjoys a relatively high level of development when compared to other parts of Central Asia, but this comes more from being an administrative unit of the most developed country in the region (See Table 2). When compared to the rest of Kazakhstan, the oblast has only an average rate of development at best, a characteristic of many of the more rural areas of the country. However, when one compares rural oblasts like East Kazakhstan to other rural oblasts in the Kazakhstan, East Kazakhstan has a relatively high level of development. Its poverty level and unemployment rate in 2001

was 30.6 and 3.1 respectively. For all rural regions of the country, the poverty level was 38 and the unemployment level was 7.9. However, the 2001 Human Development Index (HDI) rating was .748. In all of Kazakhstan, the HDI rating is an average of .773 (UNDP, 2002).

These divergent figures suggest that East Kazakhstan is relatively developed, more developed than other rural oblasts, but less developed than those regions that contain major metropolitan, commercial, and administrative center. The relative development of East Kazakhstan extends to general infrastructure. It is well connected to the rest of Kazakhstan, as well as to Russia, by roads, railways, and an international airport in the administrative center of Ust-Kamenogorsk.

Ust-Kamenogorsk (population approximately 370,000) is the administrative center of East Kazakhstan. After independence, the name of this small city was officially changed to Oskemen, although almost everyone still calls it Ust-Kamenogorsk, or Ust-Kam. Most of the city, upwards of 60 percent, is comprised of ethnic Russians. Ethnic Kazakhs make up about one-third of the population. In the countryside, the population make up is reversed, with Kazakhs making up 70 percent of the population and Russians making up roughly 25 percent. The rest of the population is comprised of a mix of Tartars, Germans, Ukrainians, and Koreans. Like many parts of Central Asia, East Kazakhstan has experienced a certain amount of out-migration since independence. The population fell from 1,767,225 in 1989 to 1,531,024 in 1999, a decline of approximately 13.4 percent. This population decline was most significant among ethnic Russians, whose population fell from 914,424 in 1989 to 694,705 in 1999.

Ust-Kamenogorsk is a smelting center for non-ferrous metals like magnesium and titanium mined from the Altai Mountains. Mining, smelting, and heavy machinery building (mainly for the mining and oil and gas industries) are the principle industries of the city and make up most of the industrial output of the region. As the traditional gateway to the Altai Mountains, Ust-Kamenogorsk has always been involved in tourism. Today this industry continues to develop, with more and more firms establishing a toehold in the growing city. In 2003, East Kazakhstan had 21 firms registers with the Kazakhstan Tourism Association, almost all of them located in Ust-Kamenogorsk and the nearby city of Leninogorsk. Most are attempting to cater to western tourists who come to the Altai for unique cultural and ecological experiences.

Ust-Kamenogorsk is, as ideal a location as any for a tourism firm servicing visitors to the mountains. The well developed network of roads, railways, and air connections make it easy for potential visitors to venture to Ust-Kamenogorsk. However, several factors make tourism development in this region difficult. The relatively well developed general infrastructure does not extend to tourism-specific infrastructure. There are several hotels and restaurants in Ust-Kamenogorsk, but these are not considered by industry professionals in the oblast to be at the level of international standards. And while there are many banks, only two can advance cash from credit cards and neither can cash traveler's checks (as of April, 2004).

In this chapter, I discuss the impact of tourism development policy in Kazakhstan on those involved in the tourism industry in the Kazakh Altai, particularly local firms based in Ust-Kamenogorsk and community members employed in tourism at three key mountain destinations. State policy in Kazakhstan is shaped by its relatively strong

economic and geographic position. Kazakhstan has a very general tourism development policy. Foreign investment is limited because of performance requirements and a lack of incentives. In addition, significant travel barriers remain in place despite protests by local stakeholders.

Findings suggests that, despite significant obstacles, tourism continues to grow because the industry benefits from those factors that come with being a country that is well on the path toward economic development. Firms located in a high potential destination like the Kazakh Altai suffer negatively from the travel barriers, performance requirements for foreign investors, and weak tourism infrastructure highlighted in Chapter Five. These factors exacerbate the problems already inherent in a globally precarious industry. But local firms exploit certain advantages that are inherent in a country with a growing economy and in a strong geographic position. Specifically, these are: (a) the regions physical connections to traditional and emerging international markets; (b) a growing internal market; and (c) new technologies and networks that allows for the direct link to independent clientele and other agencies that act as intermediaries for their clients. And while performance requirements and the lack of incentives for foreign investment negatively affect the lagging tourism infrastructure in the region, local firms latently benefit due to the fact that competition from more advanced outside transnational firms is checked. What is more, these firms cater primarily to traditional tourism markets and to the growing domestic market, neither of which demand the high international standards expected by upscale travelers from the emerging market in Europe and North America.

Local community members benefit from seasonal employment that, for many, can be substantial in comparison to other forms of local employment. Local communities, at least one in particular, also benefit from new skills learned through their participation in tourism development programs, which work in conjunction with local firms to create additional and improved destinations for visitors with minimal negative impact on the surrounding ecosystem. However, travel barriers leave the control of the supply of tourists in the hands of firms based in Ust-Kamenogorsk. While entrepreneurialism is somewhat stimulated, locals act more as subcontractors, with the control of funds in the hands of outside forces.

Local Firms

As a growth industry, tourism in East Kazakhstan has led to the creation of a number of local firms, most of which are hoping to tap into the potential offered by the international market. They are diverse, offering services that range from bed and breakfast accommodations to fully outfitted trekking and climbing companies. As of 2003, there were 21 tourism firms registered with the Kazakhstan Tourism Association, almost all of which are based in Ust-Kamenogorsk¹⁹. The majority are small sized firms, consisting of one vehicle, a small office in an apartment, and one or two employees who are typically immediate relations of each other. The smallest of these will service between 20 and 30 clients a year, primarily in the summer. Their services are often limited to assistance with visas and registration, accommodations, and transportation through the fringe of the Altai Range.

¹⁹ Data obtained through interviews with Tatyana Khodorovskaya, KTA manager, November 2003.

Many of these local firms lack the networks within communities in the interior of the mountains to offer services to the most exotic destinations. Much of the time, their clients are on a fixed schedule, in the region only for the few days their visa will allow before they have to board a bus or train to a new destination. Travelers with more time on their hands and who have arrived specifically to visit the more exotic destinations in the Altai often turn to one of the handful of large or mid-sized service providers described in travel guides such as Lonely Planet and Odessey. Two such firms are the Springs Corporation and Altai Adventures²⁰.

The Springs Corp is far and away the largest firm in providing travel services to the Kazakh Altai. It was founded in 1995 by former member Soviet climbing team member Anatoli Markov, who financed the startup of the company with funds from a large and very successful construction firm he helped to form immediately after the fall of the Soviet Union. The flagship of the Springs Corp's assets is the large lakefront resort at Rakhmanov Springs, for which the corporation was named. The resort operates several cottages and thermal spa facilities at the lake. It operates from June through September and during the 2003 season the resort serviced approximately 400 clients.

But the Springs Corp is a diverse company as well. In addition to the resort, it offers expeditions throughout the Altai. The most popular expeditions are to Mt. Belukha. Belukha is located approximately 30 kilometers from Rakhmanov Spring and tours consist of either climbing the mountain or trekking or horseback riding to one two base camps. Rafting trips can be arranged on the Ulba River, as can fishing expeditions

²⁰ The Springs Corporation and Altai Adventures, along with the names of all directors, managers, employees, and subcontractors associated with them are pseudonyms.

on the Buchtarma River, and auto tours into the deep interior of the Altai. Most recently, in 1999, the Springs Corp purchased from the government a small ski area known as *Knyazhei Gori*. This small resort was originally managed and maintained by the Young Pioneers during the Soviet era. During the 2003 winter season it serviced approximately 500 visitors a week.

Altai Adventures can be considered a medium-sized firm in the East Kazakhstan market, even though it services far fewer clients than the Springs Corp (in 2003, it provided services to a total of 83 tourists). They are an expedition oriented company, offering fishing, hunting, trekking, and horseback tours, as well as tours that are ecological and cultural in nature. The founders of Altai Adventures, Sergei and Yuri Kospyelov, were both oil geologists for the Soviet Union before turning to tourism as a way to start their own business after Kazakhstan declared independence. It is primarily managed by Sergei, Yuri, and their immediate families, who also act as drivers and guides. They employ two interns who are students in the tourism department of the local university in Ust-Kamenogorsk. They often work closely with the Spring Corporation and accommodate their clients at the resort at Rakhmanov Springs when they provide excursions to Belukha. And like the Spring Corporation, they work with an intimate and elaborate network of subcontractors throughout the Altai who act as guides, cooks, drivers, and interpreters.

Both of these firms have encountered the highs and lows of the tourism trade in Central Asia. Both have experienced growth in some areas and decline or stagnation in others. Like tourism businesses all over the world, they have felt the impact of global

factors: 9-11, the War on Terror, and SARS. Although these incidences are politically and geographically far removed from the Altai, their influence is unmistakable.

The war in Iraq hurt us a lot. Then there has been the pneumonia in Asia (*SARS*). And our clients in Europe, they think “oh, it is Asia. It is too far, it is too dangerous,” and they don’t pay attention to the news and that it is safe here. This past year (2003), because of cancellations due to Iraq and special concerns about pneumonia, our business from Europe was down about 30 percent (Marina Kuchina, Director of Tourism Activities, The Springs Corp, October 2003).

But these companies have also experienced the resiliency of global tourism that I briefly described in Chapter V.

Our business suffered its first serious drop ever in 2002. This was because of 9-11 and the war that occurred in Afghanistan. I remember one of our clients in Canada emailing us and asking how close we would be to the border with Afghanistan, and my wife emailed him back and said “we will be at least two countries away.” But he and his friends never came. All of 2002, we only had clients for two months. This past season we expected even less, but it has been terrific, we were almost where we were in 2000, which was our best season (Sergei Kospyelov, Director, Altai Adventures, September 2003).

These firms realize their vulnerability in the global tourism market and how business can be influenced by political, economic, and social instability half a world away. As an alpine destination, the Altai is in stiff competition with more established and more easily accessible destinations like the Himalayas, the Alps, and the Andes. They also realize the downside of being within a country that ends in “stan”, while scenes of extremism and devastation in places like Afghani”stan” and Paki”stan” blaze across television screens in the western world. Mikhail Kospyelov, the oldest son of Yuri Kospyelov who acts as a driver, guide and interpreter when corresponding with potential clients via the internet for Altai Adventures, feels as if his firm must perform the kind of marketing that they really are incapable of performing. He restrains from calling it

damage control because, when it comes to factors like terrorism and SAR, the Altai isn't broken.

It is for this reason that tourism firms in the Altai are united in their displeasure with the government and the lack of focused tourism development policies. While they face several difficulties regarding global issues, the name of their country, and their own physical location, problems are exacerbated by the State's inaction in the development of the industry. Virtually every firm in Kazakhstan involved in this study stated that the government has no plan, no strategy, and does very little for tourism, except for the small amount of funds that oblast bodies provide for advertising and the funding of special events.

Visa requirements and border restrictions are the most criticized piece of State policy and the issue that firms operating in the Altai identify as the most detrimental to the tourism. Emerging markets – Europe, North America, and East Asia – cannot be fully exploited when high visa fees and registration requirements drive tourists to less complicated and less costly destinations. The border restrictions are especially burdensome because they impact travel to two of the three most popular sites in the Altai – Rakhmanov Springs and Lake Markakol. The 40 day processing time for a permit to travel within the border zone, plus the \$30.00 USD, keeps many travelers from the emerging markets from visiting the Kazakh Altai.

These travel barriers have less of an impact on the Altai's traditional visitors – tourists from Russia and the growing internal tourism market. These tourists make up the majority of travelers who come to East Kazakhstan. For the Springs Corp, Russians and Kazakhs comprise the bulk of visitors to Rakhmanov Springs and Mount Belukha. This

should come as no surprise, as both these site were traditional venues for tourism during the Soviet era. Proximity plays an important role here as well. A significant portion of the Russians serviced by the Springs Corp are from nearby Siberian cities like Novosibirsk, Omsk, and Krasnoyarsk. Advertising to these tourists requires less effort than to potential travelers in the emerging markets outside of CIS countries. But more importantly, Kazakhstani citizens are not required to have a permit in these zones and Russian citizens can travel across the border to Belukha base camps in Russia without the need for a Russian visa²¹.

The Springs Corp also benefits from its acquisition of the ski area at *Knyazhei Gori*. This small resort caters primarily to Kazakhstani citizens from northern and eastern Kazakhstan. Altai Adventures, because it concentrates on the high-end, upscale tourists from Europe and North America, misses out on this thriving, more localized market that requires less effort and resources to attract. Yuri and Sergei stated that 95 percent of their clientele comes from Europe.

One potential positive impact of the border zones for local firms is that it renders independent travel into the Altai virtually impossible. Visitors depends on local firms not only to chaperone their excursions, but also to navigate the red tape required for travel in border zone areas and to protect them against the possibility of extortion from the militia who check for discrepancies (both real and imagined) on required documents. However,

²¹ In Chapter V, I describe in greater detail the complexities of visiting Mount Belukha from Kazakhstan. The mountain is located just across the Russian border from Rakhmanov Springs. Visitors must cross the border to reach the summit and the two base camps. Non-Russian citizens must have a Russian visa and non-Kazakhstani citizens must have a double entry visa to get back into Kazakhstan.

when I questioned the director of tourism for the Springs Corp about the possibility of losing clientele if border restrictions were lifted, she doubted such an event would occur:

I don't think this will happen. I feel that if border zones are removed we will experience even more tourists from Europe and America. Yes, some young travelers will go to the mountains alone, but these are not the majority of people who come to Kazakhstan. Even when tourists travel to places without such problems, most of them use agencies like ours to help with transportation and accommodations. You see, even the Russians who come here to visit and do not need us to travel into the mountains near the border still use our agency because it is very convenient to arrange services (Marina Kuchina, Director of Tourism Activities, The Springs Corp, October 2003).

The traditional market is also less influenced by the deficiencies in tourism infrastructure that afflict Ust-Kamenogorsk and the Altai. The travelers from Russia and Kazakhstan who make up the majority of tourists who visit East Kazakhstan do not necessarily demand services that meet the "international standards" that industry experts continually mention as a stifling factor in the development of tourism in the post-Soviet world. There is the possibility here of the industry throughout the former USSR having the cultural insight to meet the demand of these travelers better than westernized facilities and more "modern" services. But irregardless, most Russian and Kazakh tourists who visit the Altai do not require or demand international cuisine from restaurants, turn-down bed service from housekeeping, or pools and jacuzzis from hotels. This is not to suggest that all international tourists demand "international standards", and this is where a continual focus on the community-based tourism niche of the industry could become even more beneficial. Travelers who gravitate to this type of tourism are generally low-impact in natural. They are typically disinterested in resorts, four-star hotels, and top quality restaurants. Their interest lies more in cultural experiences and viewing unique, "undiscovered" environments. CBT travelers prefer traditional accommodations and cuisines. Instead of sanatoriums and spas, these travelers favor something closer to a

village home stay in a remote community. This would make them less likely to be affected by low international standards in other forms of tourism and tourism infrastructure.

Most industry experts in East Kazakhstan still agree that tourism infrastructure is a limiting factor in attracting visitors from the emerging markets in Europe, North America, and East Asia. This factor highlights the affect of the State's inactive approach to attracting investment. Considering both the lack of resources at the disposal of the local industry to address this problem, and the lack of interest on the part of the State to assist in developing tourism infrastructure, it would seem that this problem would best be addressed through foreign investment. There is evidence of transnational firms raising standards in the tourism industry to international levels in Almaty, Astana, Bishkek, and even Naryn in the backcountry of Kyrgyzstan. However, performance requirements and the lack of incentives on the part of the State make it highly unlikely that foreign investment in tourism will reach East Kazakhstan in the near future.

This problem becomes cyclical in nature: transnational firms determine it to be unprofitable or undesirable to invest in tourism in East Kazakhstan because of (a) costly performance requirements, (b) lack of incentives provided by the State, and (c) the lack of international tourists traveling to the destination who would demand the services offered by the firms. As a result, tourism infrastructure remains underdeveloped, which further limits the number of international tourists, which in turn leaves the location undesirable for investment by transnational tourism firms.

In talking earlier about the advantage East Kazakhstan enjoys in terms of general infrastructure, I mentioned the existence of an international airport in Ust-Kamenogorsk

which contributes to the tourism industry in the region. This issue needs to be clarified here, because it impacts connections with global tourism markets, tourism investment in the region, and overall tourism infrastructure. Ust-Kamenogorsk's airport receives arrivals from Almaty, Astana, Moscow, St. Petersburg, a number of Siberian cities in Russia, and Frankfurt, Germany. At first, it would seem that this would give the Altai an advantage at attracting tourists from Europe, with a direct connection to major airline hub in Germany. But in interviews with managers of local firms, its clear that this impact is minimally positive. International carriers are restricted by Kazakhstan's domestic travel legislation to flights to Astana and Almaty. Ust-Kamenogorsk is connected to Germany and Russia via Kazakhstan Airlines. One particular discussion with Marina Kuchina from The Springs Corp illustrated the impact this has:

Interviewer: How do most of your guests arrive in Ust-Kam?

Marina: Most of them come by plane or train, unless they are coming from nearby, like Astana or Semipalatinsk. These guests will drive.

Interviewer: So your guests from Europe. They will fly directly to Ust-Kam from Germany?

Marina: No. Most of those who come from Europe will fly to Almaty and then either fly up or take a train from there to here. They will typically stay one or two days in Almaty before they come.

Interviewer: Why don't they fly directly here instead of flying all the way down to Almaty?

Marina: I think there are two reasons. One is that many Europeans do not trust our airlines. They are concerned about safety and whether their baggage will arrive. Many of them feel this way about Kazakhstan Airlines or Air Astana. Aeroflot and Uzbek Air, too. They feel much safer taking KLM or Lufthansa to Almaty. From there they will take Air Kazakhstan or Air Astana up here or take the train. Our Russian visitors do not feel this way. Most of them come by train, but many of them also fly. They will come by Air Kaz. But also, Almaty is a very beautiful city in the summer and fall and I think our European guests want to see the city and Tian Shan Mountains before coming to the Altai.

Traveling to Ust-Kamenogorsk via the circuitous Almaty route can be partially explained by the desire to visit Kazakhstan's most cosmopolitan city. But, according to Kuchina, it is also explained by safety considerations and air travel regulations within the country. This highlights the impact of state interference in investment from foreign air carriers. This is directly attributed to state travel legislation, which does not allow international carriers to fly to destinations other than Astana and Almaty. To reach Ust-Kamenogorsk via air, visitors are restricted to Air Astana and Kazakhstan Airlines. Yet this also stresses the differences in standards between the traditional tourism market in CIS-countries and the emerging market in Europe. Where the emerging market sees dangers and annoyances in flying carriers not associated with western countries, the traditional market has no such problems. The potential impact of this revenue generation within the industry can be significant when considering the difference in the amount of money a tourist from Europe or North America will spend in comparison to CIS-visitors ²².

In response to the lack of activity by the state in the area of marketing, many local firms in Kazakhstan are turning to independent forms of advertising. Universally, the internet has emerged as a tool for directly connecting tourism service providers with potential clientele and with intermediaries. The firms I interviewed in East Kazakhstan use this networking tool to their advantage in advertising the Kazakh Altai and their services. For Altai Adventures, upwards of 70 percent of their clientele comes via the internet. Traditional means of networking, mainly intermediary relationships between

²² In Siberia, the Baikal Association for Tourism report that among visitors to Lake Baikal in the Russian Federation, Russians will spend 2000 rubles (approximately 71 dollars) a day on average, while foreigner will spend 17,000 rubles (approximately 604 dollars) a day on average. Whether this included transportation costs was not given (Ruban, 2003).

East Kazakhstan firms and travel agencies abroad where agencies are paid a certain percentage – generally 10 to 15 percent – for booking their clients with the service providers, is still a much used tool. Altai Adventures has such relationships with firms in Germany and France. The Springs Corp works with two intermediaries in Russia that provide close to 50 percent of the company's Russian clientele. Both of these instruments provide a desperately needed means of advertisement and linkage with clientele that is missing through the lack of State involvement and lack of foreign investment.

State inactivity in the development of the tourism sector in Kazakhstan has created a difficult operating environment for firms nationwide. These problems are exacerbated by the lack of foreign investment in tourism, which is partly a production of costly performance requirements and the lack of incentives on the part of the government. This limits investment to primary destinations such as Almaty, Astana, and the oil cities in West Kazakhstan. Outliers such as the Kazakh Altai are virtually devoid of outside tourism investment. This has had a significant impact on tourism infrastructure in the primary gateway community of Ust- Kamenogorsk. The Kazakh Altai also suffers from seriously burdensome travel barriers in the form of border zone restrictions that makes travel to some of the most popular venues difficult. All of these problems merge to make tourism business complicated at best.

However, firms in the Kazakh Altai exploit certain advantages available to them. Their principle advantage is the availability of a traditional market and a growing domestic market that is drawn to institutionalized destinations that were popular with Soviet society and are still popular today. This clientele is less affected by travel barriers

such as visa costs and regulations and travel restrictions in border zone areas. What is more, sites such as the *Knyazhei Gori* Ski Area and the resort town of Leninogorsk are popular with this traditional and domestic market. Travel barriers also render independent travel by non-CIS clientele to the Kazakh Altai as virtually impossible. As a result, this clientele is limited to using local firms like the Springs Corp and Altai Adventures as travel liaisons.

Another advantage lies in the use of new networking tools such as the internet and traditional tools such as relationships with intermediaries to both advertise to and link with potential foreign clientele. These tools have become highly significant for performing self marketing. The use of the internet as a marketing and direct communication tool assists firm in circumventing the absence of State assistance with these matters. Lastly, the lack of investment is latently beneficial for local firms who do not experience competition from outside forces that many times have more resources available to them with which to out-compete less advantaged local firms.

I now turn to a discussion of the impact of State policy and the current structure of the local tourism industry on local communities in the Kazakh Altai. But to do this, I must first reintroduce the discussion of the impact of international development programs I first introduced in Chapter V. These programs have a significant influence on tourism in the Kazakh Altai.

International Organizations and CBT Development

The Eurasia Fund and The Altai-Sayan Project represent the macro-micro extremes of biodiversity programs currently at work in the developing world. The Altai-Sayan Project is a large, multifaceted, transboundary initiative that encompasses administrative

units in four peripheral countries. The Eurasia Fund is focused at specific communities and uses one specific tool for sustainable economic development: community-based tourism (CBT).

In the previous chapter, I identified the goals and tools of these programs, which primarily is establishing ecologically and culturally sustainable forms of economic endeavors in rural settings. Communities are identified as program targets by local and international consultants for the funding agencies. Program coordinators select ecotourism and environmental experts who conduct seminars and workshops in the villages. With CBT, communities typically exploit skills they have previously honed. For example, village hunters use their tracking skills to guide tourists on wildlife viewing excursions. Women use their cooking skills to create national cuisine for visitors. And in Eurasia particularly, communities erect yurt camps as accommodations for tourists. What is created is an endeavor that, ideally, produces a supplemental income, reduces poverty, generates entrepreneurialism, and stifles permanent out-migration for economic purposes. CBT establishes a culturally unique type of tourism for the growing low-impact, upscale niche in the global tourism market. The catch, however, is that the consumers that make up this niche often demand amenities that are external or downright strange to the host culture.

The effectiveness of these programs in Kazakhstan is not great, particularly because they suffer from the same deficiencies in state policy that tourism firms suffer from. But more importantly, tourism development is parallel to the main goal of environmental protection. This is something critical to East Kazakhstan, which possess a highly fragile environment. In the words of Yuri Kospyelov, a co-founder of Altai

Adventures and a consultant for the Altai-Sayan Project, protection of the Altai must be the initiative of outside organizations working in conjunction with locals, because the state lacks the desire, foresight, and funding.

We seem to lack everything here. We lack policy, we lack effective laws, but more than anything else, we lack money. There is no other way around it. If the state can't help, maybe the international community can. Laws can't be effective if there is no money to back those laws up. And there is no education about how special the Altai is. We need education programs for locals who live in the parks (*Katon-Karagai National Park and Lake Markakol Zapovednik*), especially the children. There needs to be a local discussion about the laws for environmental protection and why they are in place and how they should be handled. This is slowly being done by us and some other groups. But there needs to be more. And again, there needs to be more money to do this. We need good park rangers who will enforce the law and obey the law themselves. You know, a ranger makes only 4,500 tenge a month (*approx. \$30*). But they can get 100 times that if they kill a snow leopard and sell the hide to the Chinese (Yuri Kospyelov, *Altai Adventures*, September 2003).

Local Communities

Once one heads east out of Ust-Kamenogorsk and crosses the Irtysh River, he or she has officially entered the region locals call the Altai. There are several communities in the Altai. They share much in common. Most are made up primarily of native Kazakhs with a strong minority of Russians, with a smattering of other nationalities. They are all small in size, ranging from a handful of families to no more than a few thousand inhabitants. They all deal with extremes in weather, ranging from broiling hot summers that exceed 90 degrees Fahrenheit for weeks on end to brutally cold winter characterized by several meters of accumulative snow. These communities differ in many ways as well. Not all of them receive tourists. The most popular destinations are within the two protected areas – Katon-Karagai National Park and Lake Markakol Zapovednik. The three communities where I conducted my research are located in these protected bodies: Rakhmanov Springs, Kara Aimag, and Urunhayka. Tourism

communities like these are important venues for this research, as they shed light on the effects of State involvement and capacity on local populations engaged in providing tourism services.

I selected these communities for three reasons. First, they are primary operating venues for the two firms I used as key informants in East Kazakhstan, which gave me easier access to the communities. In addition, they are all located within border zones and are thus similarly impacted by Kazakhstan border policies. But more importantly, these communities have divergent relationships with the local tourism industry. Rakhmanov Spring has a long history of involvement in tourism and is struggling with market changes and changes in the general economy. Kara-Aimag is a new venue for tourism. This community is heavily involved in the Eurasia Fund's CBT development program and is closely networked with tourism activities in nearby Rakhmanov Springs. It caters to both the traditional market and the emerging tourism market attracted to community-based tourism. Urunhayka is also new to the tourism market, but is not involved in any CBT program, nor networked with other tourism communities. It caters exclusively to the emerging low-impact market coming from Europe and North America. Despite the fact that they are similarly affected by state policy, the divergent levels of involvement of these communities in tourism leads to different outcomes for community members.

Rakhmanov Springs

The actual village of Rakhmanov Springs is situated just outside the boundaries of the resort ran by the Springs Corp. It consists of approximately 30 families and 120 individuals. Most of the people in Rakhmanov Springs live in one-story cabins, some

with multiple rooms for extended family members. These houses are located on one dirt road leading from the resort. There are no shops and only one administrative building that is used as a primary school for school-age children. Kids who are of high school age attend classes in the village of Berel, approximately 60 kilometers away. The village uses the resort's facilities for medical and communication needs. Almost every family has a member employed directly by the Spring Corp. Employable positions are diverse and include housekeepers, cooks, maintenance and groundskeepers, and drivers. In addition, many work as trekking, horseback, and climbing guides, and as porters. A few supplement their income by subcontracting out their guiding services to other firms that bring tourists to the Springs and by providing their homes as accommodations. During the several weeks that I spent in the village, I only met one individual who was not employed in tourism. He was a regional ranger for Katon-Karagai National Park.

Employment at the Springs is gendered in that the higher paying positions in guiding and working as a porter are done primarily by men. Women are more often than not employed in the domestically oriented jobs as cooks and housekeepers. This in many ways mirrors the traditional division of labor among communities in nomadic societies, where males are the hunter providers of food, and females raise the children, provide meals, and maintain camps. The managerial positions are all filled by employees from Ust-Kamenogorsk. There are three onsite managers at the resort during the summer season. All climbing guides who lead clients to the summit of Belukha come from outside the community. They typically subcontract their services to the Springs Corp on an expedition-by-expedition basis.

The Rakhmanov Springs Resort began operating as a full-fledged tourism facility after WWII. It was part of the Soviet Union's complex web of sanatoriums and spas that were directed toward the health of the Soviet workforce. For over four decades, according to advertising literature published by the Springs Corp, it was used by most Soviet miners east of the Ural Mountains. After independence was declared in 1991, ownership shifted to the Government of the Republic of Kazakhstan. In 1995, the resort was sold to Anatoli Markov and the Spring Corp. Between 1995 and 2001, the resort was frequented by a growing number of tourists, most of whom came from Russia and, more recently, Kazakhstan. More guests continued to arrive from Europe as well, most for trekking expeditions to Mount Belukha. In keeping with its traditional ties with the mining industry, the Springs Corp entered into contracts with Kazakh mining companies, allowing them to bring their workers to the resorts in groups at reduce costs. This allowed Rakhmanov Springs to remain open during the winter, during which time many of the miners would visit.

Despite the growth and diversification of the Springs Corp, the resort itself has fallen on hard times. Two primary factors are to blame. The first of these is the dilapidated state of a number of onsite facilities which have not been renovated since before the collapse of the Soviet Union. A number of individual spas and cottages cannot be used to service tourists. The biggest factor has been the rising cost of diesel fuel. This has slightly raised transportation costs to the resort, but more significantly it has lead to a dramatic increase in the heating costs for resort. The entire resort is ran on diesel fuel – heating of the cottages, the kitchen, the massage facilities, everything. While costs in the summer are manageable, they are literally impossible in the winter, a time when they

typically receive fewer guests, except for those coming from the mining firms. As a result, the firm stopped winter operations at the Springs starting in the 2001-2002 season. The resort is now open only from the 1st of June through the end of September.

The impact of this change in the resort's operation is most evident in the economic coping mechanisms utilized by community members. All those whom I interviewed in Rakhmanov Springs reported increased out-migration during the winter months. Previously, one out of every four adults left the village during the winter. Now it is approximately one out of every three. Most of those who leave during the winter go to the nearby and larger villages of Berel and Ureil where many of them have extended families. A few migrate to Ust-Kamenogorsk. There has reportedly been two families and approximately four individuals who have permanently migrated from the Springs, but most feel that this will not be an increasing trend. Some who I talked with felt that the money during the summer, especially for guides and porters, is too good for locals to leave permanently. But more significantly, almost everyone I talked to expressed a really strong connection to the Springs and the surrounding area, suggesting strong communal and cultural ties, as well as a commitment to the region on the part of locals:

Life is very nice here, even though it is difficult. It is more difficult now that there are no tourists in the winter. But many years ago I lived in Ust-Kamenogorsk and I did not like it. I moved back. I was born here and this is my home (Nuhrmet, female, housekeeper, September 2003).

It is very difficult to live here. There is no work in the winter, so I really do not make any money during these months. But I was born here and I don't think I can ever leave. Even if there were no tourists, I don't think I could leave. It would be very hard, but I don't think I could live in another town (Akhan, male, trekking guide, September 2003).

This is a reoccurring theme among the people from the numerous communities where I conducted my research and one that I have observed in most mountain communities I

have visited. Employment is often only seasonal, the environment often harsh, and life relatively expensive when considering the actual cost of living in such settings. But mountain environments have a power to draw people in and keep them from ever wanting to really leave despite the costs. In all the communities I conducted my research, permanent out-migration appeared to be minimal. Rakhmanov Springs and other nearby villages was where it appeared to be the most common.

The most prevalent coping mechanism utilized by locals who didn't migrate is increased reliance on traditional forms of income supplementation. This takes the form of fishing (primarily for grayling in Kazakh and Russian streams), harvesting nuts, berries, and mushrooms, and hunting. Fishing is typically done in the fall of the year, after the resort has ceased operation for the season. Fish are netted and then smoked or salted for preservation. These are used as provisions during the winter and also sold in the markets of the larger villages on the valley floor of Katon-Karagai National Park. Berries, pine nuts, and mushrooms are also preserved and used for provisions and to sell in other villages.

The Eurasia Fund's CBT development program has been partially put in place in Rakhmanov Springs. This community is admittedly not the primary target village of the program. The feeling among many local participants is that, while the skills taught and information dispensed in the program seminars is certainly important and useful, it is material that these individuals already know because the community has a long history of providing such services to tourists.

Overall, the perception in the community is that the CBT program is having a minimal impact on bringing in more clients. It caters to the emerging market of tourists

from outside the CIS countries who are continuing to make up a larger piece of total visitors to the Springs. But this increase in clientele is stifled by the loss of winter clientele. And this is where the community of Rakhmanov Springs faces its most perplexing problem. In truth, there is still strong market demand for the Springs as a destination. This is so among the traditional market and the emerging market. But infrastructural problems, in particular the rising cost of diesel fuel, have rendered winter operation of the resort economically unviable, even with winter demand. This limits the employment of locals from the village to only four months a year maximum. And while tourism continues to grow, it is still seasonally limited. This is difficult for a community that has been used to at least partial employment during the winter months.

There is a possibility that the current low number of travelers is having a beneficial impact on the local environment when compared to other places in the Altai that experience heavier traffic. For example, two guides I interviewed expressed the pride they had in the litter-free appearance of the trails leading up to Bellukha from the Rakhmanov Springs. They compared these routes to the Belukha trails on the other side of the mountain that originate in Russian towns. These trails receive far more visitors and reportedly have far more problems with littering and trail degradation. Increased visitation to Belukha and the Springs could produce a similar situation on the Kazakh trails. However, the Eurasia Fund's CBT development program is designed to establish new trails in an attempt to take pressure off of existing trails. This may minimize problems of pollution and over-usage in the future.

Locals in Rakhmanov Springs remain optimistic about tourism. They see it as an industry that has been beneficial for the community in the past. What is more, they

believe that the Springs still has great demand as a destination. One interview with a young local trekking guide and porter illustrated this:

Interviewer: In your opinion, because of your experiences as a guide and porter here, do you think there will be more tourists in the future?

Sabit: Yes, of course. There will be more again. The only real problem has been with the price of fuel. You know, we don't have less tourists in the summer. We actually have more now. More every year it seems. The main problem has been the winter. We used to have many more during this time of the year. But once the problem with the heating is finished, we will see winter tourists again. This is a good place to be in the winter. These Mountains are beautiful in the winter (Kazakh, 26 years old).

Kara-Aimag

To reach Rakhmanov Springs requires a drive of approximately 90 kilometers from the front gate of Katon Karagai National Park. It is a decent road for the most part - paved, but a very bumpy in spots. One will cross a handful of bridges before make the ascent into the mountains to reach the Springs. It is here that the pavement ends and the road turns to rutted dirt. It is not long to the resort from here, only about 20 kilometers. These condition of the road, however, turns what should a quick 20 minute drive into one that approaches an hour. There is a small cutoff here, another road that veers to the left and disappears into a forest of birch and firs. If you follow this road to its termination point, roughly 10 kilometers, it will bring you to the village of Kara Aimag.

The people who call this village home, about 10 families in all, are herders who raise cattle, yaks, and sheep. Like their counterparts in most other mountain communities of the Altai, residents of Kara Aimag invest much of their energy in the harvesting of nuts, berries, and mushrooms, as well as smoking and salting grayling. Tourism has played a minor role in this village historically. Only a handful have worked at the Springs, mostly as fill-in porters for overbooked trekking expeditions. This began to

change in 2000 when the Springs Corp and Altai Adventures approached the community about using the village as a jumping off point for two alternative routes for their clients. They proposed the use of a 40 kilometer long trail leading from Kara Aimag up to Rakhmanov Springs. Another trail, 65 kilometers in length, would lead up to the base camps at Belukha. In 2001, the first tourists began to arrive. Community members acted as guides and provide horses for these first few expeditions. In 2002, the Springs Corporation, in conjunction with the Eurasia Fund's CBT development program, started offering instructional seminars and workshops, as well as small funds and resources for providing services. Most of these resources were in the form of camping stoves, tents, packing gear, and bedding.

Tourism operations in this village have now begun in earnest. In 2003, Kara Aimag provided services to approximately 100 tourists. The tourists the village serves are diverse. 50 percent are Russians, 25 percent are Kazakhs, and the remainder are from Europe²³. Roughly 80 percent of the tourists that came to Kara Aimag in 2003 were clients of the Springs Corp or Altai Adventures. The remaining were independent travelers, all citizens of Kazakhstan who are not affected by border zone restrictions. The size of groups they serve typically range from four to six persons. Trips average four days in length.

²³ The estimation of tourists served by the village of Kara Aimag in 2003 came from interviews with community members who are directly engaged in the tourism industry. They estimated 50 percent of clients being Russians, but I did not ask if these were Russians who were citizens of Kazakhstan or of the Russian Federation. It is my belief that the Russians they were speaking of were from the Russian Federation and not Kazakhstani citizens of Russian nationality. They speak specifically of serving Kazakhs who were independent travelers. I believe this indicates citizens of Kazakhstan, not necessarily people of Kazakh nationality.

The community members I interviewed over a three week period all reported substantial income from tourism. For most it is their only form of direct income. One horse guide I had several discussions with reported his income from tourism in detail:

This past summer I did a total of five trips with my brother. We have our own horses and we use many of our family's horses as well. We charge 4000 tenge (approx. \$26) a day for each horse and then each of us is paid 3000 tenge (approx. \$19) a day. So this past summer I made almost 60,000 tenge (approx. \$390) just guiding. And for my horse I was paid 80,000 tenge (approx. \$500).

In mountain communities like Kara Aimag, a person making the equivalent of almost \$900 in four months is doing very well. This particular guide estimated that his immediate family made approximately 15,000 tenge (\$100) during the rest of the year selling berries, fish, and nuts in the village of Berel. The village suffered from significant out-migration after independence, something apparent from the several abandoned buildings just off of the main road. But few have left the village permanently since 2000.

Kara Aimag residents also reported the instructional courses provided by the CBT program to be beneficial and skills taught as useful in this emerging trade, which is opposite of what was reported in Rakhmanov Springs. In gaining further understanding of what services tourists demand, the village has began communal projects meant to further tap into the potential of the industry. There are plans for the construction of a banya (a traditional Russian steam bath and sauna) for use by tourists and the possibility of a yurt camp to use as accommodations for guests.

But there is evidence of tensions developing between the community and the tourism firms that provide most of their clientele. Part of the CBT is to instruct potential service provider on how to best match their services with proper prices. During the 2002 season, villagers provided horse at a price of 2,300 tenge (\$15) a day. By the end of the

2003 season, they were demanding 4,000 tenge (\$23) a day. There is discussion among the village guides of charging 5,000 tenge for the 2004 season. The operators of the two tourism firms that provided the tourists and helped establish the CBT program complain that they feel they are being taken advantage of. Sergei from Altai Adventures understands that these villagers are correctly exploiting the demand for what they offer, but his problem is that once the price has been determined several weeks in advance and he then arrives with his guest, the price is then increased by 200 or 300 tenge a day. This is money, he says, that comes directly out of his pocket, as he cannot charge his clients more than an already agreed price. In the future it will be interesting to see if these tensions increase, if cooperation between the firms and the community is maintained, and if the apparent communal unity in the industry continues.

Kara Aimag is experiencing growth in seasonal tourism. It is an industry that is new to the community and one that by all indications has been beneficial economically and socially. The inclusion of this village in the Altai tourism network stems from its proximity to a traditional destination and the growing CBT niche in the global tourism network. However, this niche is typically associated with western travelers originating in Europe and North America. The majority of Kara Aimag's clientele come from the traditional market and the growing domestic market, much like Rakhmanov Springs. Seventy kilometers to the south, another village, new to the tourism game but nowhere near traditional destinations, has begun to provide services to visitors brought by Ust-Kamenogorsk based firms.

Urunkhayka and Lake Markakol

Urunkhayka lies on the east shore of what is arguably the most beautiful and scenic landscape in all of the Kazakh Altai: Lake Markakol. Kazakh nomads claim the lake to be the earthly form of *Shambala*, the mythical heaven-like land that will be revealed after mankind destroys itself (Mayhew, et. al, 2000). Urunkhayka is a typical Altai village. It is small, consisting of about 200 families and 800 people. Four other smaller villages ranging in size from 20 to 100 residents are located on the north, south, and west shores. The population is mostly of Kazakh (about 75 percent) and Russian (about 25 percent) nationality. The isolation of Lake Markakol from the rest of the Altai means that these communities must be more self-sufficient than others of similar size. Urunkhayka has a small one-room health clinic, a school that serves the children of the lakeside villages, and two shop that sell market goods.

The lake, the communities, and the surrounding mountains are within the Lake Markakol Zapovednik, a specially protected territory used for scientific research. Economic activity was strictly regulated during the Soviet era and for the most part continues to be today. Since independence, the people of these communities have mostly been involved in timber harvesting, an activity that occurs several kilometers outside of the zapovednik. Logging takes place during all seasons, but it is an inconsistent form of employment due to transportation and fuel costs. Residents will harvest timber for several months for a company and then go several months without such work. Harvesting of fish from the lake, and berries, nuts, and mushrooms from nearby hills is practiced seasonally. I like to think of the residents of the lake as “settled nomads”, moving around the lake when fishing is good, into the hills when it is time to harvest, and across the mountains when it is time to cut timber. There is less raising of livestock here,

but it still occurs. There are others who are occupied in endeavors outside of these traditional forms of employment. There are a handful of State employed scientists and two zapovednik rangers.

As in Kara Aimag, tourism is a new phenomenon to Lake Markakol. Its close proximity to the Chinese border make it an impossible location for almost anyone to travel to independently. CBT programs have not been responsible for the growth of tourism in these communities. Rather, it has grown due to the initiative of established firms who wanted to introduce clients from the growing European market to unique Altai environments that can be marketed as undiscovered. In 1995, Altai Adventures began to bring their first guests to the Lake. A few years later, they purchased two small cabins that they renovated and began to use as accommodations for guests. In 1999, the Springs Corp also began to bring guest to the Lake. Clients mostly take part in multiple day trekking and horseback expeditions around Lake Markakol. During the 2003 season, the Lake hosted roughly 60 tourists, all from the emerging European and North American markets and all of whom were clients of either Altai Adventures or the Springs Corp. This was more than they had in 2002, but not as many as they had in 2000 and 2001, when they reportedly had around 75 visitors.

The communities around Lake Markakol have not experienced the seasonal out-migration of residents that Rakhmanov Springs and Kara Aimag have experienced. In fact, it was reported by interview subjects that the village of Urunkhayka has grown by three families, two of which moved from the village of Kurchum, about 120 kilometers to the southwest, to be closer to extended family members. Timber harvesting, along with the harvesting of fish and other forestry products, and live stock raising, has provided

enough income to allow the residents of the Lake to remain in an environment that they enjoy and feel comfortable in. Tourism has become an important supplemental form of employment for some of the residents. They provide horses for horseback tours, act as guides, and provide meals and accommodations, the latter of which usually occurs in traditional yurts. One family possesses an outboard motorboat and provides transportation across the lake for those clients who only wish to trek halfway around the lake. Still, tourism provides employment for only a small percentage of those who live around the lake, and typically those who perform service tasks are those who own horses. With horses acting as an indicator of wealth in these communities, it appears that those with certain personal resource possession are the ones who benefit most from tourism. The guides who I interviewed reportedly guided no more than four excursions a season. Most of these were between three and five days in duration. They received significantly less than what guides from Kara Aimag received: generally 500 tenge (\$3.00) a day and 1500 tenge (\$10) a day for horses. They charged 500 tenge a day per person for accommodations in yurts and 200 tenge for meals. Their total income for a season for all tourism services performed was between 200 and 300 dollars. But this is substantial when one considers that the wages earned by a ranger or militia member is usually between 40 and 60 dollars a month.

The residents have what appears to be a strong relationship with the managers and guides from the Springs Corp and Altai Adventures. Altai Adventures many times brings supplies from Ust-Kamenogorsk up to Urunkhayka when they bring guests. I personally witnessed them bring up athletic supplies for the school, specifically a set of soccer balls and some netting to be used as material for a goal. The residents I interviewed claimed

that all visitors came via tourism firms based in Ust-Kamenogorsk. There were no reports of independent travelers – those visiting without being chaperoned by a tourism firm. This is evidence of the detrimental effect of the border zone restrictions. As a result, all of the money coming into these villages is not through the tourists themselves but through the tourism firms. The firm managers who I interviewed claimed that their guest probably spend less than 150 tenge in these villages independently.

While the type of tourism being performed in Lake Markakol can be classified as CBT, its impact on the environment is minimized by the small number of tourists visiting these communities. In an ideal sense, CBT is meant to replace less sustainable and less ecologically friendly forms of income generation. However, with less than 100 tourists serviced in a typical season, and with only a small percentage of the community engaged in the provision of tourism services, CBT does not provide enough incentives currently to keep these communities from engaging in less environmentally sustainable forms of employment, particularly timber harvesting and fishing in the lake.

Conclusions: Implications for Local Firms and Local Communities

This chapter illustrates the impact of state development policy in Kazakhstan on the tourism industry in the Kazakh Altai. I have shown that state policy has created issues of concern for tourism firms, employees, and communities. However, the industry is dominated by locals specifically because of state policy. What is more, the industry grows without outside involvement because it can take advantage of a strong developing economy and strong connections with traditional and emerging markets.

Tourism in East Kazakhstan faces several obstacles. Evidence from interviews with local firms suggests that global factors – 9-11, the war in Iraq, SARS – have clearly

had an influence. It is also hampered by national obstacles, particularly (a) high visa fees and strict registration requirements; (b) lack of outside investment; and (c) weak tourism infrastructure. In addition to these problems, there is a more regionally specific obstacle – burdensome travel barriers that makes visitation to the most popular destinations by foreign tourists difficult. These national and regionally specific obstacles can for the most part be contributed to the state's disinterest in the development of the tourism industry in Kazakhstan. There is no clear policy or development plan on the part of the government, a factor that could assist in the deconstruction of travel barriers associated with visa requirements and border zone restrictions. And performance prerequisites, meant to generate greater benefits from foreign investors, is limiting investment in the tourism sector in outliers like East Kazakhstan, which in turn contributes to the lag in tourism infrastructure.

But the industry in East Kazakhstan exploits certain advantages. The country has a strong general infrastructure. It has strong physical connections to traditional and emerging tourism markets. It has a growing internal tourism market that gravitates partially toward domestic destinations. New technologies and traditional networks have allowed local firms to more effectively advertise and directly link to new markets and potential independent clientele. Low outside investment is having a positive latent effect, in that local firms have no competition from advanced foreign firms. East Kazakhstan, like the rest of the country, caters primarily to traditional markets like Russia and the growing internal market. These tourists do not demand the international standards expected by western clients in the emerging markets. This suppresses the negative effect of the weak tourism infrastructure in the Kazakh Altai. Despite the lack of interest and

policy by the state, tourism in East Kazakhstan continues to grow because of these factors, which themselves are a result of its strong economic and geographic position, and a growing general economy. It is local firms that have reaped most of the benefits that have come with this growth.

To further counter the lack of involvement and interest on the part of the state, local firms solicit the assistance of international development agencies whose goal is the establishment of ecologically and culturally sustainable community-base tourism. While the stability and maintenance of local ecosystems is the primary goal, CBT development programs also allow for the creation of a type of tourism that is appealing to tourists from the emerging markets of Europe and North America, a market that makes up a growing, but still small, portion of visitors to the Kazakh Altai.

Local communities are benefiting as well, mainly from seasonal employment that appears to be stemming the loss of human capital and is seemingly more economically substantial than other forms of employment available to them. Tourism development programs have not necessarily taught new skills, but have, for one of the communities involved in this study, lead to an increase in the number of visitors. However, travel barriers have left the control of the supply of foreign tourists and their money in the hands of firms from Ust-Kamenogorsk. While entrepreneurialism is somewhat stimulated, locals are actually subcontractors. In addition, the impact of these development programs is not meeting its potential because the niche market travel that CBT is suppose to appeal to – upscale westerners – is minimized by travel barriers and the lack of tourism infrastructure in Ust-Kamenogorsk.

As a consequence, it is local communities in the interior of the Altai who are impacted far more negatively by the lack of state policy and interest in the development of the tourism sector. The growth of both the industry and the economy as a whole is not being fully experienced in these villages. State policy does not allow them to maximize their potential, despite their location at high potential sites. Local firms in Ust-Kamenogorsk, although operating in a business environment that is made difficult by the lack of State policy and interest in tourism, are nonetheless able to take advantage of a vibrant traditional and local market, as well as CBT development programs that market this niche to the emerging market in the West. In addition, while border zone restrictions equate to less overall tourists, they do leave the control of the local industry firmly in the hands of tourism businesses in Ust-Kamenogorsk.

Chapter Seven

Lake Issyk-Kul: Different Shores, Different Development

Visitors to Lake Issyk-Kul have three options available to access the region from the outside. The least traveled and one of the most exotic is from the Northeast via the Karkara Valley. Karkara joins Issyk-Kul directly with Kazakhstan by means of a bumpy, washboard dirt road. Visitor who come this way are almost always Westerners looking for a unique and less traveled route to Issyk-Kul. It is generally open only during the summer. The more utilized route comes from the west. The vast majority of visitors come from Bishkek via Highway A-363. This road carries almost all Kyrgyz, Kazakh, and other CIS travelers, as well as most foreign tourists. On the west side of the Lake, in the town of Balakchy, this highway links up with another road coming from Naryn to the South. This road brings tourists coming from China over the Torugart Pass. Like the Karkara Valley, tourists using this route are almost all Westerners. It is being touted as a key passage for Silk Road travelers. At almost 3800 meters in elevation, the Torugart Pass is adventurous but unreliable. It doesn't open until the beginning of June and usually closes by the middle of October.

Any of the three routes puts the visitor at either the far west or east end of the Lake. From either end, the visitor can access the north or south shores. It is these shores that act as the key destinations for tourists to not only Issyk-Kul Oblast, but to all of Kyrgyzstan. From a distance, they may seem quite similar. But upon closer inspection, their differences become quite obvious. The North Shore is composed of long sandy beaches with the distant Kungey Alatau Range rising in to the north. These beaches are lined with several resorts that were built during the Soviet era. Today, they continue to

draw thousands of tourists each year from CIS countries. The beaches of the South Shore are smaller by comparison and less pristine with broken patches of vegetation and rocky outcroppings. But rising directly to the south are the magnificent Central Tian Shan Mountains, home to one of the most beautiful alpine ecosystems on the Eurasian landmass. Throughout this range is an endless network of valleys, canyons, rivers, ridges, and peaks. Many of these can be accessed via a series of trails constructed during the Soviet era by climbing teams, outdoor clubs, and the military. CIS citizens are still drawn to this region as visitors, but their numbers are dwarfed by the growing number of tourists coming from Europe and beyond.

In this chapter I discuss the affect of the state policies analyzed in Chapter Five on the tourism industry in Issyk-Kul. To review, Kyrgyzstan is limited by social and economic underdevelopment, isolation from markets, and a lack of natural resources. The State does not have the capacity to tackle problems of development on their own, including the development of tourism, the industry in which they have the strongest potential. Kyrgyzstan addresses this dilemma by soliciting the participation of transnational investment and development agencies. To attract this participation, the State provides incentives to investors and has deconstructed internal barriers that hinder the industry.

I discuss the impact of tourism on the two shores separately. The evidence suggests that the proactive policies of the state are fostering the growth of tourism in Issyk-Kul. However, it has not necessarily led to greater overall development, nor greater benefits for locals engaged in the growing sector. The specific forms of tourism

currently established in Issyk-Kul and the types of visitors that they attract do not lend to such aspirations.

The two different shores of Lake Issyk-Kul represent the dichotomy in tourism development currently occurring in Kyrgyzstan. The North Shore is dominated by a string of domestic and internationally owned resorts. Those that are foreign owned are possessed by firms based in CIS countries. Firms of this kind tap into the traditional tourism market to which these resorts have historically catered. This market is made up of citizens of the former Soviet Union, primarily Russians, Kazakhs, and Uzbeks. Most tourists to the North Shore come from relatively the nearby urban centers of Bishkek, Kyrgyzstan, and Almaty, Kazakhstan.

Locals on the North Shore enjoy seasonal employment that provides substantial income in comparison to other occupations. However, these results are countered by certain costs that come with this kind of enclave-oriented resort tourism. The resorts have not resulted in the development of infrastructure in the villages surrounding the resorts. The locals employed at the resorts are for the most part relegated to service positions. And lastly, the resort hotels have generated only low level entrepreneurialism in the form of restaurants and guesthouses that service residual guests of the resorts.

In contrast, the South Shore is dominated by small firms that cater to clientele interested in forms of adventure tourism, ecological tourism, and community-based tourism (CBT). Small firms of this orientation tap into a growing niche market within the greater global tourism market that is centered primarily in Europe, North America, and East Asia. There are two categories of firms operating on the South Shore, both of which thrive on a growing number of tourists. The first of these are local firms based in the

town of Karakol. These businesses are diverse and include large and small trekking firms and guesthouses, the latter of which have become established in large part with the assistance of international development agencies. In addition, there are a whole host of locals who provide services such as yurt camps, home stays, craft production, and cultural performances. Locals providing these services often work as subcontractors for the trekking firms and guesthouses. The second category of firms operating on the South Shore is foreign owned CBT businesses based in the capital of Bishkek. These firms use the exclusive services of selected guesthouses and subcontractors. These firms have benefited from investment incentives provided by the State.

Communities on the South Shore benefit from seasonal employment, entrepreneurialism, and a deeper integration in the tourism industry. In addition, the adventure and CBT niche the South Shore caters to is heralded internationally as a sustainable form of tourism that ecologically and culturally sensitive. However, like on the North Shore, the tourism industry comes with certain costs to the local communities. Local firms face stiff competition from foreign owned CBT firms based in Bishkek. Foreign owned CBT businesses have more direct contact with clientele in their home country and more resources for advertising and for the purchase of hard assets. In addition, these small, low impact foreign owned firms do not necessarily lead to the greater development of general infrastructure in the region. There are also questions as to whether or not the removal of certain travel barriers by the State is leading to instances of environmental degradation, which is in turn leading to questions about the actual ecological benefits of community-based tourism.

The comparison of these two venues is important to our understanding of how state policy, international investment and international organizations affect the tourism industry in local communities. The types of tourist being drawn to particular destinations – in terms of both niche preference and nationality – play a significant role in where tourism development programs become established and what kind of investment is attracted. This comparison illustrates that states in precarious geographic and economic situations often have few development options outside of partnerships with outside actors. But these partnerships do not necessarily guarantee that development goals will be met. In fact, this strategy can exacerbate pre-existing difficulties for local stakeholders and create new dilemmas.

The North Shore

The North Shore of Lake Issyk-Kul is approximately 300 kilometers in length. On the middle two thirds of this shore, along 200 kilometers of open, sandy beach, are 22 lakeside hotels. They are large, multi-level facilities. Many have elaborate grounds with gardens and boardwalks. At the front of each are manned security gates that guard the resorts against intruders and unwelcome persons. Extending outward from the front gate is a long road that links the resort to Highway A-363. It is on this highway that the communities supplying the labor to the resorts are located. These towns are numerous and not necessarily large. Cholpon-Ata is the largest with a population of approximately 8,800 (as of the 1999 census). Bostari and Chok-Tal are other major suppliers of labor because their proximity to more than one resort. The spatial distribution of these communities is dictated by the highway, which sprawls beside in an elongated fashion.

The North Shore is the epicenter of tourism in Kyrgyzstan. All of the resorts were built during the Soviet era, and flourished as spas and sanatoriums. After independence in 1991, the government of Kyrgyzstan privatized the tourism industry. In the case of many of these resorts, those who came to acquire them were linked in some way with the former body to which they previously belonged. Thus it was that resorts which belonged to bodies based in a particular republic were acquired by entities within that republic (Nusurov, 2001). Today, private firms in Uzbekistan and Kazakhstan own resorts that were maintained by their respective governments during the Soviet era. Three of the largest – the Karaganda, Hotel Kazakhstan, and Royal Beach – are currently owned and operated by corporations based in Kazakhstan²⁴.

The Karaganda is a joint venture between a Kyrgyzstani and Kazakhstani corporation, the latter of which is the primary investor. The Kazakhstani element within the corporation owns other hotels and tourism agencies in Kazakhstan and uses these as a network source for clientele. The Karaganda, named for a rich agricultural region in central Kazakhstan, is one of the largest and most successful of the Issyk-Kul resorts. It can accommodate 330 people in 100 rooms and seven private cottages. During July and August the Karaganda is filled to capacity. In the months of June and September, which represent the start and finish of the summer season, the resort is filled to about half capacity. During the off-season it averages about 50 guests per month, most of which are part of government or business conferences being hosted at the hotel. Spikes in visitation

²⁴ The Karaganda Hotel is a pseudonym.

occur during the off-season holidays, particularly New Years and Noorus, the traditional shamanistic celebration of the spring equinox²⁵.

Like all the resorts, the Karaganda exploits its link with its traditional tourism market. 80 to 90 percent of the clientele is from Kazakhstan and Russia, with the remainder coming primarily from Uzbekistan and Kyrgyzstan. The number of guests coming from outside CIS countries remains small. In 2003, fewer than 150 visitors came from Europe, East Asia, and North America.

The Karaganda employs approximately 140 people, 20 of which are in managerial positions. Only two of the managers are from Kyrgyzstan – the resort’s judicial advocate and the manager of tours and excursions. All of the managers live on the grounds of the resort. Mid-level managers, including the two from Kyrgyzstan, work on a two-week on, two-week off schedule. Most service level employees come from the local communities, primarily Bostari, Cholpon-Ata, and Baktuu-Dolonotu. These workers are employed in a variety of positions that are divided along gender lines. Restaurant wait staff is female while bar tending staff is male. Grounds keeping and maintenance, as well as transportation staff, are male. Housekeeping positions are all female. Security is male. The one area where there is not a difference is in the spa staff, where both men and women are employed and serve the different genders separately.

As an enclave-oriented resort, all services for guests are supplied in-house with very little byway of subcontracting to outside businesses or service providers. For example, the transportation of guests to local sites is provided by drivers employed directly by the Karaganda. Local taxi drivers typically wait outside the front gate for

²⁵ The data collected for the Karaganda Hotel comes from a set of interviews I conducted with managers and employees from January 18 - 27, 2004, and February 22 – 28, 2004.

guests wanting transportation that the hotel is unable or unwilling to provide. At times local guides will subcontract out their services to the hotel for guests wish to visit nearby petroglyph sites and museums.

Data from my interviews with the Karaganda's senior manager suggests that, because the resorts and resort tourism on the North Shore was established long before independence, they were not affected by the investment incentives provided by the State. The manager, Askar Konyaiyev, stated that the laws on investment in tourism were created to generate new foreign investment, not for investments that existed before the law was established. Konyaiyev also stated that the relaxation of visa and registration requirements have had no affect on his clientele, as they are virtually all from either Kazakhstan, Russia, and Uzbekistan, and have enjoyed a visa free regime since independence. The hotel experienced little difficulty with the 9-11 terrorist attacks, the war in Afghanistan and Iraq, and the SARS epidemic. This is primarily because its main clientele stream was from countries less impacted by these events. The manager could not comment on the impact of the Russian ruble crisis of 1998 because he was not employed with the hotel at the time.

Not all the resorts are doing as well as the Karaganda. In fact, at least half are completely closed during the off-season or open briefly during the off-season holidays. Locals told me that Karaganda, along with Royal Beach, the Aurora, the Kazakhstan, and the Akun Issyk-Kul, are among the nicest and "most modern". All of these are foreign owned. Askar Konyaiyev explained to me that the Karaganda was a rather new resort, built in the early 1970s. It received renovations in 1999, a new lakeside bar in 2000, and updated cottages in 2001. There are plans for future expansion, including a new

administrative building, another restaurant, a dog boarding area for guests' pets, and new upscale cottages.

The success and stability of the Karaganda stems from several factors, not least of which is its tradition in serving clients from the CIS states. These clients are still drawn to the resort and aren't deterred by global events that interfere in the travel plans of other travelers. But good business decisions and networks have certainly played a role as well. As a piece of a multinational travel and hospitality corporation based in Kazakhstan, it has a direct link with clientele. Konyaiyev explained that guests could book and pay for reservations at company offices and hotels in Almaty and Astana.

The relationship between the Karaganda and the local community goes beyond simply employment. The managers I interviewed described the relationship as good or strong. Konyaiyev explained how the hotel works with the local akimat to deal with problems it may face. For example, the Karaganda, like all the resorts, must deal with a Kyrgyz law restricting private ownership of the shoreline around the lake. The hotels only own the property down to the edge of the beach. The beach itself is public property. When the Karaganda experienced trouble with local youths roaming the beach, management presented this problem to the local akimat. The akimat dealt with the problem by dispersing law enforcement officials to the beach to clear them of the unwanted groups of youth. As another example, the Karaganda hosts big evening meals once a week during Ramadan for Muslim employees and their families.

The towns of Bostari and Baktuu-Dolonotu are the closest communities to the Karaganda and supply much of the labor to the hotel. The population is mostly Kyrgyz with some Russians. My interviews with a number of employees suggested that

employment at the hotel is coveted and wages are very decent for the region. Wages vary from month to month depending on how busy the resort is. Maya, a young Kyrgyz woman who works in housekeeping at the hotel makes the equivalent of 90 dollars a month in July and August and 55 dollars a month in June and September. She reported that, in her position, tipping rarely if ever occurs. There are a handful of women working in housekeeping year around, but Maya explained that these positions are based on seniority and she has only been working at the Karaganda for three seasons. Kalichbek, another local employed as a groundskeeper and maintenance man for the hotel for six years works on a similar variable wage scale throughout the year. He makes the equivalent of 125 dollars a month from July through September and 80 dollars a month during May and June.

Maya and Kalichbek are representative of the labor force on the North Shore working at the resorts. They report that their seasonal wages, make up between 80 and 90 percent of their total annual income. For the rest of the year, they work within family circles – raising horses, cattle, and chickens and selling eggs, milk, and cheese at local markets. Others supplement their incomes by selling beauty products or inexpensive clothing and footwear brought over from China. A small percentage, mostly those who work in the restaurants and bars at the resorts, migrate to Bishkek during the winter where their experience is in high demand.

The labor structure of these communities is not simply about direct employment by the resorts. Although hotels like the Karaganda drive the local economy, the popularity of the North Shore among Russian, Kazakh, and Uzbek tourists is so great that it generates a residual clientele who are not serviced directly by the resorts. These

tourists are generally those who were not able to secure reservations at the resorts, cannot afford resort accommodations and services, or simply want an alternative to the resorts. They are serviced by small, local, family run guesthouses and restaurants. Many are simply two or three bedrooms in a converted side building with pit latrines in the back or a set of tables with chairs in the front room a house. But others are more elaborate. Some of the restaurants have diverse menus and high seating capacity. Some of the guesthouses consist of half a dozen or more rooms with TVs, flush toilets, and hot showers. They do a brisk business in the summer, but some of the businesses, especially the restaurants, have business in the winter because they serve the local community. Regardless, these are low-end businesses that do not generate extreme amounts of revenue.

A relatively new player in this residual tourism market on the North Shore is the guesthouse industry that has been established with the assistance of CBT development programs. The Swiss Association for International Cooperation (Helvetas), was the most instrumental agency in this endeavor. This agency provided workshops and seminars for new and previously established guesthouses. Although guesthouses in the traditional destinations of Cholpon-Ata and Bostari took part, Helvetas purposely targeted the lakeside village of Tam Chi for CBT development. There were two principle reasons for this decision: (1) Tam Chi is located on the west end of the North Shore and is not considered a resort town. Helvetas felt that this would make it a potential destination that could attract CBT oriented clientele; and (2) because it was not a community that supplied much by way of labor to the resorts, Helvetas identified it as a village that would

benefit the most from CBT development²⁶. The residual market that existed prior to the Helvetas program wasn't identified as one that could meet the needs of travelers attract to community-based tourism. Helvetas felt that with training and the addition of other guesthouses, the North Shore could be an attractive destination for visitors from outside CIS-countries.

The CBT program has resulted in increased visitation for its participants. However, issues of contention have arisen between some of the CBT operators. Those in Cholpon-Ata and Bostari complain that the Kyrgyzstan Community Based Tourism Association (KCBTA) and the tourism development company Nomad's Life, both based in Bishkek and established with the assistance of Helvetas, are purposely pushing business away from their communities and toward Tam Chi. This has become problematic because the guesthouse operators I interviewed stated that the most beneficial aspect of their participation in the CBT development program was the establishment of business networks in Bishkek with firms and organizations that had direct contacts with clientele outside of the CIS countries.

The relationship of all these businesses with the older, larger resorts is distant. None of the guesthouse or restaurant proprietors I conversed with formally or informally had any kind of business ties with hotels. In a follow-up interview with the senior manager from the Karaganda, I asked about the procedure for tourists when there is no vacancies, overflow, or when the hotel is overbooked. He informed me that in such cases

²⁶ Information on the establishment of CBT development in Tam Chi is based on interviews with Helvetas officials (December 19, 2003), a KCBTA official (December 21, 2003) and managers of Nomad's Life (December 16, 2003) in Bishkek.

he will call or send these tourists to other resorts which the Karaganda has a working relationship, which included the Hotel Kazakhstan and the Aurora.

What is evident is that the overall relationship between the Karaganda and the local communities is a dichotomous one. The rayon akimat works with the resort on local security and administrative issues. The resort, in addition to providing service level employment to local community members, also hosts certain community and cultural events for employees and their families. All of this suggests a strong community-resort relationship, but in many ways this can be misleading. Local employment is not integrated into the managerial ranks and ties with local businesses, even those that are within the tourism sector, are almost non-existent. There is also a serious infrastructure gap between the communities and the resorts. Observational and interview data I collected showed that sewage, electricity, and roads are noticeably less developed in the towns and villages than in the resorts. Most of the houses and many of the businesses have pit latrines. The roads coming off of Highway A-363 are mostly dirt with severe potholes. Those extending to the resorts are paved and relatively developed.

The tourism sector itself comes as a catch-22 for the local communities. Each summer brings a new wave of tourists and the possibility of more money. But it also brings congestion and overcrowding, an aggravating side-effect mentioned to me by several respondents. Much of this has to do with the spatial layout of the towns, which are drawn out along the only thoroughfare in the area. Some locals, especially those living away from the resorts and town and closer to the Kungey Alatau Range to the north, are concerned about plans for a road through the mountains that will link Almaty directly with Cholpon-Ata, sparing travelers the long 450 kilometer drive around through

Bishkek²⁷. The proposed route for this road goes directly through what locals described to me as prime snow leopard habitat in the Kungey Alatau and highlands of Chong Kimen further to the north. So far, the only thing holding up this realization of this road is funding from the government of the Kyrgyz Republic, as no international finance body will touch it.

As a social science researcher, the striking feature of these communities for me is their ability to fill a niche within the tourism market that the large resorts cannot meet, and do so in a truly independent manner without any direct support from the State, international investment, or international organizations, except for the small number of guesthouses that took part in Helvetas' CBT program. The restaurants, guesthouses, and the taxi drivers supply a market whose demands they know intimately. Many of them are doing a brisk business and their business is growing. On the other side of the lake, another type of tourism market is emerging, serving a different type of clientele, offering different services, and allowing for the participation of the community in a different manner.

The South Shore

From the harbor of Przhevalsk in the east to the lakeside town of Balakchy in the west, the South Shore, at 250 kilometers, is slightly longer than the North. It is not a straight length of beach like the north, but rather is concaved. The beaches themselves are not much in comparison to the North Shore. They are really patches of sand mixed with sparse vegetation and rocky crags and outcroppings. But visitors to the South Shore

²⁷ To reach Lake Issyk-Kul from Almaty, visitors must drive 200 kilometer to the southwest to Bishkek, and then drive 250 kilometers to the east to reach Cholpon-Ata. The proposed route through Chong Kimen will be a total of 130 kilometers in length.

do not come for the beaches. It is the mountains and valleys and rivers of the Central Tian Shan Range that draws them. Unlike the north side of the lake, where two dozen resorts along 200 kilometers of shoreline draw visitors, tourism on the South Shore is concentrated in one central location: the former frontier outpost town of Karakol.

With a population of just over seventy thousand, Karakol is the largest urban center in Issyk-Kul. The pastures and valleys in the immediate vicinity were for centuries dominated by Kyrgyz herders. In the 1860s and 1870s, Russian imperial expansion brought an ever increasing number of soldiers, explorers, and merchants to the region. By the 1880s, Karakol was a burgeoning, ethnically mixed trading town made up of Kyrgyz, Russians, Ukrainians, and a growing number of Dungans – Chinese Muslims who had fled persecution in the Xinjiang Province of China. The town's name was changed to Przhevalsk by Soviet Premier Joseph Stalin in honor of the famous Russian explorer who died there in late 19th century (Stewart and Weldon, 2002). The name was changed back to its original after the collapse of the Soviet Union.

Today, Karakol retains much of its frontier feel but also has a very visible soft side. In the summer, the streets of the town are lined with tall stands of Tian Shan spruce, poplar trees, and Russian birch. Many of the houses have lush gardens. The Kyrgyz maintain their ties to the land and herd sheep and goats through the streets of Karakol, even during the busy and crowded summer months. The traditional ethnic and religious mix of the past century and a half is still evident. A Russian Orthodox Cathedral of classic architecture is situated six blocks from a famous Dungan mosque.

Tourism in Karakol is vastly different from the North Shore. Adventure, ecological, and cultural tourism are the principle offerings. Visitors come primarily from

West Europe, but there is a significant amount of visitorship from Russia and East Europe. East Asia and North America make up a small but growing piece of the visitation pie. Tourism is not simply about Karakol. In fact, the town is more of a jumping off point than a destination. Most of the sites tourists are drawn to are in the Central Tian Shan Range and the nearby lowlands – Karkara Valley, Ak-Suu Valley, Altan Arashan, Enylchek Glacier, Khan Tengri, and Peak Pobeda. The activities offered are diverse and similar to what is offered in the Kazakh Altai, mainly trekking, climbing, horseback expeditions, and cultural tours. Throughout the mountains and the lowlands, countless villages receive tourists each summer season. Tourists are also descending on mountain jaiolos – alpine pastures used by Kyrgyz herders to graze cattle and sheep in the summer – to take part in yurt home stays and witness traditional nomadic lifestyle.

The groups that can be considered stakeholders in the tourism industry on the South Shore are numerous and diverse. To illustrate the affect of State policy and international involvement, I focus on four actors who are intimately involved in the tourism sector in this region: (a) local firms based in Karakol; (b) foreign owned firms that are based in Bishkek but operate extensively throughout the South Shore region;(c) employees from the local community who work as guides, porters, cooks, and yurt camp staff; and (d) guesthouse owners and operators who work as subcontractors for foreign owned firms. There is a close relationship between some of these actors. Local firms are dependent on the local community for its labor source. These employees do little if any kind of freelance work away from the local firms. Foreign firms typically do not use the services of local employees, instead relying on employees from Bishkek who accompany the clients of these firms on their excursions. They use guesthouses that they are

affiliated with to accommodate their clients, and will also use local cultural performers – poets, *manaschis*, falconers, and musicians – who subcontract out their services to businesses that host tourist. Trekking and horseback guides employed by these firms are selected from the pool of locals who took part in Helvetas' CBT development program.

Local firms

All Local tourism firms on the South Shore of Issyk-Kul are based in Karakol. Most of these are trekking outfits, but to varying degrees they are involved in climbing expeditions, historical and cultural tours, or simply accommodating guests at a hostel or yurt camp directly owned and operated by the firms. Two companies that I concentrated my research on are among the most well known. They are also quite different from each other. Issyk-Kul Mountain Adventures is a diverse and growing firm that hosts a large number of guests engaging in various activities. It is the largest local trekking and climbing firm in Issyk-Kul. Tian Shan Tours is a small firm that specializes in lowland trekking and cultural tours, but also dabbles in basic climbing expeditions²⁸.

Both of these firms were established by individuals who, before independence, were involved in the Soviet sports and physical fitness system. Both owners also have long settlement histories in Karakol. Vasilei Alyoshen was born in Karakol soon after his parents were deported from the Ukraine in 1940. He was a trainer and mechanic for Soviet motorcycle teams, and coached extensively throughout Russia, Kazakhstan, and Kyrgyzstan. According to Vasilei, quite a bit of training occurred in the Issyk-Kul region, and when the teams would take breaks from their regimen, he would escort them to various sites in the area. This became a regular piece of the teams' routine for

²⁸ Tian Shan Tours and Issyk-Kul Mountain Adventures are pseudonyms.

approximately 15 years while they trained in Issyk-Kul. Upon the collapse of the Soviet Union, Vasilei made a natural transition into escorting the small but growing number of tourists descending on the region. He founded Tian Shan Tours in 1996 after purchasing a large guesthouse to lodge guests that were by then requesting accommodations.

Alexander Kirilenko, the founder and owner of Issyk-Kul Mountain Adventures was a Master of Sport candidate in alpinism and an instructor of climbing and skiing during the Soviet era. He began providing freelance guiding services in 1992, immediately after independence. He pin-pointed 1998 as the year that his business began to take off with regularly scheduled climbing and trekking expeditions. It has grown each year since, servicing more clients and taking in more money.

These locally based companies are similar in the type (if not level) of services offered, their season of operation, and their clientele demographics. Both are engaged heavily in trekking and both provide accommodations for guests: a small six room hostel for Tian Shan Tours and a yurt camp and eight room hostel for Issyk-Kul Mountain Adventures. Both companies provide support for climbing expeditions to Khan Tengri and Peak Pobeda in the vicinity of Enylchek Glacier as well as less arduous mountains that are closer to Karakol. Tian Shan Tours is also engaged in auto tours to cultural and historical sites. June through September are the busiest months, with business peaking in July and August. Each supports a few travelers in May and October. The vast majority of guests for both firms come from Western Europe, followed by East Europe and the Russia. East Asia makes up a growing number of total visitation for both firms, but their numbers still make up less than 10 percent of business.

All the employees for these firms – guides, porters, cooks, and drivers – come directly from Karakol or surrounding villages. These characteristics are similar among most, but not all, local firms based in Karakol. For example, another trekking and climbing outfit, Alp Tour Issyk-Kul, is almost exclusively climbing and trekking, does not provide accommodations for guests directly, and has clientele that is upwards of 80 percent from Russia and the former Soviet Union.

Growth has not been a shared trait among these firms. Tian Shan Tours peaked at 460 guests in 2001 but has lost clientele since then, dropping to 240 guests in 2002 and 180 guests in 2003. Vasilei explained that, in his opinion, the main reason for this was the global political climate – 9-11 and the war in Afghanistan and Iraq – as well as the SARS epidemic. But over the same period, Kirilenko’s operation experienced growth. In 2001, Issyk-Kul Mountain Adventures serviced 889 guests, then had a significant upswing in 2002 when they served 1489 tourists. In 2003, they were down only slightly from this, servicing 1,310 guests.

Kirilenko suggested that his business was down in 2003 because of the SARS epidemic. For much of that season, the Torugart Pass into China was closed because of the disease. His guests that were coming into Kyrgyzstan via the pass or who were going to leave the country for China via the pass were forced to cancel their plans. This is something that Vasilei suggested as impacting his clientele in 2003.

But Alexander Kirilenko also suggested that his clientele was less affected overall by these global events because the majority of them are independent budget travelers – a type of tourist recognized as flexible and less affected by global events such as wars and epidemics (Scheyvens, 2002). These travelers are drawn to Kyrgyzstan because of the

opportunities for adventure, ecological, and cultural tourism. But they are also drawn to the country because it is considered an easy country for travel (Stewart and Weldon, 2002; Mayhew et. al, 2000). Much of this stems from the deconstruction of travel barriers, especially visa fees and registration, on the part of the government.

Clients of Tian Shan Tours are primarily independent budget travelers as well, but their decline in guests from the peak in 2001 was primarily among group travelers who are chaperoned by a representative of a travel agency who is responsible for the well-being of the group. Approximately 35 to 40 percent of overall clientele are group travelers. This decline might also partially stems from incidences of substandard service that, through word of mouth and through popular guidebooks, has become public knowledge among travelers to Issyk-Kul²⁹. Overall, this suggests the positive affect of relaxed travel barriers on Issyk-Kul. It has attracts tourists that are less impacted by global events such as wars and diseases.

With trekking and climbing being the primary activities pursued by tourists, it comes as no surprise that the removal of Alp Tour Zones (ATZs), which I discussed briefly in Chapter Five, was received well by these companies and has positively affected their business. But this benefit is not just in regard to it now being easier for tourists to travel to the mountains. A latent effect of ATZ removal is the impact it has had on decreasing levels of corruption. Alexander Kirilenko explained the problems that arose when ATZ travel restrictions were in place:

²⁹ I noticed two documented incidences of sub-par service on the part of Vasilei in two prominent guide books. But more interesting in this regard was a warning posted by a traveler in a guest book at one of the guesthouses I visited in Cholpon-Ata. It read: “Stay away from Vasilei and Tian Shan Tours. He provided almost no food for our expedition to Altan Arashan.” This illustrates the power of word-of-mouth among independent travelers.

Before they removed the zones, two years ago now, trekkers and climbers had to apply for permits to go into the mountains. These really were only suppose to cost 200 som (approximately 4.50 dollars), but the officials would always tell them that all the permits had been issued but they could get one anyway if they were willing to pay 400 som. And then when they were in the mountains, even with a guide, and the militsia would stop them to check their papers, there would always be some problem and the trekkers would have to pay some fine in order to continue on their journey. Of course, there was never really any problem with the papers. But that is the problem with official documents. The militsia, the police, they can always find some kind of problem with official documents (Alexander Kirilenko, owner, Issyk-Kul Mountain Adventures, January 2004).

This is an important matter for tourism businesses in Kyrgyzstan because it is linked to another issue of regulation and corruption that concerned the State Committee for Tourism. Uran Zhundusov claimed that the removal of visa registration requirements has resulted in decreased corruption by militsia and registration officials in the form of extortion of visitors. Zhundusov is also concerned that implementing immigration cards at borders as a way to better measure visitation might result in increased corruption on the part of border guards. It appears that, in Kyrgyzstan, officials documents – permits, registration, or papers of any kind – create opportunities for corruption. The militsia, border guards, rangers, and officials can only bribe people if documents are required in the first place.

With Karakol being within a recognized Free Economic Zone, both Tian Shan Tours and Issyk-Kul Mountain Adventures have benefited from low taxation. They pay an average of three percent taxes on profit, almost three times lower than the next regionally designated tax zone. But Vasilei is quick to point out that this is not all that it seems, and that, in his opinion, his business still pays a lot in taxes:

You must understand that my business still pays much money in taxes. We have oblast and rayon taxes that we must pay. There is also a road and a sewage tax. For what, I do not know. You have seen our roads. They have not been repaired or renovated in over a decade. And the low taxes that I pay on my business are

only for services that I provide I Karakol, such as meals and rooms in the hostel. When we take trekkers to Ak-Suu or the Glacier, we must pay full taxes on these services. This is between 15 and about 25 percent (Vasilei Alyoshen, owner, Tian Shan Tours, January 2004)³⁰.

The tourism and small business development programs established by TACIS and Pragma and discussed in Chapter Five were reported as being beneficial to Tian Shan Tours and Issyk-Kul Mountain Adventures. The same cannot be said, however, for the CBT development program established by Helvetas. Helvetas' CBT development program was instrumental in establishing guesthouses in Karakol and other villages along the South Shore. This was supported by Kirilenko, Alyoshen, and many other local firms, who felt that such guesthouses would provide networking possibilities. These were guesthouses where they could send overflow clientele or clients who wanted alternative accommodations. In return, the guesthouses could send guest who needed guides and porters to their firms. To a certain degree, this has taken place. But the local firms are now experiencing increased competition. This is not competition coming from the guesthouses, but rather from small, foreign-owned tourism firms based in Bishkek, one of which was established with direct economic assistance from Helvetas.

Foreign-Owned Firms

The foreign-owned firms that concern Kirilenko and Alyoshen are rather unique in the global tourism market. They are not large five-star hotels, nor are they multinational travel agencies. Instead, these are small firms owned by one or two individuals outside of Kyrgyzstan, sometimes as joint ventures with a local Kyrgyz group or company. Like the local firms in Karakol, they specialize in adventure, ecological,

³⁰ The subject produced for me the tax documentation forms that he fills out for each expedition. On each form there is a price for services rendered in Karakol and for services rendered outside of Karakol.

and cultural tours. They operate throughout Kyrgyzstan, but a number of them do a majority of their tours on the South Shore of Issyk-Kul. Two that fall into this category are Silk Road Expeditions, owned and operated by a British expatriate, and Nomad's Life, a company operating as a Swiss-Kyrgyz joint venture³¹.

The clientele of these two firms come primarily from Europe, with the home country of the primary investor representing the majority of the overall guests. The age of their clients is typically older than those of the local firms and can be classified as upscale, low impact tourists, where as the clients of local firms can be classified as more independent, budget-oriented, low impact travelers. At least 50 percent of their clientele travel in groups on packaged tours arranged by the firm in conjunction with an intermediary. As such, their business has been affected by the same global events that affected the local firms based in Ust-Kamenogorsk in the Kazakh Altai.

Of the two firms, Silk Road Expeditions is the largest and most diverse. Marcus Sizemore, the owner and principle manager of the company, explained that there are three distinct but interrelated pieces to Silk Road Expeditions. The first is the trekking and expedition piece. The second is the Heavenly Mountains Lodge in Bishkek, a small, upscale hotel consisting of 30 rooms. The last piece is a recently opened upscale hotel in Naryn, with the same capacity as the Lodge in Bishkek. The hotels themselves experience between 1000 and 2000 visitor stays a year. The expedition piece served 140 clients in 2003, almost all of which visited the South Shore of Issyk-Kul. Nomad's Life deals strictly in expeditions and tours. In 2003 it serviced 600 clients. Of these, approximately 400 visited Karakol and the South Shore.

³¹ The names Silk Road Expeditions and Nomad's Life, along with the names of all those associated with them in this study, are pseudonyms.

Local firms in Karakol consider these companies to be competition. But it is Nomad's Life, because of its relationship with Helvetas, which draws the most criticism. The company was created in large part with the assistance of Helvetas in 1999. The president and founder of the firm, Martin Epp, was originally a consultant for Helvetas and its CBT development program. Together with, Gulsara Karabasheva, a Kyrgyz consultant, and a 20,000 dollar loan from Helvetas, they founded Nomad's Life with the profit-driven purpose of supplying newly established guesthouses and newly trained guides with clientele. Helvetas also helped fund the establishment of the Kyrgyzstan Community-Based Tourism Association (KCBTA), which created a partnership of 10 Bishkek based firms to use Helvetas established guesthouses and guides throughout Kyrgyzstan. Six of the firms within this partnership are foreign owned, including Silk Road Expeditions and Nomad's Life. Those who subcontract out their services to these firms are associated with the KCBTA and Helvetas' CBT development program. Local firms are in no way involved as partners or service providers.

Local firms report feeling "slighted" by not being allowed participate in the Helvetas program. They believe that it is program they qualified for and should have been involved. The mission of the Helvetas CBT development program, according to program director Damira Rayeva, is "to create entrepreneurial and employment opportunities for rural peoples in a manner that was ecologically and culturally sustainable." She went on to add that "small business development is the main goal." If this is the goal, than many of the local firms do not understand why they have been excluded. What is more, they are hurt because they believe they had an instrumental role in assisting Helvetas with establishing the CBT development program:

This is strange for me that they will not work with us. Especially since they came to us first to tell us their plans and said that they wanted to work with us to develop their program. We started out by working together. My guides and cooks and camp staff attended their seminars. And our guides helped show them the best routes for trekking in the mountains. But now they only want to work with guesthouses and guides that we helped train for them. They say they want to help small businesses involved in tourism. Well that's what my company is. It is a small tourism business (Alexander Kirilenko, owner/operator, Issyk-Kul Mountain Adventures, December 2003).

Damira Rayeva explained to me the rationale behind the decision to ultimately exclude Karakol's local firms from the program and CBT partnership:

We had problems with them when we first started. Originally we included them as CBT members. Later, as we started to work on the national level, we found it difficult to have trekking firms as members of the CBT group because they were so large and had their own clientele already. For this reason we thought it better to not have a working relationship with them (Damira Rayeva, Helvetas, December 2003).

Vasilei Alyoshen questioned this rationale and why Helvetas and KCBTA would choose to have only Bishkek based firms – companies as large as or larger than the Karakol firms – as partners:

This is about money and connections and knowledge of the region. The companies in Bishkek are new firms. They have not been around very long. But what they have is connections with clients and agents. You know the company Horizon Kyrgyzstan? It is a Dutch Company. And almost all their tourists are from Holland and Belgium. But you see, they had no partners here to lead groups into the mountains. So, they team with Helvetas and other companies to create these guesthouses and guides who could work with their tourists. They do not pay them very much. They get most of the money from the tourists.

Not all of Vasilei's accusations could be validated. But his statements drove home the feelings of animosity many local firms have towards Helvetas, Nomad's Life, the CBT partners, and the impact that they can potentially have on their business. For them this union represents an unfair advantage within the market. Nomad's Life received direct financing from Helvetas to assist it in taking advantage of the newly established

CBT program, which was created to help foster entrepreneurialism and employment. This firm now openly competes with Tian Shan Tours and Issyk-Kul Mountain Adventures. By being based in Bishkek and foreign owned, the CBT partners have connections with clientele that the local firms, based all the way out in a gateway community, can never hope to have. Being foreign owned also gives these companies advantages provided by the state as investment incentives. Marcus Sizemore cited the two year tax holiday for his firm to be beneficial for the initial establishment of his business. He continues to pay no value added tax (VAT) on the goods imported into the country for use by his operation.

Kirilenko's concerns go beyond unfair advantages and extend to inequity in terms of what the community is getting from the participation of Bishkek based firms. While the CBT partners work with only a handful of guesthouses, guides, and porters, Issyk-Kul Mountain Adventures is heavily invested in Karakol. In the continuing expansion of the company, Kirilenko has employed subcontractors in constructions, landscaping, sewage and utility work, yurt building, and the building of furniture for guest rooms and the camp's dining hall. He has employed a local mason to create culturally based rock carvings to decorate the yurt camp. On the premise of his compound, he has an internet café and a souvenir shop that are both ran by locals. The shop sells crafts designed by local artisans. But above all, Issyk-Kul Mountain Adventures, like most local firms, utilizes a vast and diverse set of employees, all of which are from the immediate region.

Local Employees

The employees that work for Tian Shan Tours and Issyk-Kul Mountain Adventures reflect the diversity of Karakol and the South Shore region. Most are of

Russian, Kyrgyz, or Ukrainian ethnicity. The gender breakdown of the various tourism occupations is similar to that of the Kazakh Altai, with males employed as guides, porters, and drivers, and women employed as cooks, interpreters, and yurt camp and hostel hosts. Their days are booked solid in July and August and increasingly June and September are becoming busy months. Dima, a guide for one of the local climbing firms, explained how in July and August of 2003 he was booked for 20 days straight supporting teams of climbers on Khan Tengri and Peak Pobeda, never leaving the camps on the Enylchek Glacier during the entire three week period. Aisula, a 16-year old Kyrgyz girl employed as a yurt camp staff worker for Issyk-Kul Mountain Adventures, worked for 32 days straight during the months of July and August before finally getting two days off during her mother's birthday. Both expressed that the seasonality of their work requires such difficult working conditions.

As in the Kazakh Altai, the wages made by these employees during the tourist season is substantial and far more than they make during the other seven to eight months during the year. Aisula is paid 150 dollars a month from June through September, which is almost as much money as her mother makes as a teacher. Timur, a 27 year old Kyrgyz trekking and climbing guide who works for Issyk-Kul Mountain Adventures, makes between 10 dollars (for simple lowland trekking expeditions) and 40 dollars (for major peak expeditions) a day. In 2003, he guided 68 days worth of expeditions and, by his estimation, made just over 1500 dollars for the season.

For many of these workers, winter is a time of unemployment. A lucky few have part-time jobs working as security guards for banks and businesses in town. Head guides will be contacted to guide the handful of trekking clients that visit the South Shore in the

off-season. Some work as physical trainers for the local school. But most spend the winters assisting their families with raising livestock and farming. Guides and porters will keep busy by training and preparing for the next season. Some of the guides refer to winter as their favorite time to be in the mountains because there is less people, both visitors and herders. Many of them are in Master of Sport alpinism programs, and the time they spend guiding in the summer and training in the winter allows them to quickly advance in the certification rankings.

Most of the guides and porters I interviewed from Tian Shan Tours and Issyk-Kul Mountain Adventures took part in the tourism development programs initiated by Helvetas and TACIS. But almost to a man they described the seminars as “interesting” more than they described it as “useful”. When I asked the subjects in one focus group to name something specific that they got out of the programs, Yaroslav, a guide for Tian Shan Tours said jokingly “we all receive yet another piece of paper that we can put on our wall.” The curriculum, they explained to me, was introductory, and covered information that many of them had already mastered as experienced guides and porters. But they felt that some of the beginning guides who took part probably learned a lot. When I asked the subjects in one focus group who these beginning guides work for, they said “for the companies in Bishkek when they bring their guests here.”

Focus group sessions with guides and porters in Karakol provided a wealth of information on the benefits of the tourism trade that these workers, as well as the community as a whole, are experiencing. All reported being very happy with the wages they received and the climbing and trekking equipment that they are often given as tips by their clients. Another major benefit identified is that there is simply more money now

in Karakol and more money to be made. This has translated into higher prices during the summer season, but it has also translated to more products being available in shops and in the bazaars. Two participants explained that with more money in Karakol, more business owners are caring about the appearance of their shops and restaurants, even going as far as making sure that the front of their establishments were clear of trash and rubbish. Prices for cultural performances for tourists have increased significantly, allowing local herders who have skills as *manaschis*, musicians or falconers to make considerable supplemental income while at the same time preserving important aspects of their culture³².

These focus groups also highlighted the costs associated with the growing tourism industry. Like their employers, the guides have noticed increased trail degradation in the form of littering by new and inexperienced guides since the removal of the ATZ permit system by the state. Altan Arashan and Djetei Oguz, two of the most popular and easily accessible trekking destinations on the South Shore, are considered by these guides and porters to be severely overcrowded in July and August. Herders who use the jaiлоos at these destinations have, according to the participants, “over-erected” yurts for use by trekkers. And the participants also complained of the commodification of goods that were previously offered for free by herders in the mountains:

There are times when we are in the mountains early in the season training. We will do this in early June, before most of the tourists begin to arrive. This is also the time when the herders go into the mountains to graze their sheep and goats and horses. Many times in the past, we could approach the herders and stay in their yurts if it was late. They would give us tea and koumiss for free. Now,

³² Prices for falcon and eagle hunting demonstrations can run anywhere between 50 and 100 dollars. A *manaschi* typically charges a minimum of 25 dollars for a recital. To watch a local Kyrgyz woman create a shyrdak rug, not including the purchase of the product, can run as high as 30 dollars. And private folk concerts start at 15 dollars.

some of them always charge us. Even when we don't have tourist with us (Sasha, guide, 24 years old, Tian Shan Tours, February 2004).

But what I was left with from these focus groups was, as in the Kazakh Altai, the love that these guides and porters have for their work, their mountains, and this place that they call home. Just as in the Kazakh Altai, the primary benefit of the tourism trade isn't the wages that these employees receive. Instead, it is the fact that their job allows them to stay in Karakol and work in, what is for many of them, a beautiful and stunning environment:

There is nothing better for us than working in the mountains. My whole family is from here. My father and grandfather use to hunt in the mountains and I use to go with them when I was younger. So I feel comfortable there. I know these mountains. And I feel good when I can show them to visitors from all over the world (Mirambek, guide, 28 years old, Tian Shan Tours, January 2004).

In many ways, the mountains and valleys where these guides and porters work can be thought of in cultural terms. For Mirambek and his colleagues in the guiding trade, the mountain lifestyle results in a cultural connection to the local environment. There was a deep sincerity in the statements by guides and porters I interviewed about their desire to stay in the mountains. Tourism on the South Shore allows them to do that. The mountains, and mountain culture, are commodified, with the guides, porters, and outfitters make money off of something they love.

Guesthouse Operators

Guesthouse owners and operators represent a growing part of the tourism sector on the South Shore. This niche is a relatively new phenomenon. One of the oldest and most respected began in 1997. The more recent upsurge was in large part due to the Helvetas and TACIS tourism development programs. At the time of this research, there

were 16 guesthouses and yurt home stays on the South Shore that were members of the KCBTA group partnership. 10 of these are based directly in Karakol. In addition, there are at least another dozen that are not directly affiliated with KCBTA or the CBT partnership in Bishkek. A total of 26 guesthouse, both independent and KCBTA affiliated, are advertised by the Tourism Information Center (TIC) established by TACIS in Karakol.

The guesthouse concept is a highlight of the TACIS and Helvetas tourism development programs because it promotes entrepreneurialism among women in a region where opportunities for business ownership is limited. It also promotes business ownership along family lines. In many cases, the children of women who operate guesthouses work in varying capacities within the business, cooking, cleaning, and providing other services, such as guiding guests or providing them transportation to nearby sites or providing. The guesthouses are diverse in size. Some are no more than two bedrooms in an apartment. One of the largest has the capacity for seven guests in two rooms in a house and four guests in a yurt that is erected in the backyard. Another guesthouse operator has been successful enough to purchase additional apartments in her building in which to accommodate guests. Basic services provided by all the guesthouses in the region include accommodations and meals and prices vary based on certain marketable aspects, such as location, availability of hot water, a reliable heating system, and indoor plumbing. The prices for rooms generally range from 250 and 420 som (approximately 5 and 10 dollars) including breakfast. Lunch and dinner average 100 to 150 som (two to three dollars). Some of the guesthouses can arrange cultural performances with local *manaschis*, musicians, and falconers.

The seasonality of these businesses is similar to that experienced by the large local firms with June through September being the busiest months. Due to differences in networking and marketing skills, some experience far more business than others, which in turn has resulted in greater business growth. Gulsara, one of the most successful and well known guesthouse operators in Karakol, accommodated over 400 guests in 2003. Her business has experienced growth since it was established in 1998.

Although she is not an official member of the CBT group, Gulsara works extensively with CBT partners in Bishkek. She also has developed networks with local firms, including Tian Shan Tours and Issyk-Kul Mountain Adventures. She will send her clients to these firms for trekking expeditions, and they send her guests who want alternative accommodations. They each receive a 10 percent commission from each other for referrals. Clients sent by local firms accounted for approximately 10 percent of Gulsara's total business in 2003. Most of her business comes from guests who read about her services in popular guidebooks, particularly Lonely Planet and Odyssey. By her estimation, these clients account for 50 to 60 percent of her total business. With the revenue generated from the very successful 2003 season, Gulnara purchased new furniture for her guest rooms and a new computer with which to stay in contact with former and potential guests via email.

Chynara, another guesthouse operator, began her business with her daughter and son in 2001. They have a total of six rooms accommodating two guests each. She took part in the CBT development programs initiated by Helvetas and TACIS. Chynara's guesthouse does not network directly with any of the local firms, nor is it advertised in any of the popular guidebooks. Most of her business comes from three sources: (1)

referrals from the Tourist Information Center in Karakol; (2) advertisements her son posted at the local bus station; and (3) CBT partners in Bishkek and group members in Karakol. Chynara estimates that each of these sources accounts for a third each of her total clientele. Her business has experienced growth each year since 2001, although it is significantly smaller than Gulsara's business. In 2002, she hosted 16 guests. In 2003, she hosted 27. Her son has recently installed a septic tank to allow for indoor plumbing. He also installed a 20 gallon tank that will provide hot water for guests.

The overall impact of the tourism development programs for these CBT operators has been positive. The guesthouse owners I interviewed who took part in CBT programs identified skills learned in workshops and seminars as beneficial for their businesses, specifically advertising and marketing mechanisms, the use of local spices for meals that foreigners consider appealing, and the correct pricing of services for foreign guests. Above all, they identified business networks with Bishkek based firms as the most beneficial part of the Helvetas CBT development program. For each of them, these networks make up a part of their overall business each season. However, these contacts did not provide the majority of overall clientele for of the guesthouse operators I interviewed. The most successful guesthouses are those that have diversified marketing mechanisms and business networks. Those businesses that had direct contacts with both CBT businesses in Bishkek and local firms in Karakol, in addition to advertising through TIC and guidebooks, were the most successful. These businesses also happened to be ones that were not directly affiliated with KCBTA or the CBT group established by Helvetas.

Discussion and Conclusions: One Policy, Different Outcomes

As a country limited by geographic and economic constraints, the Kyrgyz Republic has little fiscal capacity to directly assist the growth of the tourism industry on its own. Instead, it relies upon, and solicits the participation of, international actors who have more resources and experience with supporting the growth in this arena of developing economies. To attract this participation, the state provides incentives for international investors in the sector, and allows for the facilitation of tourism development programs promoted by international organizations. In addition, the state has also implemented policies meant to aid the growth of the industry, specifically the deconstruction of travel barriers. The overall goal of this general strategy is the continued develop of the industry, which in turn will lead to the further development of the communities where tourism takes place.

This strategy has an affect on local communities where tourism is a key industry. But because of variations within the industry – different activities, different niches, and different tourism markets – state policy does not necessarily affect all communities in the same manner. These variations within the industry make the overall strategic goals of the government, particularly community development and the development of general and tourism specific infrastructure within the communities, difficult to attain.

Tourism on the North and South shores presents a variety of benefits to the communities and those individuals engaged in the industry. It provides good wages and entrepreneurial opportunities relative to other options available within the community. Service labor skills developed at North Shore resorts – particularly in the restaurants and bars – are easily transferable and desirable to similar businesses in Bishkek, allowing for migratory, but year-around, employment. On the South Shore, those working for

trekking and guiding firms report high job satisfaction. The demand for performances by *Manaschis*, musicians, and falconers assist in the retention of traditional Kyrgyz nomadic culture. And in the gateway town of Karakol, interview and focus group respondents reported that increased tourism has led to both greater pride in the appearance of street front businesses as well as more and better consumer goods in shops and at the bazaar.

But tourism has come with certain costs to the communities of Issyk-Kul. Respondents at both venues spoke of the precariousness of seasonal employment and the overcrowding experienced during the summer months. In Karakol, the influx of both relatively affluent western tourists and job seeking migrants, and herders and traders from the surrounding countryside has brought with it inflation for goods in the markets and bazaars. Guides reported the commodification by herders in the mountains of simple goods like tea and kumiss. On the North Shore, almost all local employees at the resorts are relegated to service-oriented, non-managerial occupations. Nothing like the job satisfaction reported by South Shore trekking employees was reported by local resort employees that I interviewed. And at both venues, locals reported current or potential ecological problems ranging from trail degradation and site over-usage to habitat destruction of threatened and endangered species.

State policy towards the development of the tourism industry includes the participation foreign investors, and the deconstructing barriers that limit the growth of the industry. This strategy, however, is exacerbating many of the difficulties that local participants in the industry are currently experiencing. Local firms on the South Shore face stiff competition from foreign firms who receive favorable tax incentives from the government. On the North Shore, because foreign investors do not face performance

requirements for their investments, locals are likely to remain relegated in non-managerial positions. The removal of travel barriers such as visa registration and Alp Tour Zone (ATZ) permit requirements have been lauded by the industry as beneficial and increasing visitation. However, the environmental problems faced by local communities because of tourism, specifically trail degradation site and site over-usage, can be traced to the removal of travel barriers in the ecologically sensitive Alp Tour Zones.

The participation of mission driven development agencies in fostering the tourism industry is in part a result of state policy, which calls for seeking assistance from donors and international organization in addition to foreign investment. Thus far, their participation has resulted in valuable tourism oriented workshops and seminars for employees, business owners, and inspiring entrepreneurs. However, some of these agencies have also been instrumental in increasing outside competition. Future plans of some organizations call for intense resort development on both shores. This may finally lead to the primary goal of general and tourism specific infrastructure development in Issyk-Kul that state policy and international participation thus far have failed to produce. But it may also increase both competition for local firms and the ecological degradation that is already underway.

My analysis in this and the previous chapter illustrates the impact of state policy and international involvement on tourism development processes in these two cases, and the impact these processes have on the communities where tourism is entrenched. What I have shown is that even well intentioned policies do not necessarily lead to greater gains in development. In addition, I have shown that even niche industries with a reputation

for being ecologically sustainable can have a detrimental affect on the ecosystems where they operate.

But above all, I have shown the precarious environment in which local stakeholders, particularly business owners, function. Restrictive policies on part of the state in Kazakhstan limits visitation of foreigners travelers. Proactive investment policies in Kyrgyzstan have created serious competition from transnational firms catering to the same clientele. Other issues, primarily those dealing with the national economies of each country, are producing difficulties for these firms that affect their growth and development. But in the same way that they deal with difficulties created by state tourism and investment policy, these companies use certain coping mechanisms to overcome economic problems that have the potential to limit their growth. It is these problems, and the coping mechanisms local businesses employ to deal with them, that I examine with Chapter Eight.

Chapter Eight

Weathering Difficulties and Difficult Times

My examination of the tourism industry thus far has emphasized that state policies toward tourism in Kazakhstan and the Kyrgyz Republic is determined in large part by the economic and geographic context of each country. Business owners, NGO officials, and even a government official I interviewed in Kazakhstan believe tourism to be a low priority industry for the state. The government, according to these respondents, has not made a concerted effort to develop a clear, sector specific plan of action. Travel barriers remain difficult for foreigner travelers to negotiate. Buoyed by their economic position, the state has sufficient bargaining leverage to install performance requirements on all types of investment. There has been only a limited amount of involvement by transnational investment in the tourism sector.

Underdeveloped and isolated Kyrgyzstan, with very little to offer the global market but tourism, has initiated a progressive and clearly focused tourism policy. Investment incentives have led to an influx of transnational investment in this sphere of the economy. Additional incentives, including low taxes in regions where tourism is a primary industry, is identified by owners of both local and foreign owned businesses as beneficial for their operations. Progressive state policies have also led to the deconstruction of travel barriers that limit or hinder foreign visitation.

In chapters Six and Seven, I illustrated how these policies affect tourism in mountain communities that are identified as traditional and emerging destinations. The policies that influence the movement of foreign travelers and the degree of involvement

by transnational investors have impacted mountain communities differently based on the country in which the community is found, the kind of investment involved in the communities, the origin of the tourist who is drawn to the destination, and the type of activities being offered and sought.

The evidence suggests that those factors influencing policy development – primarily the economic and geographic context of each country – are contributing to how successful tourism is in the selected cases. Despite travel barriers and limited international investment, the tourism industry in Kazakhstan is experiencing growth. Much of this stems from the fact that (1) the infrastructure linking Kazakhstan to regional and global markets is relatively developed, and (2) the growing economy in Kazakhstan is resulting in a growing domestic tourism market. In Kyrgyzstan, the industry is growing as well. However, the pace is not sufficient for the desire of many State officials. Despite progressive policies and increasing international investment, the rate of growth in terms of gross output is actually less than what is found in Kazakhstan. My research suggests that this stems in part from (1) the isolation of Kyrgyzstan and its underdeveloped infrastructure, which makes it difficult for foreign travelers to access both the country and the sites within it, and (2) a feeble national economy that is not producing a domestic tourism market.

In this chapter, I investigate more closely this theme of the general health of the national economy as it relates specifically to locally owned tourism firms in Issyk-Kul and the Kazakh Altai. Thus far, we have seen that local tourism companies play an important role in the local economy through revenue generation, employment creation, and the development of entrepreneurialism. The issue of local business ownership is not

abundant in the existing literature on tourism in other mountain destinations. For example, while some of the literature on tourism in Nepal, India, and Pakistan discusses local ownership of guesthouses and small restaurants, and of the sophisticated networks of guides and porters (Singh and Singh, 2002; Adams, 1992; Michaud, 1991), very little exists by way of the larger, multifaceted firms like the Springs Corp and Issyk-Kul Mountain Adventures.

Despite signs of growth and optimism about the future, local businesses in each of the cases I investigated experience difficulties when confronted with issues of growth and expansion. All the businesses must also negotiate the winter off-season, a time for most of few, if any, clients. This is a time when revenue generated during the summer can quickly be eaten up by the expenses of day-to-day living and by preparation for the next season. The financial difficulties these firms face are not necessarily uniform. In the Kazakh Altai, local firms do not face competition from foreign firms, but they do suffer from stringent state policies that limit businesses from maximizing potential. These difficulties are exacerbated by additional economic problems that affect the sector and local economy. In Issyk-Kul, local firms face direct competition from well-financed transnational corporations. This problem is exacerbated by an unstable banking and credit system that renders financing through these methods unfeasible, if not financially dangerous.

Local firms in both cases have a tough go of it, and use available resources and innovative strategies to get by. To examine more closely the effect of constraining factors of the general economy on small businesses, I investigate how firms in each case finance business growth and expansion, and how these firms cope with the off-season, a

time of little income generation. To do this, I analyze three specific problems and the strategies and the tools businesses employ to negotiate viable resolutions. The first of these is alternative financing among firms in Karakol, Kyrgyzstan, to overcome the limitations to financing business expansion created by a deficient national banking and credit system. In the second case, I examine the diversification plans of the Spring Corp in the Kazakh Altai and the use of timeshare options for financiers of modern accommodations. Lastly, I investigate the mechanisms employed by Altai Adventures to get through the winter off-season, a time when little revenue is generated but the business still has operating expenses.

The evidence from this part of my study suggests that in Kyrgyzstan, businesses have a more difficult time dealing with issues of growth because they are limited by additional factors outside of the tourism industry that impact the entire economy. In East Kazakhstan, while times can be considered difficult for tourism firms (in part because of harsh state policies), the relative strength of the economy and diversity of their tourism market gives them more options to finance growth and to get through difficult times. This chapter illustrates that, even when a country is recognized as a prime target for development by the global industry in general, success for local participants can be fleeting because of limitations created by economy in which they operate. Conversely, local participants in a country with a stronger developing economy and less geographically constrained can exploit advantages created by the environment in which they operate. The result is more and better opportunities for growth even when the sector in question is not recognized as having extraordinary potential.

Alternative Financing in Issyk-Kul

Locally owned firms are a dominant feature of the tourism industry in Karakol, Kyrgyzstan. At every level, medium to small sized firms, guesthouses, and subcontractors, most are experiencing increased clientele. Their businesses are growing. More money is coming in and more guests are seeking their services. All of them appear to have optimistic feelings about future prospects. Even the owner of Tian Shan Tours, a business that experienced a decline in total service days in 2003, believed this stemmed from global events outside of his control and that the future looked far brighter. But facing these businesses is a wealth of problems. Local tourism firms are confronted with competition from foreign firms. These firms offer many of the same activities and cater to many of the same kind of clients, particularly low-impact travelers interested in ecological, cultural, and adventure tourism. There is also competition within the group of local firms, as they struggle to meet the varying and increasing demands of the same type of clientele. As there is only a small domestic market, both sectors are fighting for their share of the foreign market.

Growth is essential if these businesses are going to compete successfully with their rivals. Meeting the demands of foreign clientele means upgrading and renovating facilities and equipment, and many times it means offering additional services. As more guests arrive, local tourism firms must also find ways to increase the capacity of the services and the accommodations they provide.

Meeting the demands of growth becomes an even more problematic issue when one considers that a key tool for financing expansion is severely deficient in Kyrgyzstan: banking and credit institutions. Lending institutions in the town of Karakol offer loans at interest rates between 25 and 35 percent. In the capital of Bishkek, the lowest advertised

interest rate as of March 2004 was 18 percent³³. Banks are also viewed by locals as insecure institutions for savings. Bank failures and crises are not uncommon in Kyrgyzstan. All the business owners I interviewed on the subject reported that they do not save money in banks. And while it did not happen to any of them, they all told stories of people who had lost everything.

For businesses like Tian Shan Tours and Issyk-Kul Mountain Adventures, this situation puts them at a disadvantage. Foreign owned firms, their main form of competition, not only have greater cultural insights into the demands of foreign clients, they also have access to financing overseas. Money taken in can also be wired to savings accounts at institutions in their home country via reputable, foreign owned or joint venture banks in Bishkek.

Pragma and TACIS, two development agencies that deal with fostering entrepreneurialism consider the banking and credit system in Kyrgyzstan to be among the biggest obstacles facing small business growth. Elena Zabirowa of Pragma's Enterprise Development Project highlighted the fact that, in addition to high interest rates, businesses must also meet high collateral demands. 200 percent collateral for a loan is not uncommon. Zabirowa suggests several causes of this problem. One is that there is very little money in the system to begin with. Part of this cause stems from the reluctance of the public to save money in banks. Another piece, she suggests, is that money lent by international financiers is filtered through too many hands before it actually reaches the ground level banks. Zabirowa, who does not claim to be an

³³ This data was collected primarily through short, informal interviews with banking officials in Karakol (a total of three) and Bishkek (one bank total). Archival research, through the collection of loan advertisements, verified this information.

economist, believes that money coming from, say, the IMF goes directly to the Ministry of Finance, who then attached an interest rate to it and loans it to the national banks, who do the same before passing it down to the commercial banks. The commercial banks do the same before it finally reaches the banks which will lend the money to the public. On top of this, loans are connected to inflation. All of this results in excessively high interest rates.

Genevieve Cahill of TACIS agreed in most part with these assumptions, but also gave additional causes. Corruption, ever present at all levels in both cases and a concern among tourism firms because of the affect it has on their clientele, leads to even less money in the system. Cahill even suggested that money is filtered out of the system as it is filtered down in the way Zabirova explained. Furthermore, small and medium sized businesses are a higher risk. She went onto say that tourism businesses are considered an even greater risk because of their seasonality.

It is not surprising that the problem of corruption would be mentioned by local tourism firms in Karakol when I asked them about the issues of banking and credit. Vasilei Alyoshen, the founder and owner of Tian Shan Tours, also mention excessive bureaucracy.

There are so many problems with it. I think that the biggest problems stem from bureaucracy and from corruption. The bureaucracy is crazy. You know, the paperwork and application alone costs almost 5000 som (approximately 100 dollars). Can you believe that? 5000 som. And that is not even part of the loan. That is so much money. And of course the 200 percent collateral and the 35 percent interest. It is almost

impossible. I would not be able to survive if I received such a loan (Vasilei, owner and operator, Tian Shan Tours, February 2004).

Vasilei has attempted in the past to obtain a loan from a local financial institution. It was to be approximately 800 dollars to use for renovations on his hostel. He wanted to use one of his vehicles as collateral. However, to secure the loan, the collateral would have to actually be retained by the bank until the terms were fulfilled. This meant that the vehicle would have to remain at the bank or with a bank official. Vasilei declined the offer.

Like most in the community, Vasilei does not save money in a financial institution anywhere in Kyrgyzstan. An interesting exchange during one of our interviews further illustrates his feelings toward the banking system in Kyrgyzstan, and further highlights the impact of corruption and excessive bureaucracy.

Interviewer: And do you trust the banks in Kyrgyzstan? Do you actually keep your money in the bank in this country?

Vasilei: No, never. I put no money in the bank. The banks are too unstable. Crises happen. Invest Bank, two years ago, all the money disappeared from that bank.

Interviewer: What happened?

Vasilei: I do not know. I think maybe something happened when they probably loaned out all the money that was in the bank, or maybe officials in the bank take so much for themselves. They do that, you know. But Invest Bank shut down for an entire year. And I don't know if anyone got their money back.

Interviewer: You told me earlier that you had friends who have saved money in local banks and that they had some big problems. Can you tell me more about the problems they had?

Vasilei: Of course. One of my friends is involved in transportation. He basically delivers goods to different businesses in Issyk-Kul, Mostly from Bishkek and Naryn. One time, he wanted to buy a Niva that was for sale at the bazaar here in Karakol. 18,000 som. And he has this money in the bank. He tells the person selling the car, “please, wait until tomorrow. I will buy it.” And then he goes to the bank to try and take his money, but they tell him it will take one week to get the money. You see, if you want to withdraw all of your money or most of your money that you keep in the bank, it will take a week. Maybe even longer.

Overcoming the barriers to growth created by the banking and credit system requires small business owners to find alternative forms of financing. Three of the most popular and effective are the use of personal savings, personal loans through business associates, and micro-credit offered through business associations.

Alexander Kirilenko, the founder and owner of Issyk-Kul Mountain Adventures, funds almost 100 percent of his businesses growth with savings from business profits. In the 2002 season, Issyk-Kul Adventures serviced almost 1500 clients for a total of 2900 service days. Such an operation obviously brings in a lot of money, all of it in cash. He did not have a credit card system for his business that season (he anticipated that in 2004 his tourism firm would be the first in Karakol to offer credit card payments) and, because of the distance to reputable banks in Bishkek, did not accept wire transfers. He estimated that all the cash that he brought in that season, after operation expenses, totaled almost 6,000 dollars. All of this money he kept at his apartment, a method TACIS officials call “rat holing”. Both Kirilenko and TACIS admitted that this is a dangerous method.

Genevieve Cahill of TACIS said bluntly, “you just don’t want a couple thousand dollars lying around your house. Especially in a town where many people will know about it.”

At the end of the 2002 season Kirilenko used his savings to expand Issyk-Kul Mountain Adventures. The year prior to this (2000-2001), he used all of the money saved to purchase a used heavy duty 16 person military vehicle for carrying clients and gear to destinations in the mountains. During the winter of 2002-2003, Alexander Kirilenko used his savings to purchase property adjacent to his business and to begin building an additional four rooms for a hostel he had completed before the start of the 2002 season. At the end of the 2003 season, he used his savings to build another two rooms into the hostel. These will be two person accommodations with extra amenities, including private toilets, private refrigerators, and tile floors. He believes that he will have money left over and, if so, will use it to replace two yurts in the yurt camp.

Like Vasilei, Kirilenko considers both loans and savings accounts with local banks risky. I asked him whether or not he had ever sought a private loan through a business partner. He explained that his relationship with his partners are not strong enough to ask for or receive the high funding required for his expansion projects. “But more importantly,” he went on to say, “what would I do with all the money I save at the end of every season.” It appears that financing projects with personal saving accomplishes two important goals. First, it gets the money that is being “rat holed” out of the house and into hard assets – vehicles, buildings, equipment – that is less apt to being stolen. And lastly, it achieves the primary objective of expanding the businesses. One downside of this strategy, however, is that it keeps investments small. At most, only one season’s profit is used for each expansion project.

Tian Shan Tours is smaller when compared to Kirilenko's outfit. However, it is still faced with significant growth and expansion issues. Vasilei funds much of the company's expansion with savings from business profits. This savings is typically not sufficient for the funding required for his growth. In 2002, the company served 240 clients. That number declined to 180 in 2003. Vasilei did not have as exact of figures as Alexander Kirilenko, but he estimated that his savings averaged only the equivalent of 500 dollars for each of those seasons after operation expenses and taxes. His major expansion projects over the past two years have included the building of a new equipment storage facility at the firm's base of operation in Karakol following the 2001 season. Following the 2002 season, he undertook his biggest expansion project since beginning his firm: converting two old storage rooms into guest accommodations in the hostel and purchasing new furnishings for all the guest rooms.

According to Vasilei, the cost for each of these projects was roughly 20,000 som (approximately 450 dollars). A significant portion of his savings goes toward day to day living during the off-season. Vasilei's wife, a school teacher, spends much of her monthly salary on living expenses as well. During the winter, Tian Shan Tours generally receives 10 to 12 guests total, most of whom wish to use his hostel for inexpensive accommodations and meals. About half go on lowland treks to nearby destinations such as Altan Arashan and Djeti-Oguz. This brings in a little more money, but most of this goes toward living expenses. Vasilei estimates that of his total savings, approximately 30 percent of it is used to fund the expansion of the business.

To make up the difference in expansion costs, Vasilei Alyoshen acquires personal loans through one of his close business associates in Bishkek: Peak Tours, a small

transnational firm owned by a British entrepreneur. It is one of three firms, two of which are foreign owned, that sends clients to Tian Shan Tours for trekking and cultural tours. 90 percent of the company's group travel clients come from these firms. Alyoshen said that he has arranged loans with Peak Tours three times, with amounts varying between 300 and 600 dollars. The money has been used to fund expansion projects, but with some of the left over he has purchased trekking and base camp equipment – tents, sleeping bags, stoves, ropes, axes, and crampons. The agreement between Alyoshen and Peak Tours is documented (although not necessarily notarized). Three percent has been the agreed interest rate for each of the three loans.

Alyoshen stated that the loans rarely take longer than eight months for him to pay back. He receives the funds in January or February, and then begins to make payments back to Peak Tours every month starting in June, when the first significant number of tourists begin to arrive. The total amount plus interest is typically paid back by the end of September. According to Vasilei, Peak Tours and himself consider this arrangement an “investment in their partnership.” There is a degree of mutual dependence that is evolving between the two. Peak Tours depends on Tian Shan Tours to give quality service to their clients, and in return Tian Shan Tours continues to receive more and more guests from Peak Tours. The loans given to Tian Shan Tours for business upgrades assures quality service for one party and return clientele for the other. In a way, this arrangement creates a type of business network reciprocity between the two entities.

Alternative financing among guesthouse owners also takes the form of loans and saving. However, the guesthouses that are part of the CBT partnership developed by Helvetas have an additional option in that they qualify for the agency's micro-credit

program. Two such operations I analyzed were Chynara's Guesthouse, which I previously discussed in Chapter Seven, and a guesthouse ran by Tanya Shelistova. These two operations are divergent in size and experience in the industry. At the time of this fieldwork, Chynara's Guesthouse had just completed its second season of operation. Tanya had completed her fourth season. Chynara's Guesthouse can accommodate 12 people at once and had a total of 27 guests in 2003. Tanya houses guests in two apartments located ten minutes walking distance from Karakol's town center. She lives in one of the apartments that houses guests. She accommodates guests in three rooms with two to each room. She estimated that she served 100 clients in 2003.

Each of these operations used a 95 dollar micro-loan from Helvetas to fund expansion projects. The micro credit program stems more from a Helvetas grant project than from an actual credit program. Helvetas' Damira Rayeva explained that CBT participants are separated into groups based on their geographic location. For example, Kochkor in Naryn and Tam Chi on the North Shore of Issyk-Kul each have a CBT group containing all the Helvetas CBT participant members. Karakol also has its own CBT group, containing approximately 16 participants within the town, along the South Shore, and in the surrounding mountains and valleys. Helvetas submitted grants to each group, with the amount of each grant dependent on the size of the group. Karakol, as one of the largest and most successful groups, received a grant totaling 1500 dollars. Each CBT group could use the grant for a variety of purposes, one of which included a micro-credit program. The Karakol group used the money for this purpose.

Tanya Shelistova, a CBT guesthouse operator and member of the CBT group formed by Helvetas, explained how the terms and usages of their micro-credit program functioned:

Each one of us received a loan for a total of 95 dollars. We decided that we would receive the loan in April of 2003 and pay it back by this past October. We did not set any kind of interest rate. That can become so complicated. What we decided was to pay back a total of 115 dollars for the loan. So the group received 20 dollars extra from each of us. It worked out really well for us. Everyone was able to payback their amount on time. Aigol is the coordinator. She suggested that we use the grant funds now for an office. She was able to find a small space on Abdrakhamanova St. We purchased for 34,000 som (810 dollars). It's a small space, but still a good price. With the rest of the money we bought office supplies. Two desks, shelves for information, a telephone, a fax. We have about 8500 som left (200 dollars). We don't know what we will use it for. Maybe we will save it to by an office computer (Tanya Shelistova, guesthouse owner/operator, Karakol, Kyrgyzstan, March 2004).

Loan funds were used for a variety of projects. Tanya had significant savings from the 2002 season, approximately 10,000 som (230 dollars). Her husband owns a gas station with a partner and that money, according to Tanya, is sufficient for living expenses. With both the savings and the loan, Tanya "fully" renovated the additional apartment. This included new tile and water heater in the bathroom, as well as a new wash machine, which she explains as her most popular upgrade among her guests. Other renovations included a new TV in the living room. Chynara's operation is much smaller. With only 16 total guests in 2002, she did not have clientele significant enough to generate savings that could be used for upgrades. But with the 95 dollar loan, she was able to purchase a used septic tank that will allow her to finally have indoor plumbing, something that was stressed as important for foreign guests in the CBT seminars conducted by Helvetas. She also purchased a water heating system that can produce 20

gallons of heated water. Both were being installed by her son in preparation for the 2004 season.

I was personally impressed with the kind of upgrades these two women were able to perform for their businesses considering how small the actual funds were. According to the United Nations Development Program (*UNDP KG, 2002*), the average per capita income in lowland mountain areas like Karakol in 2001 was approximately 1,100 som (23 dollars) a month. So even compared to this number, I do not consider a loan of 95 dollars to be substantial. But with that little money, they made significant renovations that they both feel will result in more customers. Both expressed their hope that the CBT group will be able to establish another micro-credit program. Of course, there was only 200 dollars in the Karakol CBT group coffer at the end of 2003. One possibility is that CBT group fees, which total 15 percent of total income taken in from CBT program activities for each member in each group, will replenish those funds. Still, both Chynara and Tanya were happy with the decision to use the funds for purchasing a group office. There is talk among group members that the success of Helvetas' grant program might result in more grants in the future. Damira Rayeva verified that this was certainly a possibility.

The evidence from this research suggests that savings has become a primary method of financing growth for many small businesses. The use of savings stems from a deficient banking and credit system that renders saving accounts in banks and credit from lending institutions undesirable, or even dangerous. This situation actually forces businesses to grow. However, they grow slowly and at a small scale. The most successful tourism businesses I studied can generate saving of over 5,000 dollars at the

end of each season. It is unsafe for them to keep hundreds or thousands of dollars on their property for extended amounts of time. Kyrgyzstan is also an inflationary economy. Money saved at home eventually loses value, sometimes week to week. Sinking their savings into hard assets, be it personal or business property, allows these businesses to (1) invest their money into capital goods that would retain more value than the actual money, and (2) invest their money into goods that would be less likely to be stolen.

Those businesses that do not have sufficient savings will rely on alternative methods of credit to finance growth. This is typically done through loans from close business partners or through micro-credit programs. Their experiences with this type of financing suggest that it strengthens ties between partners or with the organization with which they participate. This feeling of trust is something these businesses have not developed with the country's banking and credit system.

It should come as no surprise that firms in Kazakhstan have had a much easier time when it comes to financing growth through lending institutions. Banks are far more stable for savings and interest rates for standard loans range from a low of 7.3 to a high of 10.53, depending on the amount and duration³⁴. Each of the two firms I studied had received loans for business purposes from financial institutions in the past. Both also had business accounts at local financial institutions. But this should not suggest that these firms do not run into difficulties created by their participation in the tourism sector. Financing growth can still be a problem. What is more, like most seasonal firms, these businesses must deal with the costs of day-to-day living in the winter, when clientele can be few and far between.

³⁴ This data was collected at Nalyk Bank and Temir Bank in Ust-Kamenogorsk in April, 2004.

The Springs Corp: Funding Resort Growth through Alternative Methods

As a dynamic business active in a number of lucrative endeavors, The Springs Corp is one of the most successful locally owned tourism firms in all of Central Asia. Its centerpiece, Rakhmanov Springs, was discussed in depth in Chapter Six. It is a popular destination that receives clients from around the world every summer. Most of these come from the former Soviet Union, but there is also a growing number of visitors from Europe. However, the resort faces two crises. The first of these is the high price of diesel fuel that has led to the closure of the resort in the winter. Heating of the resort is done with diesel fuel, and the need for heat during the cold Altai winters makes operation unprofitable. The other is the dilapidated condition of many of the resort facilities, including guest cottages.

In the past, the Springs Corp had many options available to them for remedying such problems, but many of these avenues are not open to them currently. Revenue coming into the resort itself has slowed because of its winter closure. Corporate credit is spread thin due to new real estate and facility purchases in other arenas, principally the new ski area at *Knyashi Gori*. And lastly, financing with its partner company is not viable because it is jointly owned with many associates.

Marina Kuchina, the director of tourism activities at the Springs Corp, says that the company considers both problems to be equally serious. The problem of high fuel costs would best be addressed through changing the heating system for the resort. But this would be a major expense. She also said that she personally considered this to be a lesser problem than the needed renovations of facilities and accommodations because heating costs do not affect summer business. But with financing needed for renovations

or out-and-out construction, and their credit currently spread thin, the Springs has sought out and secured an alternative form of financing for more modern cottages. It is actually a strategy that is not altogether different from a strategy used by upscale mountain resorts in the American West (Clifford, 2002; Stanford, 2002).

According to Kuchina, the idea was proposed by the resort's founder, Anatoli Markov, who devised it with a high ranking customs official with the government who, along with many other state officials, vacations at the resort for several weeks every summer. The idea was to build modern, luxury cottages. In western vernacular, they would be called condominiums. The costs for the construction and furnishing these cottages would be assumed by the private party, i.e. the state officials who frequent the resort. The resort would assume all costs for maintenance, housekeeping, grounds keeping, and security. The private party and the resort would each use the cottage on a timeshare basis. The resort would use the cottage to accommodate high paying guests and the private party would have access to it on prearranged dates. Marina Kuchina said that currently the agreed usage between the two will be on a 50-50 basis.

I had the opportunity of seeing the first such cottage as it was nearing completion in October 2003 and prepped for use in the 2004 season. It had been built by the customs official with whom Markov was closely associated. To say that it is significantly better than the previous cottages would be an understatement. It stands out on the resort grounds as *the* most modern and up to date facility. The floors are either tile or hardwood and the kitchen has a modern refrigerator and stove. There are a total of four sleeping rooms and two living rooms, each of which has their own fireplace. It has a wrap-around deck that appeared to be constructed of glossed cedar.

Marina explained to me why she believed such a funding mechanism has potential for the future.

For people in Kazakhstan and Russia, Rakhmanov Springs is a very popular place to visit and take vacations. Every year we have people from the government, people from the army, and many business people. They want to keep vacationing at the resort. These people have money for such nice cottages, and if they build it, it will always be theirs and it will always be at the Springs. So I think it will work for all of us. We are hopeful that there will be more of this kind of investment. But first we must see if it will be successful or not. At the end of next season we will know more. Maybe in 2005 we will see more new cottages (Marina Kuchina, Director of Tourism Activities, the Springs Corp, November 2003).

Such a strategy is actually nothing new in mountain resort tourism in developed countries. Tourism even in high profile destinations in developed countries is a precarious business. Generally, selling activities is not enough to generate a profit, because of the high operational costs of mountain resorts. To remain successful, resorts around the world have had to diversify (Stanford, 2004; Clifford, 2002). Part of this diversification includes become involved in multiple methods of real estate sales and rentals, which is just what the Springs Corp is doing. By purchasing the *Knyashi Gori* ski area, the company is already well on this path toward diversification.

The difficulties experienced by the Springs Corp illustrate that, even in a country that is well on the path toward development, successful local firms in the tourism industry still have problems that are directly linked to other parts of the general economy (fuel costs) and to the practices of former managers (resulting in dilapidated facilities). But the Corp is allowed to use an innovative strategy for the financing of new facilities because it is in a country that is developing successfully.

The size and diversity of the Springs Corp places it in an advantage when dealing with issues of growth. Smaller local firms, which make up the majority of the local

tourism companies in the mountain regions of the two cases involved in this research, do not have the luxury of simply dealing with issues of growth. For many of them, the constraints brought on by the off-season are difficult enough.

Altai Adventures: Coping with the Off-Season

Altai Adventures deals with a long period during each year with little if any incoming revenue. This is despite the fact that it can be a time of activity with the business. Booking trips, advertising, attending exhibitions, and prepping for the next season are winter activities that Altai Adventures must perform. All of these come with costs

We have only a few clients in the winter. Maybe 10 each year. And they are usually in one or two groups. Most want to go skiing in the mountains. Last year a group came to view snow leopards. That was successful. We helped organize in with the (International) Snow Leopard Trust. But it is not a lot of money. Of course, it would be more money if there were more clients. But they don't come because it is not the right season for them. So most of the winter we are making changes to our web site, booking trips with clients for the next season, modifying the jeeps. And of course the exhibitions (*referring to tourism exhibitions in Europe and Russia*). All of this costs money. Especially the exhibitions. The ones in Moscow and Berlin we go to every year. We receive some funding from the Agency for Tourism and Sport, but we still have to come up with a lot of money to attend and prepare our table (Sergei Kospyelov, founder and director, Altai Adventures, October 2003).

On top of all of this are operational costs for the office and day-to-day living expenses for the owners and their families. For Altai Adventures, profits from each season can quickly disappear.

Altai Adventures is really a family business. The two owners and directors are brothers, both of which employ their children (two sons and a daughter) and one of which employs his wife as the office manager³⁵. Thus, coping with the off-season is a family

³⁵ The daughter of Sergei Kospyelov had left the firm in 2003, having finished at the university, to take a position with a tourism firm based in St. Petersburg, Russia.

affair. There are two coping mechanism the family members employ, both of which link back to their expertise in the field of tourism in general and ecological tourism in specific.

Olga Kospyelov, the wife of Sergei and also the manager of office activities, opened up a coffee/tea/shashlik kiosk at the Springs Corp's newly purchased and renovated ski area. The kiosk began operation during the 2003-2004 season. Olga herself provides all the equipment and perishable items and rents the kiosk space, a prefabricated structure, from the Springs Corp, who purchased it. Victoria Ivanova, the director of tourism management at the Springs Corp, indicated that Olga has proposed the idea when she toured the site prior to its opening in 2002. She submitted an official proposal at the end of the 2002-2003 season, stating that it would be a beneficial addition to the upcoming renovation project. Victoria admitted that she considered Olga a friend due to the close business relations between their two firms. The actual decision to accept Olga's proposal was based in part on this relationship but also on her experience in the tourism service industry.

This partnership indicates the strength of ties between the two firms. Both have been working together for several years at Rakhmanov Springs, Lake Markakol, and more recently at Kara Aimag. It also indicates the mutual trust between the two. The two can be defined as competitors in that their businesses attempt to attract similar clients, but both companies work together closely during the summer. The two have had solid, financially beneficial relationships in the past. This is part of the reason why the Springs Corp accepted Olga's proposal to operate a kiosk. A successful business

relationship at *Knyashi Gori* during the 2003-2004 season will assist in further guaranteeing successful relationships in the future.

The second coping mechanism, and one that is a bit more interesting is the formation of an NGO by Altai Adventures to facilitate the implementation of tourism and ecological programs funded by development agencies, primarily those associated with the Altai-Sayan Project. As directors of the NGO *Altai Ecological Protection*, Sergei and Yuri receive small operational fees for conducting the projects.

There are three projects over the past two years for which they have received funding. One of the first and largest was a 6,000 dollar grant from the UNDP and WWF to perform a mapping study of the protected areas within East Kazakhstan Oblast, mainly Lake Marakol Zapovednik and Katon Karagai National Park. Another grant was for a total of 5,000 dollars by the same organizations to perform a study on argali sheep. They also received 500 dollars for a small grant project for the construction of a nature memorial within Katon Karagai. They are currently writing up proposals for three more grants. Two of these are for 6,000 dollars each to continue their study on Argali sheep and to initiate a study on snow leopard, the last of which was encouraged by the International Snow Leopard Trust after a successful leopard viewing expedition with the Kospyelovs. The last grant, for an unspecified amount, is to develop an eco-education program for schoolchildren in the villages of Katon Karagai. This proposal will be submitted to the Eurasia Fund.

Sergei and Yuri were quick to point out that it is a small amount of money, just a few hundred dollars for each during the winter. But it goes a long way in helping as a source of income during a time of the year of very little income generation. This is also

the time when they perform the duties associated with these projects. Their ability to use this mechanism highlights their reputation both locally and among development agencies as experts both in the field of ecology and in tourism. This knowledge is something that they have developed through their participation in the field of ecological and cultural tourism. Yuri Kospyelov is regarded as an individual with such high expertise on the Altai ecosystem that he acts as a consultant on many Altai Sayan projects.

Overcoming the lack of revenue from their business, during a time when the business is incurring costs, requires individuals from Altai Adventures to use the skills they have developed in alternative manners. All three, members of Altai Adventures are using the skills they have developed through their engagement in tourism in general and ecological tourism in specific to gain economically. Networks have been a strong part of this strategy. Olga is a business partner that the Springs Corp has worked with in the past and whom they trust. It is understandable if Yuri Kospyelov's connections with the Altai-Sayan project played a role in his NGO receiving grants. But what plays an overwhelming role is the social and reputational capital that all three actors possess. All are recognized by those they are working with as individuals with a certain amount of expertise in tourism, hospitality, and ecology, which they gained at least partly through their business.

Discussion and Conclusions

In the cases presented above, the individuals and businesses I analyze exploit available tools to finance growth and to navigate through times of economic difficulty. Both the difficulties they face and the tools available for solving problematic issues are in part dependent on the strength of the industry within their communities. But what this

chapter illustrates is that both the difficulties and the available tools are primarily dependent on the strength of the economy of the countries where the businesses are operating. Businesses in Kyrgyzstan face several challenges. They compete with foreign-owned enterprises for the same clientele. These transnational businesses have several advantages over local firms. They are provided tax breaks by the government for their investments, have greater cultural insights into the needs of their clients, and have access to capital and financing overseas. Local businesses are also challenged by a weak credit and banking system, a result of the generally weak economy in which they operate. To cope, these firms use saving, private loans, and micro-credit, either solely or in combination, to finance growth and expansion.

In Kazakhstan the strong general economy has resulted in a comparatively strong credit and banking system is stronger. The two local firms I studied have each used local lending institutions to fund growth in the past. Each also uses local financial institutions for business and private savings. The problems these firms face stem from other issues. For the Springs Corp, mismanagement of facilities by former owners, thin credit because of other expansion projects, and high fuel prices for heating one of their prize destinations are hindering growth, partly because financing for needed expansion projects is difficult to come by. For Altai Adventures, the primary issue is off-season business inactivity. This is a time when their savings from the tourist season can quickly be eaten away by off-season business expenses and the costs of day-to-day-living. To solve problems of both growth and coping, the firms employ innovative partnership schemes and use their expertise in tourism, hospitality, and ecology to gain off-season income.

The innovative partnerships occurring among the different businesses in the Altai is the result of an economy that is far stronger than what exists in Kyrgyzstan. The possibility for timeshare partners is available in Kazakhstan because the economy has generated an affluent segment of the population. This is a population with the money to make such investments. What is more, the economy has also generated a domestic consumer class, which has led to the creation of a domestic tourism market. This has allowed the Springs Corp to tap into a winter tourism market through their ski area at *Knyashi Gori*. Through their long and close business relationship, the Springs Corp is allowing Olga Kospyelov to also tap into this market as well with her kiosk at the ski area.

Alternative financing in Kyrgyzstan is working. In fact, an argument can be made that the defunct credit and banking system actually forces business growth because businesses must sink their massive savings into hard assets. Even so, the savings themselves are only large enough to make small scale improvements. Such a strategy comes at a greater risk for these entrepreneurs, because they are forced to save money in a relatively insecure manner before they actually make their asset purchases. In addition, saving cash outside of a financial institution does not allow the money to accrue interest.

What is apparent is that the strong economy in Kazakhstan gives local businesses in the Kazakh Altai 1) more choices for growth and navigating through times of financial difficulties, and 2) better chances for growth and navigating through times of financial difficulties, than their counterparts in Issyk-Kul. Businesses in East Kazakhstan can finance growth and weather difficult times with savings, loans, or through private partnerships. In Kyrgyzstan, the struggling economy limits choices. Wealthy domestic

partners are largely unavailable and loans through lending institutions are unthinkable. The lucky few with wealthy international business links have an opportunity to fund growth with private loans. For most, savings is the primary source of financing growth.

Chapter Nine

The Political Ecology of Mountain Tourism and the Environment

Much of the discussion thus far has dealt with the impact of state tourism development policy and transnational involvement on local communities and local businesses. I have only touched upon the impact of tourism development on the environment briefly. The environment obviously plays a dominant role in mountain tourism, especially when mountain tourism is being marketed as environmentally friendly eco/cultural/adventure tourism. This research has illustrated that the economic and geographic context of a country strongly determines its policies towards the development of the tourism industry. I have further shown that these policies significantly affect how the industry impacts local communities in terms of the social and geographic changes they are experiencing.

In this chapter I examine how the state policies we have reviewed thus far affect the ecosystems pertinent to the cases being studied. Tourism, whether in a country with a strong, developing economy, or in a country with a weak, struggling economy, has the potential, or at least the ideal image, of being an ecologically sustainable industry that can significantly benefit local communities. However, there are serious disagreements regarding the environmentally friendly attributes of one type of tourism over another, for example community-based tourism (CBT) vs. resort tourism. Even with CBT and its image as an ecologically responsible, low-impact brand of tourism, there is debate as to how environmentally sustainable it is. The ecological problems that stem from tourism

can either arise from or be exacerbated by state policy in the area of deregulation, investment stimulation and the solicitation of assistance from development agencies.

I examine three areas where state policy towards tourism is having an impact on the industry's environmental sustainability in the Kazakh Altai and Issyk-Kul: (1) the differing policies toward travel barriers; (2) the differing policies toward foreign investment and resort tourism; and (3) the differing policies toward and by internationally funded tourism development and biodiversity projects. I show that the advantages the industry provides to local stakeholders in the Kazakh Altai because of the strong economic and geographic position of the country extends to the environment. Because tourism is less crucial as a development tool in Kazakhstan, the state is under less pressure to deconstruct barriers that may harm the environment. In Kyrgyzstan, where tourism is a far more important sector to the economy's overall development, the state is under intense pressure to 1) deconstruct barriers that limit travel in ecologically sensitive areas with high visitation potential, and 2) enter into agreements and partnerships to develop infrastructure in ecologically sensitive areas. For Kyrgyzstan, the disadvantages that state policy creates for local stakeholders and communities extends to their surrounding environments.

This research suggests that there is interaction between five actors who play crucial roles in tourism and how it impacts local ecosystems. These actors are:

1. Tourists, including foreign and of CIS-origin, who, as consumers of travel destination experiences, have both an immediate and disconnected (in that they are at visitation site for only a short duration) impact on local ecosystems. Some are viewed by members of the local

tourism sector as “messy” (such as CIS-origin visitors in Issyk-Kul) while others are viewed as respectful of the local environment (such as foreign tourists from Europe);

2. Local communities, including locally owned tourism ventures and their employees. As beneficiaries of visitation to the surrounding ecosystem, they act as stewards of the environment. However, pressures from underdevelopment and foreign competition force many locals to take a short term view of policy changes that may impact their businesses and the economic well-being of their community;
3. Foreign firms. These actors are found in Issyk-Kul and not in the Altai. They exist outside of the local communities and are less impacted by the damaged caused to the environment by policy changes. They are less tied to the local scene. What is more, they operate throughout the country, and can therefore take guests to other sites if a formerly popular destination becomes less so because of ecological degradation;
4. States, which for reasons derived from their economic and geographic position, try to control access to locations, and may not be placing the environment at the top of their priority list;
5. International organizations. This group deals with long term development issues. They try to protect regions and foster their economic, social, and ecological betterment through development programs and projects. They sometimes are seen as paternalistic and

can interfere with the desires of locals in regard to development and ecological protection.

To understand the affect of these players and their actions on the environment, how they are impacted by ecological change, and the complexity and results of their interaction, researchers often employ political ecological perspectives. To quote Gossling (2002), political ecology applies methods of political economy in ecological contexts “to investigate the interaction of actors.....at the interface of environmental change, economics, and politics.” Crucial to this approach is the insight that economic and political contexts need to be understood to encompass the complexity of human-environmental interactions linked to the alteration of surrounding ecosystems (Bryant, 1997).

I apply aspects of political ecology to illustrate the interface between the five actors involved, how their relationship shapes tourism policy as it correlates to surrounding environments, and how those policies impact the individual actors, in particular those in the local community. To understand these relationships and how they impact the environment and local communities, it is important to grasp the historical context of how the environment and ecological issues are viewed in the former Soviet Union.

During the Soviet era, a serious dichotomy developed in terms of how the environment was viewed by the state, state apparatuses, and society in general. The most prevalent image is that of a government and a society driving towards full industrialization, which required the maximum exploitation of natural resources. This mindset is idealized in massive projects like Khrushchëv’s Virgin Lands Campaign, the

Baikal-Amur Railroad, and, more than anything else, the diversion of the Amu Darya River that has led to the devastation of the Aral Sea. CIS citizens who consider themselves stewards and protectors of the environment, for example local tourism business owners in Issyk-Kul and the Kazakh Altai, today refer to a “Soviet mentality” that afflicts fellow countrymen who pollute and continue to wrecklessly exploit their ecological surroundings.

But another image, and one that is less well know and appreciated, is that of dedicated organizations of scientists, ecologists, and conservationists who, even as early as the Stalinist period, were able to establish an environmentally-oriented ideology. These groups, including the All-Russian Society for the Protection of the Environment, the Moscow Society of Naturalists, and the Geographic Society of the USSR, were able to put in place and operationally control the network of *zapovedniki* that Weiner (1999) called an “archipelago of freedom” because of their relative autonomy by which researchers were able to dictate administrative policy and conduct their research. This vein of environmental ideology continues today in the post-Soviet world and manifests itself in the actions taken by tour operators in the Kazakh Altai to establish CBT development programs and take part in biodiversity projects.

The condition of the environment and general biodiversity is grave throughout the former Soviet Union today. Kazakhstan and Kyrgyzstan are no exception. But the severity of the environmental crisis is not uniform. In the Kazakh Altai, because it was and remains an area where security concerns along international borders trump development and travel, the ecosystem has suffered far less than other parts of the country. Furthermore, the Kazakh government is focusing most of its attention towards

the further development of the oilfields in the western part of the country, and not at the Altai. While the Altai has timber and mineral potential that is being exploited to a certain degree, government action thus far suggests that the region is not a high priority for the State.

The ecological problems Issyk-Kul began experiencing during the Soviet era have only intensified since independence, and much of the blame lies with the seriously deficient infrastructure and rampant corruption throughout the oblast, not to mention the country. Lack of funding on the part of the local government has resulted in sporadic disposal of rubbish from city streets in places like Karakol, Barskoon, and, Balakchy. In the winters between 2001 and 2003, electricity throughout the oblast shut down due to lack of funds. To heat their homes, locals were forced to cut down trees along the highway and roads surrounding the lake, visibly scarring a corridor that was originally lined with lush vegetation. Locals I interviewed stated that many of those cutting down trees worked in uniformed crews and used official vehicles of the oblast government and local akimats, suggesting that local authorities were profiting from the tree cutting.

This chapter presents evidence suggesting that the economic and geographic context of developing countries plays a role in how the development of emerging industries impacts the environment. Isolated and economically weak states are at a disadvantage when it comes to the development of even high potential industries. In its race to develop tourism, Kyrgyzstan has relaxed travel barriers, increased foreign investment, and solicits support and works with development agencies. The results for the Issyk-Kul ecosystem have not been completely beneficial. All indications are that future plans for development will be questionable in terms of environmental

sustainability. In Kazakhstan, where the state is economically stronger and is focusing its attention toward oil and gas, travel barriers remain, foreign investment in the sector is minimal, and the solicitation of development agencies is more the role of local communities and businesses. The evidence suggests that currently tourism is developing in a way that minimally affects the ecosystem of the Kazakh Altai. However, as in Kyrgyzstan, trends for the future do not offer as much promise.

Travel Barriers: To Remove or not to Remove?

Barriers to the free movement of travelers have been among the most contentious issues in tourism development in Issyk-Kul and the Kazakh Altai. The barriers that have hindered free movement have been both national and regional in scope. In chapters Five, Six and Seven, I discussed the affect of state policy toward these barriers on the tourism industry, particularly in terms of its economic impact and influence on international visitation. National barriers – primarily visa fees and registration requirements – affect tourism nationwide. But more specific to the Kazakh Altai and Issyk-Kul are regional barriers to the movement of travelers. Kazakhstan and Kyrgyzstan have dealt with these barriers in different ways, yet ways that mirror their handling of visa requirements. In Issyk-Kul the barrier in question is Alpine Tour Zones, or ATZs for short. ATZs permit requirements were done away with prior to the 2002 season. In the Altai of Kazakhstan, the regional barrier is border zone restrictions. Border zone restrictions limit travel to destinations close international boundaries with Russia and China. Border zone restrictions still stand today.

The original rationales behind these two barriers are quite different. According to an official from the State Forestry Service that I interviewed, ATZs in Kyrgyzstan were

established by the national government to protect over usage of sensitive alpine areas. In many ways, ATZs mirrored the sensitivity of *zapovedniks* established during the Soviet era, the exception being that they are not established with the intent of scientific research and the activities of local populations are not as strictly regulated (Weiner, 1999). They exist throughout Kyrgyzstan. Some of Issyk-Kul's most popular destinations existed within ATZs. This not only included the extreme destinations like the Enylchek Glacier and Sary Jas River, but also destinations that are relatively close to the town of Karakol like the mountain passes connecting the Ak-Suu and Altan Arashan valleys. In chapters Five and Seven I describe the requirements for visitors to travel within ATZs.

In contrast, Kazakhstan's border zone restrictions stem not from the protection of ecologically sensitive areas, but rather from the protection of politically sensitive areas. Kazakhstan's border zones reflect the intense security concerns that were prevalent during the Soviet era, when borders were tightly controlled and proximal travel significantly restricted. Border zones in Kazakhstan currently encompass that extends 50 kilometers from an international boundary³⁶. Zones along the Russian border really only affect the travel of non-CIS visitors. Russians and Kazakhs do not need permits. Zones along the Chinese border impact all travelers. Everyone is required to have a permit to visit destinations along the Chinese border, such as Lake Markakol.

The removal of ATZs permit requirements in Kyrgyzstan occurred after lobbying effort in 2001 by three prominent tourism associations: the Kyrgyzstan Community

³⁶ Border zones also exist in Issyk-Kul along the border with China. Travel among foreigners into these areas is highly regulated as well. However, far fewer destinations in Issyk-Kul are effected. Even so, the area they encompass is much smaller than what is found in Kazakhstan. For example, a traveler can visit the Enylchek Glacier without a permit. Only if they are climbing one of the border peaks – Khan Tengri and Peak Pobeda – will they need a border permit.

Based Tourism Association (KCBTA), the Silk Road Association, and the Kyrgyzstan Association of Tourism Operators (KATO). These organizations claimed that ATZs were adversely affecting the number of tourists coming into Kyrgyzstan. The organizations further claimed that their businesses perform low-impact activities within these areas and do not constitute an ecological threat³⁷. The government deemed tourism to be of minimal negative impact to the environment and removed travel restrictions in ATZs for tourists at the end of 2002.

The result for overall visitation into these specific regions has been positive. All service providers I interviewed were supportive of the removal and feel they have benefited from the policy. All agree that it has, or will, lead to higher visitation. And all agree that it has led to a decrease in corruption on the part of the militia and mountain rangers.

There is evidence, however, that the removal of ATZ permit requirements is having a detrimental affect on the environment within these sensitive areas. Employees, managers, and owners of local firms in Karakol, while supportive of the removal of ATZ permit requirements, pointed out that there has been increased and unregulated travel into these areas. Before permit requirements were removed, all visitors were required to be accompanied by a guide from a licensed tourism firm, a policy meant to assure that the impact of tourist travel on these areas would remain minimal. With the removal of permit requirements, visitors can now travel into these sensitive areas unaccompanied or with any guide, including those that work freelance or with a firm that is not necessarily

³⁷ Information on the lobbying efforts of these organizations was provided by KCBTA, Alexander Kirilenko of Issyk-Kul Mountain Adventures, and Marcus Sizemore of Silk Road Expeditions. Kirilenko belongs to KATO and the Silk Road Association. Sizemore belongs to all three organizations.

licensed. The result has been intense traffic and congestion at popular sites. While conducting fieldwork in Karakol in February 2004, I traveled with a guide from Tian Shan Tours by ski up to the hot springs at Altan Arashan. Upon reaching the top of a ridge from the north, from which direction most visitors travel to the site, we looked down on to the valley where the hot springs are situated. The guide, Mirambek, explained to me what the valley looks like at the height of the summer:

You see how beautiful it is here. That is why winter is the best time to come. There is almost no one traveling up here. The only one up here is Vladamir, who runs the hot springs. In the summer, in July and August, there are so many people up here. There are tents and yurts all over this valley now. There are times when there are probably 200 people here. It is even to crowded to use the hot springs sometimes (Mirambek, guide, 28 years old, Tian Shan Tours, February 2004).

Mirambek, as well as other guides, expressed their concerns over the crowds that now frequent these sites. Congestion and the overcrowding of popular site is not the only problem. The problem that most concerns the guides and trekking firm owners is the increased pollution, littering and site and route degradation that now occurs in these areas. This reflects the problems posed to ecologically sensitive areas by seeming harmless activities like trekking addressed by Monz (2000). Vasilei Alyoshen, the owner of Tian Shan Tours, said that the problems of over-usage can be traced to two types of new travelers visiting ATZs. The first is the unaccompanied traveler. Based on his experience, most of those traveling unaccompanied are not foreign visitors from Europe. Instead they are Kyrgyz, Russians, and Kazakhs. It was his feeling that these travelers, like many locals, retain what he calls a “Soviet mentality” toward the environment. In his opinion, there is a significant difference between how these visitors treat sites and how non-CIS travelers treat sites. He explained to me how during one drive up to a

trailhead leading to Enylchek Glacier, his guests were appalled to see locals in a vehicle in front of theirs begin throwing rubbish from the windows.

The other type of traveler is the foreigner who now uses inexperienced guides to go into the mountains. Vasilei explained that these guides are typically associated with the CBT group established by Helvetas. And while they may have learned the basics of guiding from the CBT workshops, they learned nothing about environmental ethics.

These guides took the courses through Helvetas and they learned how to set up camps and organize treks, but they learned nothing about keeping nature clean. After they pack up camps in the morning, instead of burning their trash or taking it with them, they just put it behind a tree when their guests are not looking. My guides have seen this many times now. These are local people doing this. It is part of the old Soviet way of thinking (Vasilei Alyoshen, owner, Tian Shan Tours, March 2004).

My conversations with guides from all the firms echoed Vasilei's comments. To them, environmental degradation of sites and trails since the deconstruction of ATZ travel restrictions is attributable to untrained guides and unaccompanied visitors from CIS countries.

In East Kazakhstan, border zones remain in place despite the concerns of local businesses being brought to the attention of both the oblast and national offices of the Agency for Tourism and Sport. Lobbying efforts have been weak. The primary reason for this is twofold. Border zones only affect a handful of destinations - those in the Kazakh Altai and those in the deep interior of Kazakhstan's Tian Shan Range along its southern border with Kyrgyzstan. Thus there are fewer tourism businesses affected by them. Secondly, the two main lobbying organizations in Kazakhstan, the Kazakhstan Tourism Association (KTA) and the Kazakhstan Association of Hotels and Restaurants (KAGIR), are both based in Almaty. For these associations and the majority of their

constituents, border zones are not a principal concern because they impact only a small portion of visitors and firms.

Both local businesses I studied had issues regarding border zones and felt that the stringent travel restrictions to visit sites within these zones deterred overall visitation. It is abundantly clear when analyzing this issue closely that border zones as they exist today control the traffic going into them, especially at sites like Lake Markakol, which is close to the border with China. Visitors to sites within border zones, although not legal bound to, are almost forced to use the service of a local tourism firm. This is because of the significant amount of red tape that exists to actually be issued a visitation permit.

Visitors from Europe or North America will almost always use their services of Altai Adventures, the Springs Corp, or a handful of other tourism businesses that offer services into the Altai. It was explained to me by a manager at the Springs Corp this is the case among many visitors from Kazakhstan and Russia, who do not necessarily need permits to visit Rakhmanov Springs:

Mot often they are traveling just to go to the hot springs, so they never venture onto the trails. But because we offer a trekking service as well, they will just pay for that service if they want to trek for one or two days. It is convenient for them (Marina Kuchina, tourism activities director, the Springs Corp, October 2003).

The result is that guides from reputable and responsible trekking outfits do all the guiding and there is very little by way of independent trekking. If it is, I was told by Kuchina, it is often done by travelers who have visited the Altai many times. They come, she said, because of the beauty of the place and they wish to preserve it. Their actions apparently reflect this. All the guides, owners, and managers reported that there is very little by way of overcrowding on the trails leading up to Belukha or at the base camps. They considered them to be in far better shape than what exists in Russia on the trails

leading up to Belukha from the north, which tend to be far more congested and less restricted by border zone travel restrictions.. Anatoli Markov, the Master of Sport alpinist who has climbed all over the world and now owns the Springs Corp, considers the base camps at Belukha to be far cleaner than anything found in the Himalayas or the Karakorum. Much of this is due to the fact that less people visit these camps, and, as Kuchina described earlier in Chapter Six, those that do are chaperoned by a guide, because of either necessity (foreigners) or convenience (CIS citizens).

The two approaches to regional travel barrier issues in Kyrgyzstan and Kazakhstan have resulted in different outcomes for both visitation and the environment. In its drive to develop tourism, Kyrgyzstan's deconstruction of barriers has led to increased visitation. However, this policy change for facilitating the growth of the industry has ultimately compromised the environment. What I found interesting is that of the variety of firms I had discussions with, only local trekking firms acknowledged the downside of the removal of ATZ permit requirements. None of the foreign owned firms I had discussions with in Bishkek, nor the CBT guesthouses on the South Shore, mentioned a downside to the removal of permit requirements. This suggests an apparent insider-outsider split on the issue. It is those who are closest to the areas of travel and rely on them the most – the local trekking firms and their employees – that readily recognize the problems caused by the removal of ATZ travel regulations, even though they benefit from them economically. Those that rely on them to a lesser degree – foreign-owned CBT firms and local guesthouses – remain distant from the problems caused by policy changes to ATZs.

Kazakhstan, because tourism is a non-priority industry, does not feel compelled to remove border zone travel restrictions. Doing so would not be a valuable policy to the country as a whole. The state obviously feels, rightly or wrongly, that they might be sacrificing security if they relaxed these restrictions. As a result, tourism numbers are controlled, the majority goes through “responsible” tourism firms, and as a result there is less reported littering, overcrowding, and trail degradation. More importantly, border zone travel restrictions, in conjunction with performance requirements, minimizes the involvement of outside firms, resulting in more control of the industry by local firms.

State Policy, Foreign Investment and Environmental Concerns

In Chapter Five, I reviewed the differing policies toward foreign investment in Kyrgyzstan and Kazakhstan. Based on their economic position, which is derived primarily from their current level of development, the two governments take vastly dissimilar approaches. Kyrgyzstan, as part of its progressive policy towards the development of the tourism industry, provide appealing incentives to foreign investors, mainly in the form of tax holidays and free economic zones in areas of high tourism potential. The outcome for Kyrgyzstan has been an increase in foreign investment in tourism. However, the investment has not been in traditional resort style tourism or large hotels, except in Bishkek. Most of the investment has been in the form of small, low-impact tourism companies that engage in cultural, ecological, and adventure oriented tourism, all of which fall under the umbrella term “CBT”. They cater to much of the same clientele as locally owned trekking firms, and as such compete directly with them.

In resource rich Kazakhstan, tourism is a low priority industry. As in all sectors of the economy, foreign investors in tourism must meet certain performance

prerequisites. Nothing by way of incentives for investment exists. This approach stems in large part from the strength of Kazakhstan's economy. Foreign investment is not as desperately needed for the overall economy to be strong. The one possible exception might be in oil and natural gas sector, which is driving the national economy. However, as the possessor of this lucrative commodity, the state has more bargaining leverage when dealing with the vast number of transnational companies willing to provide investment. The result for tourism is that little foreign investment exists outside of Almaty, Astana, and the western "oil cities". In an outlying region like the Altai, which caters substantially to ecological and adventure tourists, it is local firms that control the industry.

Since the implementation of investment incentives, most of the foreign investment in tourism in Issyk-Kul has been in the form of the small, low-impact, CBT firms described above. They operate heavily on the South Shore. This has not resulted in attaining the government's goal of greater infrastructure development, both in general and in tourism. In some ways, it has resulted in greater supplemental income for locals and entrepreneurialism on the part of guesthouse operators. It has resulted in the current entrenchment of a type of tourism that ideally is ecologically sustainable. CBT does not call for large resorts of tourism facilities. There are no golf courses, ski areas, or casinos associated with CBT. However, it does call for the usage of trekking routes, campsites, and yurt camps. Even as low-impact versions of tourism, these endeavors can put stress on the environment if there are sizable numbers all doing it at the same time. This is where CBT on the South Shore, in conjunction with the removal of ATZ permit requirement, has actually been detrimental to the South Shore ecosystem. CBT is partly

responsible for the overcrowding that has occurred at popular sites, trail degradation on popular routes and increased littering in ATZs.

Investment on the North Shore comes in the form of resort hotels owned by tourism firms based in CIS countries, mainly Uzbekistan and Kazakhstan. This is pre-existing investment that was in place prior to the 1997 Law on Foreign Investment. Still, these resorts are the most important form of foreign investment in tourism in Kyrgyzstan today. The North Shore resorts are the tourism sectors collective centerpiece. There is a wealth of literature on the environmental threat posed by resorts, especially those that are coastal or lakeside (Weaver, 2004; Patterson and Rodriguez, 2004). The detrimental affect of North Shore resorts on the local environment is debatably little worse than that of other resorts in developing countries.

Interview respondents, ranging from local community members to NGO officials, suggest that the most damaging impact is not what is occurring now, but rather what is proposed for the future. North Shore resorts are the driving force behind a proposed road going from Almaty in Kazakhstan to Cholpon-Ata, one of the primary resort towns on Lake Issyk-Kul. The road would be an almost direct route of 130 kilometers through the Chong Kimen Valley and the Kungey Alatau Range. This would cut over 300 kilometers off the current route which goes southwest from Almaty to Bishkek, and then east to the Lake. Almaty is the origination point of many of the visitors to the North Shore. At the very least, many of the visitors must pass through Almaty on their way to Issyk-Kul. The ecological threat of this proposed road is that it would be passing through prime snow leopard habitat. Despite the concerns raised by locals in Chong Kimen and UNESCO officials, the state is a major supporter of the proposed route. At this time, development

agencies have been hesitant to assist with the planning and implementation of such a route, no doubt because of the ecological threat it will pose.

This situation suggests yet another insider-outsider split. Locals - be they tourism firm owners, employees, or residents - view with varying degrees of concern the issues of trail degradation, littering, and threat to endemic specie habitat. The fact is that all of these are local issues that raise concern among different groups of the population. International development agencies place a far larger concern on the issue of habitat destruction of threatened species such as snow leopards and Marco Polo sheep.

In the Kazakh Altai, performance requirements have resulted in little outside investment in tourism, especially in outliers like the Altai. As a consequence, local firms control tourism. This, combined with the border zone restrictions discussed above, has resulted in less negative ecological impact on sites. Local employees and tourism business owners I interviewed expressed a certain degree of pride in how uncongested and relatively clean their Belukha routes are in comparison to those on the Russian side of the border. Trekking and horseback guides in Lake Markakol have little to compare their routes to, but they still expressed the same feeling of pride in the conditions of their trail as their counterparts at Rakhmanov Springs. I observed the routes at both locations during the Fall of 2003. My impression of the routes I examined is that they are sufficiently well-kept.

One possible ecological concern that might present itself in the future is the plans for expansion at Rakhmanov Springs. In an effort to renovate the resort, the Springs Corp is soliciting financing from investors via timeshares. This could place Rakhmanov Springs on the path toward full resort development, with severe repercussions for the

environment in the future. Clifford (2002) and others (Stanford, 2004; Rothman, 1998) have written extensively on the evolution of mountain resorts and the impact it has on local communities, biodiversity, and ecological health. Alpine resorts that have risen around summer or winter outdoor activities increasingly resemble the crowded, polluted, and sprawling landscapes characterized by modern urban settings (Rothman, 1998). According to Clifford (2002), much of this is due to the “corporatization” of mountain resorts which are increasingly driven by growth and diversification to maximize profits than by activities they were originally centered around. Diversification does not mean offering just additional marketable activities. Rather, it means becoming involved in alternative interests such as real estate and property management.

Research on the corporatization of mountain resorts has been performed mainly in the developed countries of Europe and North America. What is striking about the plans for growth at Rakhmanov Springs is that the Springs Corp is using similar tools, such as the timeshare strategy discussed in Chapter Eight. As the economy of Kazakhstan continues to develop successfully, more affluent citizens will be available not only to vacation at the Springs, but also to make investments, either through timeshares or through direct purchases or real estate. If the Springs Corp continues to drive for increased growth and greater profit, then this mid-sized resort could face an explosion in size over an area that can, from appearance, only support limited spatial distribution. This could have a damaging ecological affect in the form of the over usage of water, pollution of the watershed (the resort is at the top of its watershed), and deforestation from the clearing of nearby wooded areas for the construction of facilities and accommodations.

I should point out that Rakhmanov Springs is not the only mountain resort where such a development could occur. The Kazakh Tian Shan Range rivals the Kazakh Altai in popularity. In fact, a credible argument can be made that the Tian Shan resorts, including the ski resort at Chimbulak and the nearby sports center of Medau, surpass that popularity of the Altai. What is more, these resorts are closer to the cosmopolitan hub of Almaty. These areas stand the chance of suffering from even worse side-effects of resort than Rakhmanov Springs because of its close proximity to a major urban center³⁸.

One can argue that current investment policies in both Kyrgyzstan and Kazakhstan have not resulted in severe ramifications for local ecosystems as of yet. This is partially true. Investments since the establishment of incentives in Kyrgyzstan have been in relatively environmentally benign forms of tourism, specifically community-based tourism that is culturally and ecologically oriented. However, interviews with local employees and business owners suggest that community-based tourism, due the removal of ATZ permit requirements, is having a detrimental impact on the environment due to congestion and pollution at campsites, destinations, and on trails. Perhaps CBT is not near as environmentally friendly without constraints, either self-imposed or state imposed. One surprising finding from this research is that, unlike the locally owned firms based in Karakol, the foreign-owned CBT firms in Bishkek did not identify congestion and pollution on trails and at campsites to be an environmental concern. This suggests that foreign-owned firms, located several hundred kilometers away in the Capital, are removed from the actual situations and happenings that are occurring on the ground where they operate.

³⁸ See Clifford (2002) for an analysis of the importance of urban proximity and travel infrastructure to new resort development in the American West.

Community-based tourism is a dominant feature of the industry in the Kazakh Altai as well. However, there is less evidence that it is creating problems similar to that occurring in Issyk-Kul. Visitation numbers are limited by travel barriers, which places the travel of most tourists in the hands of a few local firms who maintain strict standards. Employees at Rakhmanov Springs and Lake Markakol expressed pride in the condition of their routes and described them as clean and congestion-free.

Yet as tourism continues to grow in the Altai and around Lake Issyk-Kul, it also evolves. Resort tourism is a goal of the state (in Kyrgyzstan), some international development agencies (also in Kyrgyzstan), and parts of the private sector (at Rakhmanov Springs in Kazakhstan). There are indications that this can lead to problems for surrounding ecosystems in the future. Resort tourism in many other mountain destinations becomes “corporatized” in a way that profits take priority over the environment being marketed to visitors. The threat to snow leopard habitat by the proposed Almaty to Cholpon-Ata road is an example of this. The transformation of mountain resorts in developed countries, and the consequences it has had on biodiversity and ecological health, gives a good preview of what may face the resorts in these two venues in the future.

The State, Development Agencies, and Environmental Concerns

Chapters Five, Six, and Seven illustrate the importance of international organizations and development agencies to the development of tourism in the two cases being examined. They are actively involved in both the Kazakh Altai and in Issyk-Kul. Many of these agencies are concerned primarily with ecological and cultural sustainability. As such, they are oriented towards the establishment of low-impact,

community-based tourism that will provide for the creation of small scale, locally owned businesses. However, not all the agencies involved in tourism development are interested strictly in establishing CBT-oriented tourism. The belief among these organizations is that, while CBT at least appears to be ecologically friendly, and does create supplemental and seasonal employment, it does not create advances in general and industry-specific infrastructure, nor does it maximize the employment potential of tourism. If and what kind of support a state seeks is dependent on its economic position and need for assistance.

In Kyrgyzstan, the state openly seeks support from, and actively works with, international agencies wishing to develop tourism in Issyk-Kul. These agencies can be separated into two groups: (1) those wishing to establish CBT-oriented development programs, and (2) those wishing to establish upscale, mass-oriented tourism development programs. To review, the two main CBT-oriented agencies are Helvetas and TACIS. Helvetas designed CBT education seminars, established CBT groups throughout Kyrgyzstan, assisted in the establishment of KCTBA and Nomad's Life Tourism Company, and created a CBT partnership group of tourism firms in Bishkek, many of which are foreign-owned. TACIS designed eco and cultural tourism workshops on the South Shore of Lake Issyk-Kul and established the Tourism Information Center (TIC) in the town of Karakol to help provide advertising for and networks between different service providers. In Issyk-Kul, Helvetas works primarily with guesthouses and has refrained from working with local trekking firms due to the agency's strict definition of CBT, which is as much about business size as it is about types of activities pursued. Local firms like Tian Shan Tours and Issyk-Kul Mountain Adventures were defined as

too big to be part of the CBT structure. TACIS works with all South Shore based, locally-owned firms, be they guesthouses, yurt camps, trekking firms, or hotels.

The two agencies working on the development of upscale mass-oriented tourism are the Japanese International Cooperation Agency (JICA) and the Agha Khan Development Network. Both of these organizations are proposing plans for resort style tourism on both the North and South shores. These include the development of an international airport outside of Cholpon-Ata, luxury resorts and golf courses on the South Shore, the renovation of existing resorts on the North Shore, water taxis across the lake, and seaplane services.

In my interviews with officials from the State Committee for Tourism and the State Committee on Property and Direct Investment, it was stated that the projects of JICA and Agha Khan, as well as Helvetas and TACIS, have the support of the State and that they are working directly with these organizations to realize their goals. One problematic issue, however, is that the goals of these two types of development schemes are opposed to each other. The mass-oriented resort tourism being proposed by JICA and Agha Khan also runs contrary to the Issyk-Kul Biosphere being established by UNESCO and GTZ, also with direct State support and assistance. TACIS officials stated their concern over the possibility the plans for a South Shore resort and golf course would violate the zone schemes of the Biosphere³⁹. There is also concern about the water use

³⁹ I describe in detail the zoning scheme of the Biosphere in Chapter Five.

requirement for a golf course. And lastly, locals have raised concerns about the possible disturbance of the Issyk-Kul Zapovednik, on the southwest shore of the lake, by water taxi and seaplane traffic.

Kyrgyzstan's precarious economic position requires the state to be open towards any and all development programs concerning its primary industry: tourism. It has very little leeway to pick and choose the development scheme that would suit the country best economically, culturally, and ecologically. Despite signs of growth, the industry continues to be hampered by sagging general and industry specific-infrastructure. This is a problem that is not being addressed through the development of CBT-oriented tourism. But it is a problem that can be addressed through the development of mass-oriented resort tourism. To do so, however, could possibly jeopardize the well being of the environment.

In Kazakhstan, the state has not actively sought support from international organizations in the same manner as in Kyrgyzstan. In fact, the only signs of the government taking a direct interest in assistance in economic development from international organizations have come from recent speeches made by President Nazerbayev (Noce and Shimasky, 2003). For the most part, it is the communities and businesses that seek their support and actively work with these agencies. In the Altai, support comes in the form of (1) the Altai-Sayan Biodiversity Project, funded and implemented by UNDP, the World Bank, and the World Wildlife Fund (WWF), and (2) the Eurasia Fund, funded by USAID.

These two programs are of different sizes but concerned mainly with establishing ecologically sustainable forms of economic endeavors. Altai-Sayan is a large-scale project that focuses on transboundary issues of development. It is interested mainly in the establishment of ecologically sustainable agriculture, timber harvesting, and tourism. While it does not work in conjunction with the national government in the same way as large development projects in Issyk-Kul, it does work closely with local akimats in the Altai. The small-scale, locally focused program of the Eurasia Fund is interested strictly with the establishment of community-based tourism. Both projects have been in place only since the beginning of 2003. Data collected from interviews, focus groups and observations suggest that these programs thus far have not lead to noticeable forms of environmental degradation so apparent in Issyk-Kul.

It should be pointed out, however, that the Kazakh Altai lacks three components that are present in Issyk-Kul. First, tourism is not one of Kazakhstan's main sectors of focus. As such, the government does not solicit the participation of international development agencies as aggressively as in Kyrgyzstan. That task is left up to local businesses. Those organizations that are involved in the Altai are primarily interested in ecologically sustainable forms of development. They are not in competition with the interests of more capital intensive, mass-oriented tourism development programs. Secondly, because of performance requirements and the lack of incentives for investors, there is no foreign involvement in the tourism industry in the Kazakh Altai. Local firms and communities do not have to compete with the disproportionate political and economic influence that these actors typically wield. Lastly, the Kazakh Altai retains the state imposed permit requirements for travel into border zones. Similar permit

requirements were done away with in Kyrgyzstan. This effectively controls the number of visitors going to popular destinations. Both of these factors together currently keep ecological degradation to a minimum in comparison to what is and might occur in Issyk-Kul.

In general, there is very little interaction between the state and the private sector on environmental issues in either country. Most environmental partnerships occur between the private sector and international organizations or between these organizations and the state. Some projects, for example the Altai-Sayan Project, call for the direct involvement of national parks, and the local government, and hire representatives of the local tourism industry as consultants. However, this does indicate direct interaction between the private sector and the local administration.

Discussions and Conclusions

Throughout this dissertation, I have attempted to show how economic and geographic contexts dictate state policy choices in the development of growth industries. I have further attempted to show how these policy choices in planning and international involvement impact local communities and local businesses. What my research has illustrated thus far is that isolated and economically weak states that possess few natural resources are at a disadvantage in developing socially and economically.

In this chapter, I have attempted to illustrate how this argument extends to the environment of the respective cases. Tourism development processes in Kyrgyzstan can be described as top-down. They have been initiated by the government and international actors. Issyk-Kul is experiencing growth in tourism. However, just as this has come with certain costs to local communities and local businesses, it has also come with certain

costs to the surrounding ecosystem. The deconstruction of barriers that hindered growth has led to increased traffic into ATZs, which local guides and business owners say has led to increased trail degradation and increased littering. The drive towards full development of the industry by the State has also resulted in plans for resort tourism along the South Shore and the further development of resort tourism along the North Shore. State officials believe that this plan of action will assist in the development of general and industry-specific infrastructure. The fulfillment of this plan of action, however, can possibly have serious consequences for threatened species, sensitive areas along the lake, and in the over usage of raw resources, primarily water.

Tourism development in Kazakhstan is best described as a bottom-up process. Local actors work in conjunction with international development agencies to initiate tourism development programs. In some cases, local business owners act as consultants for large, transboundary, biodiversity projects that use CBT as a local development tool. State involvement is localized to the oblast or rayon level. Tourism in the Altai thus far has had a relatively benign effect on the environment when compared to Kyrgyzstan. The industry is growing despite barriers and the lack of investment. Much of this stems from the type of tourist being attracted: (1) domestic and CIS-travelers who are not affected by the barriers or who have different (or more varied) tastes than those that would be attracted through foreign investment and (2) low-impact tourists who do not necessarily demand upscale services. Like in Kyrgyzstan, the potential of the market is not being attained. However, evidence from this investigation suggests that this has been more beneficial to the surrounding ecosystem. Trekking numbers grow slowly or have remained the same because of permit requirements for visits to sites within border zones.

Furthermore, the number of tourists are in many ways controlled by a handful of local firms with high ecological standards .

The removal of local travel barriers emerges as the most dichotomous issue in terms of costs and benefits to the local economy and ecosystem. Local and foreign-owned firms in Kyrgyzstan reported that the removal of ATZs permit requirements in Kyrgyzstan has resulted in more tourists being able to access these areas. They further report that this has benefited their businesses, which cater to trekkers wishing to visit the sites within these zones. However, local firms and their employees also report increased overcrowding of sites, pollution, and trail degradation occurring within these same areas. These problems were not reported by operators of foreign-owned firms based in Bishkek.

The maintenance of border travel restrictions in the Kazakh Altai is a thorn in the side of tourism firms in the region. They continually complain about the negative impact it has on their businesses and overall revenue generation. The impact of this policy is apparent in the number of days guided among local guides in the Kazakh Altai. In general it is half or less in comparison to their counterparts in Issyk-Kul. However, local firms and their employees report that their trails are relatively clean and un-congested when compared to the trails on the other side on the border in the Russian Altai. The maintenance of this local travel barrier has resulted in economic costs for those involved in the tourism sector. But at the same time this action has had a positive affect on the local environment.

The costs and benefits of top-down v. bottom-up processes are evident in the findings from this research. The top-down strategy practiced in Kyrgyzstan relies on little input by local community members. As a result, their concerns regarding foreign

competition, environmental risks, and large-scale tourism development go unheard. In Kazakhstan, the bottom-up approach has thus far ensured a close relationship between communities and the development agencies funding projects. This allows locals to significantly dictate and shape local development processes. The involvement of the oblast government and local akimats helps to create a mechanism, at least in theory, that local and national laws are followed, while at the same time providing local legislative and executive backbone to development projects.

The evidence presented here suggests that a developing country that is advantaged in terms of its geographic and economic context suffers less from present and future distress on the environment where a non-target industry like tourism is established. Such a state needs to fully develop this industry the least. States with a weaker economy and less capacity for overall development have few development options. To realize goals for industry growth, partial control maybe relinquishd to outside actors, including foreign investors and international development agencies. A state in this position and taking this path stands the chance of risking ecological harm in those regions where the industry is targeted.

Chapter Ten

Conclusions

I have examined the use of tourism as a tool for rural development in mountain communities of Central Asia because it provides an empirical opportunity to study how state development policy and capacity affect local communities in a diversity of developmental aspects. I have focused in particular on the role of state policy towards the incorporation of foreign investment and international organizations as tools for both general and industry specific development. There are also direct state actions I considered, specifically the desire to deconstruct barriers that hinder the growth of the industry, both nationally and regionally.

This study has shown that, despite the best efforts of the state and international actors, development of a key industry in a way that benefits local communities to the fullest potential will be limited unless the actual constraints of a weak general economy and geographic isolation are taken into consideration. These constraints manifest themselves in many ways. They are present primarily in the limitations of underdeveloped general and industry-specific infrastructure, a struggling banking and credit system, and the lack of a domestic market. In contrast, similar industries in states that are in a stronger geographic position, because of their geographic connectedness and possession of globally lucrative resources, will expand because the general economy itself is growing. This is despite the fact that the state may not consider such industries a high priority to the overall economy. General infrastructure is relatively stronger, there is

a vibrant domestic market, and local businesses have access to a stable banking and credit system through which they can finance expansion.

This research suggests that state policy towards emerging industries like tourism in countries with limited development capacity can have a positive impact in terms of growth. However, the growth can in many ways be slow and below what industry specialists consider full potential. Growth in revenue and total visitation is often only part of the overall goal of the state. More primary considerations are gains in general and industry-specific infrastructure. Yet even with the participation of foreign investment and development agencies, actors often considered crucial for development of this kind, significant gains in infrastructure development do not necessarily occur. Much of this is due to both the entrenchment of the traditional market and the emerging niche market drawn to these venues, neither of which are deterred by underdeveloped infrastructure. Attempts by the state to foster the industry with the few tools they do possess can inadvertently increase pressure on ecologically sensitive areas and create stiff foreign competition for local businesses with little access to credit and less cultural insight into the need of foreign clientele.

In the more advanced developing economies, the industry grows despite the fact that regional and national barriers remain in place, foreign investment is limited, industry-specific infrastructure is lagging, it is a low priority sector of the state, and does not have quite the potential as its lesser-developed counterpart. An expanding domestic market makes up a large percentage of the overall consumers to whom the industry caters. Local businesses do not face competition from transnational firms, and also have access to credit to finance the growth required to meet market demands. Because the

industry is not considered a priority by the state, it is less likely that policies will be implemented which threaten the environment.

The legacy of the Soviet colonial era is unmistakable in these two cases. Its impact emerged again and again throughout this research. There is, of course, its influence on the tourism industry, tourism infrastructure, and clientele, something that I discussed at length in Chapter Three and surfaced in chapters Five through Seven. In Chapter Nine, I showed the impact that Soviet era environmental policy has had on the protected areas where tourism has strong potential.

Tied closely to the Soviet legacy's influence on these factors is its impact on local entrepreneurialism and local capital development. I briefly discussed this in Chapter Eight, but it was prevalent in chapters Six and Seven as well. Local businesses are constrained by a struggling economy and isolated geography (as in the case of Issyk-Kul) or by burdensome state policies (as in the Kazakh Altai), but in all cases the institutional memory concerning small business ownership never developed under the Soviet regime. Local businesses are in essence starting from scratch. For example, in Chapter Seven, the official from USAID's Pragma Corporation described how they offer accounting workshops for local entrepreneurs as part of their small business development program because many aspiring business owners lack basic accounting skills. They are learning the lessons of small business development without having any kind of tradition of entrepreneurialism to build upon or fall back on.

As key industries move from colonial dominance to state dominance, the nature of the state in the post-Soviet world in general and these two cases specifically is changing. The Soviet legacy has had a significant impact on state institutional structure.

As during the Soviet period, Kazakhstan and Kyrgyzstan each have separate state agencies for tourism that are intimately linked to sports, medicine, and youth policy. Yet while much of the state institutional character in Kazakhstan and Kyrgyzstan mirrors that of the Soviet Union, there are certain aspects of the state that have evolved. Specifically, there is the emerging technocratic structure of parts of the state dealing with the development of key pieces of the respective economies. For example, Kazakhstan does not seek technocratic assistance for the development of tourism, but it does for the development of its most primary of industries: oil and gas. Principally, the state does this through partnerships with foreign firms such as ChevronTexaco and British Petroleum (see Chapter Five). In Kyrgyzstan, where the state is focusing most of its attention on tourism, the government solicits technocratic assistance from development agencies and transnational firms. Yet while the technocratic structure of the state in Kazakhstan is leading to greater development for the economy and society in general, it is debatable whether or not the same can be said for Kyrgyzstan.

What the state and local participants are struggling with isn't so much tourism development, but rather tourism *redevelopment*. Tourism is a long established industry in these cases. It was geared towards one specific market in a prescribed manner. With the fall of the Soviet Union, new, more diverse markets have emerged. The traditional market is still loyal and continues to visit the venues offered in the Kazakh Altai and Issyk-Kul. But these actors, and in particular the local businesses, feel compelled to attract the markets in the West. This is a rather difficult endeavor, as they must balance the desires and needs of one market with that of a diverse, emerging market. These desires and needs are not always compatible.

Development is a tricky and controversial issue in contemporary times. Traditionally, attention was given mainly to urbanization, industrialization, and the exploitation of natural resources. Very little emphasis was placed on the environment and the needs and potential of rural regions. This situation has changed. International development agencies, rural communities and state officials and business owners are placing more weight on the importance of local development and ecological sustainability. But while their intentions may be benign, development strategies and policies do not always produce benevolent results where they are focused. My research illustrates that, despite this expanded focus and the desire for more equitable conditions for local businesses, local communities, and the environment, the geographic and economic context of developing countries can be an unmistakable determinant in how industries develop and the impact they will have locally.

Kyrgyzstan and Lake Issyk-Kul: Slow Growth in a Struggling Economy

Official statistics on tourism in Kyrgyzstan shows an industry that is growing and on the move. Visitation and revenue have been increasing over the past several years. However, data collected from interviews and focus groups with state and development officials, businesses owners and managers, and employees, suggests that, in truth, growth in the sector has been slow, especially when considering the substantial effort the state is putting into the full development of this sector.

Kyrgyzstan is a land of stunning geography and a unique nomadic culture, both saleable commodities in the global tourism market. Throughout popular travel literature – from travel magazines to travel guides dealing specifically with the country – Kyrgyzstan is a hot commodity. For this isolated country, tourism is one of the few

resources it can exploit. With limited capacity to develop this industry on its own, the government seeks assistance from outside forces. It actively solicits the participation of development agencies interested in the development of the industry and works closely with these organizations. The state also provides incentives to transnational investors for their involvement, mainly through appealing tax incentives. There is very little by way of performance requirements placed on these businesses.

To further foster tourism, the state deconstructs barriers that can negatively affect the growth of the industry. They have significantly reduced visa application and registration requirements. Alp Tour Zone travels permits, which controlled traffic into ecologically sensitive areas, are no longer needed by visitors. The desired impact of these tools by the state is: (1) increased revenue and activity through the deconstruction of barriers, and (2) greater development of general and industry-specific infrastructure through the participation of international organizations and foreign investors.

An argument can be made that these goal are only partially being met. While growth in numbers and revenue is occurring, development gains clearly are not. The type of foreign investment drawn to the country and many of the development programs initiated by international organizations are not designed for the attainment of measurable gains in infrastructure development. For the most part, development and foreign investment are geared towards community-based tourism, which stresses minimal cultural and ecological impact. Environmental sustainability, seasonal entrepreneurialism and employment, and supplemental income generation take precedence over the development of general and tourism-specific infrastructure.

Resort tourism, drawing mass numbers to destinations, is generally thought to be the kind of tourism that can bring greater infrastructure development. But evidence from the North Shore suggests that this is not the case in Kyrgyzstan. Resort tourism there is enclaved, bringing only slight gains to the local communities. What is more, these resorts cater to the tastes of the traditional tourism market of the former Soviet Union, and do not necessarily appeal to the tourism desires among the emerging market in Europe and North America. As a result, gains in tourism infrastructure remain minimal.

Kyrgyzstan's weak overall position manifests itself in several areas throughout society. One of these is in the defunct national banking and credit system. I found general interest rates at financial institutions in rural communities exceed 25 percent and approach 35 percent. 200 percent collateral is not uncommon. Vasilei Alyoshen, the owner of Tian Shan Tours, related to me a story of offering one of his vehicles as collateral, and the bank requiring that the vehicle be placed on bank property until the terms of the loan were satisfied. None of the subjects I interviewed saved money in accounts at financial institutions due to their perception, based on their personal and communal experiences, of banks as insecure places for saving money. All of this places further constraints on local business owners, who, in their attempt to better meet the needs of clientele and compete with foreign-owned firms, must finance growth and expansion of their ventures with savings, personal loans, and micro-credit. This method, while proving to be effective, renders growth to several short, small-scale spurts. There is very little possibility for large capital investments.

This research has also illustrated the serious impact that the policies of states with limited development capacity for key industries can have on the environment. The

deconstruction of barriers to sectoral growth, specifically the removal of permit requirements for travel into Alp Tour Zones (ATZ), has led to over-usage, pollution, and degradation of ecologically sensitive areas. Guides from local firms reported that in the few short years since the changes to ATZs were put in place, more independent travel has occurred in sensitive areas and more inexperienced guides are leading parties to sensitive destinations. Guides contend that both tend to be less concerned about the human impact on these places. I was told that many will simply leave their refuse without burning it or packing it out. Over usage is a major issue for these guides as well. I was particularly struck by a statement made by the Tian Shan Tours guide Mirambek who, as we looked down on the hot springs at Altan Arashan from the north ridge, described how the area would be covered from hillside to hillside with tents and yurts during the summer.

Additionally, the state is placing more and more emphasis on grand-scale development plans proposed by development agencies such as JICA and Agha Khan. These plans may finally result in the greater development of general and industry-specific infrastructure so desperately sought by the government, but it also has the potential of wrecking greater havoc on the environment, particularly in lakeside protected areas.

My analysis of Kyrgyzstan and Issyk-Kul illustrates the significant barriers that face underdeveloped states in their drive towards development and the impact this can have on rural communities. A weak economy, isolation, and underdevelopment does not often allow a state the capacity to foster industries with growth potential on its own. It must turn to outside forces for assistance, and it must tear down barriers that can limit sectoral growth, even if those barriers benefit certain parts of the society or the environment. The end result is not necessarily a happy one. Infrastructure development

may be minimal or non-existent, competition from foreign-owned firms fierce, expansion option for local ventures few and inadequate, and fragile ecosystems increasingly threatened.

Kazakhstan and the Altai: Growth Despite Barriers

Official statistics on tourism in Kazakhstan show sustained growth in terms of total visitation and revenue. This might come as a surprise initially based on the data collected from officials, entrepreneurs, and employees through interviews and focus groups. These individuals continually stated the lack of concern the government has for the tourism sector. Travel barriers and the lack of a clear policy are significant challenges to tourism. But external factors assist the industry in producing positive results despite these challenges.

Kazakhstan is a country relatively well connected to markets and rich in oil and natural gas reserves. This sector has the capability of driving the national economy, and in doing so, strengthening other sectors. It receives the vast majority of the state's attention. Because of the growing economy, the state has the ability to place performance requirements on potential foreign investors in all sectors. They also do not actively solicit the support of international organizations for development programs. Barriers, both national and regional in scope to the growth of non-priority industries are left in place unless they have the potential of affecting the greater economy.

This situation creates several challenges for an additive industry like tourism. There is no clear state policy for the development of the sector. Barriers to travel, particularly visa registration requirements, visa costs, and travel restrictions along border zones, limit maximized visitation. There is also weak industry-specific infrastructure

relative to the desires of the highly sought western market. Despite these challenges, the tourism industry grows because the strong developing economy provides advantages that lend to sectoral growth. The country maintains strong connections to global markets through international airports at Almaty, Astana, and Ust-Kamenogorsk, and an extensive rail system with linkages to the Trans-Siberian in Russia. More importantly, Kazakhstan possesses a stable domestic market, providing readily available clientele not just in the summer, but also in the winter. Connected with this aspect of a domestic market is the fact that there is less of a concern for specific kinds of industry-specific infrastructure on the part of the kind of clientele drawn, which is primarily domestic travelers and Russians.

The generally strong developing economy is also manifested in a stable national banking and credit system. This gives locally owned ventures the advantage of financing large capital investments with loans offered at realistic terms. The owners of both firms I interviewed in Ust-Kamenogorsk used bank loans in the past to finance expansion of their businesses, and maintained both private and business savings accounts.

But locally owned businesses in Kazakhstan also have the option of financing growth through other means. The strong economy has resulted in an affluent domestic consumer class. Some of these are available and willing to partner with locally owned ventures to finance their growth and receive incentives in return, as in the example of the timeshare scheme developed by the Springs Corp. The strong economy produces strong participants in the tourism sector who network together to produce even greater rewards for each other. This was evident in the establishment of the tea and shashlik kiosk by Olga Kospyelov at the *Knyashi Gori* ski area owned by the Springs Corp. And lastly,

because of the performance requirements placed on transnational investors, these businesses do not experience competition from foreign firms.

In contrast to the situation in Kyrgyzstan and Issyk-Kul, the local ecosystems of the Kazakh Altai suffer less in this development environment. Because the state does not place a high priority on the development of the industry, localized travel barriers remain in place, such as the border zone travel restrictions in the Altai. These barriers were established for reasons of security, which the state regards as a higher priority than the growth on tourism in an outlying destination. With these barriers still in place, the number of visitors and service providers are controlled, and sensitive areas within these border zones experience only limited visitation.

The government does not actively seek the participation of international organizations for the development of the industry, and as a consequence grand scale development plans that may harm the environment are not taking place or even being considered. Instead, it is local firms who solicit the participation of international organizations. Development programs involving the industry remain small and more oriented toward biodiversity as opposed to the maximization of travel. Grand-scale plans involving mass-oriented tourism development would most likely require extensive state involvement.

As in Issyk-Kul, I was struck by the common feeling among employees and business owners of great satisfaction in the work and services they provide in the Altai. There is also a common concern for the well-being of the ecosystem. Local guides and porters compared their routes to Mount Belukha to those routes coming from the North in Russia. They did not express pride in the fact that their routes were less strenuous and

time consuming to navigate. Rather, the guides and porters were proud of the conditions of their trails and base camps, which they described as cleaner, less polluted, and congestion free in comparison to the Russian counterparts.

There seems to be genuine concern among the locally owned businesses for the Altai ecosystem as well. Firms like the Springs Corp and Altai Adventures are at the forefront of sustainable development programs. These firms have submitted proposals for funding small but clearly focused projects, and then administer the projects until the goals are met. Some projects, like those being implemented by the Springs Corp, are set up to provide ecological and community-based tourism education for locals so that they may provide services to the company's clientele in the future. Other projects, like those being implemented by Altai Adventures, are set up to provide greater protection of threatened species such as Argali sheep and snow leopards, which will benefit the firm and its ecotourism clientele in the future.

More than anything, I was impressed by the success of the two businesses in the Altai I examined, and none more so than the Springs Corp. This dynamic organization, through its purchases and operation of the Rakhmanov Springs Resort and the *Knyashi Gori* ski area, as well as its expansion into community-based tourism, has positioned itself to capture a large percentage of the foreign, CIS, and domestic tourism market. What is more, their innovative planning has allowed them to obtain growth and expansion when more conventional means were limited.

My analysis of Kazakhstan and the Altai illustrates the advantages present to businesses in economies that are well on their way to development, even if these businesses operate in a sector that is not a priority in the development schemes of the

state. A strong, developing economy, interconnectedness, and relatively developed infrastructure allows the state the luxury of letting non-priority industries develop in a part and-parcel manner along with the rest of the economy. It does not have to turn to outside forces for assistance, nor must it tear down barriers that may limit certain parts of sectoral growth. The local industry does not face foreign competition and has a vibrant and growing local market off of which to feed. The end result is a sector that grows despite barriers and setbacks.

Contribution to Development Studies

The research presented here assists scholars in gaining a better understanding of the issues and challenges of development as it is faced by rural communities in developing countries. International finance, investment, progressive state policies, and micro and macro development programs are important tools, but their value can be undermined unless a country's true economic and geographic context is taken into account. The assistance of outside forces is not enough for many underdeveloped countries to overcome their precarious state. In some cases, it can exacerbate pre-existing inequalities and create new ones.

Tourism provides several benefits to community members in the venues I analyzed. Employees reported good wages relative to other local employment opportunities. Tourism also provides several entrepreneurial options for locals. Some of the most reputable trekking and tourism firms in the Kazakh Altai and Issyk-Kul were owned by longtime residents of destination communities. Guesthouses provide business ownership opportunities for women, particularly in Issyk-Kul. Guides and porters in the town of Karakol reported increased volume and quality of consumer goods in shops and

the bazaar, something they attributed to the influx of foreign visitors who demand such items.

A prevailing theme in both the Kazakh Altai and on the South Shore of Lake Issyk-Kul was the strong connection that locals, both employees and business owners, have to the surrounding environment. It goes beyond a love for the place they call home. The mountains and valleys where they work can be thought of in cultural terms. The mountain lifestyle that they lead results in a cultural connection to the local environment. There is a desire to stay close to the mountains and rivers they love. Tourism allows them to do just that, and make at least a seasonal living off of it. A strong connection to the nomadic culture of the Kazakhs and Kyrgyz can be found in other locals who exploit the tourism industry. *Manaschis*, musicians, falconers, even those who construct yurts, all perform traditional acts that assist in cultural preservation, income generation, and allowing locals who want to remain in place to do so.

But with tourism comes certain costs to those locals who are engaged in the industry. The seasonality of tourism in these venues makes it a precarious endeavor economically for most. Even those employed by resort hotels on the North Shore of Issyk-Kul experience months of either unemployment or reduced wages. Informants on both shores of the lake spoke of the summer months as a time of intense overcrowding as their communities are flooded with tourists. With this situation comes inflated prices for consumer goods in markets and shops. Guides from Karakol even spoke of the commodification of simple items such as tea and koumiss by herders in mountain pastures. These goods, they say, used to be dispersed for free to guides while they trained in the mountains prior to the beginning of each summer season.

The evidence presented here suggests that a weak geographic and economic position can exacerbate the costs associated with sectoral development, even when transnational investment and internationally funded development projects are part of the strategy. I have shown that, state policy towards attracting investment can place both locally owned tourism businesses and local employees at a disadvantage. Development agencies can provide assistance for local business owners and employees, but they can also increase foreign competition for locally owned firms. By including non-local actors in a development strategy, states often hope to attain the ultimate goal of general and tourism specific infrastructure development. However, if the niche markets these actors are oriented towards do not necessarily require such development, then this goal can go unrealized. The deconstruction of market barriers can have the impact of increase revenue (and, in this case, visitation), but it can also led to increased degradation of fragile ecosystems.

In contrast, a strong economic and geographic context can assist in the development of specific sectors of an economy even when they are not priorities of the state. A state that is well on the path towards development has certain advantages that additive industries can exploit. Advantages that I have stressed in this research are 1) an expanding domestic market, 2) interconnectedness with strong foreign markets, 3) developed or developing general infrastructure, 4) a reliable and functioning banking and credit system, and 5) the lack of foreign competition because such participation is not needed to further development. While locally owned businesses and employees may still face constraints from not being in a priority industry, they can continue to grow and prosper, at least in a relative sense.

It is in this way that my research contributes to development studies. It provides a better understanding of a state's economic and geographic context on development processes as they relate to local communities. While policy matters, it is often factors external to state control that determines its capacity for sectoral development. These factors dictate a state strategy for advancing specific economic sectors. This in turn determines if the costs associated with the development of the sector will be alleviated or exacerbated.

This research also makes a methodological contribution to development studies. In employing a tri-level model of analysis, I have gained a greater understanding of development processes and their consequences in these two divergent settings. Policy level interviews involving state and organization officials were helpful in uncovering the rationale and method of development programs and planning. However, it was the sectoral and community level research that uncovered the true implications of state and agency policies. There are several examples of this. On the North Shore of Issyk-Kul, interviews and observations showed the level of disconnect that exists between the resorts and the communities, most evident in the lack of development within the villages that supply labor to the hotels, as well as the lack of managerial positions open to locals. In the Altai, evidence from interviews with tourism firm managers illustrated the strength and importance of the domestic and Russian tourism markets. Interviews and focus groups also strengthened my understanding of, and belief in, the intense satisfaction mountain guides receive from their work. By employing a multi-level model, more light can be shed on the consequences of development planning, and tourism, for local communities.

Directions for Future Research and Scholarship

The research I present here highlights the affect of geographic and economic context on state development policies and how such policies impact actors with a growth industry, particularly local businesses and employees. I have stressed that geographic and economic context are determinant factors in state capacity, the development path states choose, and the success and failure of development policies.

Historical and cultural factors emerged as essential to this study. In Chapter Three, I emphasized the importance of destinations in the Altai and Issyk-Kul to Soviet era tourism and the influence this has on the current nationality composition of total visitation. Throughout the study, I highlighted the importance of cultural insight on the part of service providers, issues of tourism infrastructure, and how “international standards” are typically culturally defined and based more on western meanings. Despite an apparent “lag” in tourism infrastructure at key destinations, CIS tourists continue to visit. Part of this is historical, in that these are traditional destinations. But part of this is also cultural, in that CIS travelers are not deterred by “underdeveloped” tourism infrastructure in the same way that western travelers might be. Future research on tourism in other developing countries should consider the importance of cultural and historical factors on visitation. In my review of previous literature, this issue seemed to be neglected, and only mentioned in passing. It would appear to be a significant factor in the visitation of sites in the former colonies of European countries.

The combination of qualitative methods I employed while in the field greatly contributed to the collection of the rich data I used in this study. Focus groups with guides and porters were an especially useful method in this regard. However, I refrained

from using focus groups as a means of obtaining data from guesthouse operators in Issyk-Kul, and instead employed individual interviews. Each had interesting stories about their experiences in the tourism industry in Issyk-Kul. Focus groups could have assisted in eliciting deeper and additional responses about their experiences. My decision not to use this method was due to a feeling of contention I sensed between these competing guesthouse operators. This was most evident on the North Shore, where operators complained about their competitors offering shabby services. In CBT destinations (Central America, Indonesia, and Thailand, for example), guesthouse operators are becoming a growing part of the industry. If researchers examining CBT destinations do not sense the same feelings of contention between operators that I did, focus groups may help them gain greater insight into the experiences of these unique participants in the global tourism market.

Absent from this analysis is the experiences of community inhabitants who are not directly involved in the industry being studied. Their absence was based mostly on time constraints and the focus of my study, rather than my lack of contacts or ability to gain access to such individuals. Their experiences can undoubtedly provide more diverse data that highlights how communities and individuals cope with changes caused by State policies and the actions of outside actors. Future research focuses on rural development should give greater weight to these community members than what is provided here.

Finally, development scholars should use the research design and theoretical framework provided here as a blueprint and collaborate with rural sociologists to address the effectiveness of development policies and programs at attaining the goal of greater sustainable development for rural communities and their surrounding environments. The

outcomes and consequences of policies, both intended and unintended, must be emphasized as well. It is my hope that this study has demonstrated the importance of geographic and economic context to the development of growth industries and that these factors must be considered when constructing programs and policies meant to aid sectoral expansion.

Appendix

Table 2 *Tourism Development Indicators in Kyrgyzstan and Kazakhstan, 1998-2002*

Indicators	Kyrgyzstan				
	1998	1999	2000	2001	2002
<i>Gross output of tourist activities (million USD)</i>	40.97	64.05	114.5	180.9	165.8
<i>Percentage of GDP</i>	2.1	2.5	2.9	4.2	4.3
<i>Labor force Officially engaged in tourism</i>	7,545	7,670	7,233	7,404	6,872
<i>Number of intl. arrivals</i>	59,363	48,272	58,756	98,558	139,589
<i>Receipts from direct foreign investments in tourism (million USD)</i>	----	1.2	14.34	9.38	12.78
<i>Revenue from intl. tourism receipts (million USD)</i>	8.4	14.1	15.3	24.4	35.7
Indicators	Kazakhstan				
	1998	1999	2000	2001	2002
<i>Gross output of tourist activities (million USD)</i>	--	--	366.4	451.6	621.9
<i>Percentage of GDP</i>	.27	.29	.29	.27	.25
<i>Labor force officially engaged in tourism</i>	--	--	314,000	322,800	327,400
<i>Number of intl. arrivals</i>	--	--	1,682,547	2,692,590	3,677,921
<i>Receipts from direct foreign investments in tourism (million USD)</i>	--	--	--	--	--
<i>Revenue from intl. tourism receipts (million USD)</i>	--	--	56.24	56.31	53.00

Source: *Tourism v Respubliki Kazakstan v 2002 godu: Statistiki sbornik, Agenstvo Respubliki Kazakstan po statistiky;* *Tourism v Kirgizstanye: Statistiki sbornik, Natsionalnei Statistiki Komitet Kirgizskoi Pespubliki.*

Table 3. *GDP and Human Development Indicators in Kazakhstan and Kyrgyzstan, including HDI ratings for East Kazakhstan and Issyk-Kul oblasts*

Indicators	Kazakhstan				
	1999	2000	2001	2002	2003
<i>GDP (current billion USD)</i>	16.9	18.3	22.2	24.6	29.7
<i>GDP Growth (annual percent)</i>	3	10	14	10	9
<i>Human Development Index Rating (HDI)</i>	.742	.743	.754	.767	.772
<i>HDI Rating for East Kazakhstan</i>	.737	.729	.738	.743	.747
Indicators	Kyrgyzstan				
	1999	2000	2001	2002	2003
<i>GDP (current Billion USD)</i>	1.2	1.4	1.5	1.6	1.7
<i>GDP Growth (annual percent)</i>	4	5	5	0	6
<i>Human Development Index Rating (HDI)</i>	.706	.719	.723	.701*	---
<i>HDI Rating for Issyk-Kul Oblast</i>	.730	.752	.756	---	---

Source: *World Development Indicators Database, World Bank; Human Development Report, Kazakhstan 2004, United Nations Development Program; Human Development Report, Kyrgyzstan 2002, United Nations Development Program.*

*Note: The HDI rating of .701 for Kyrgyzstan was reported in the UNDP's Human Development database. It is lower than those from the previous three years. However, I should point out that in my review of past development reports for both Kazakhstan and Kyrgyzstan, previous years' HDI ratings were consistently adjusted as years progressed, typically downward. It is possible that the HDI ratings for Kyrgyzstan from 1999 to 2001 are actually lower than they are presented here, and have not been adjusted.

MAP 1- Central Asia



Source: Perry-Casteneda Library, University of Texas at Austin

MAP 2 – Issyk-Kul Oblast



Source: Perry-Castenada Library, University of Texas at Austin

MAP 3 – East Kazakhstan Oblast



Source: Perry-Castenada Library, University of Texas at Austin

Figure 2: Path Model One

Central Question: How does state development policy, in conjunction with international development agencies and transnational firms, affect the growth of the tourism industry in rural communities? What are the costs and benefits to the community? How do these costs and benefits vary across the community?

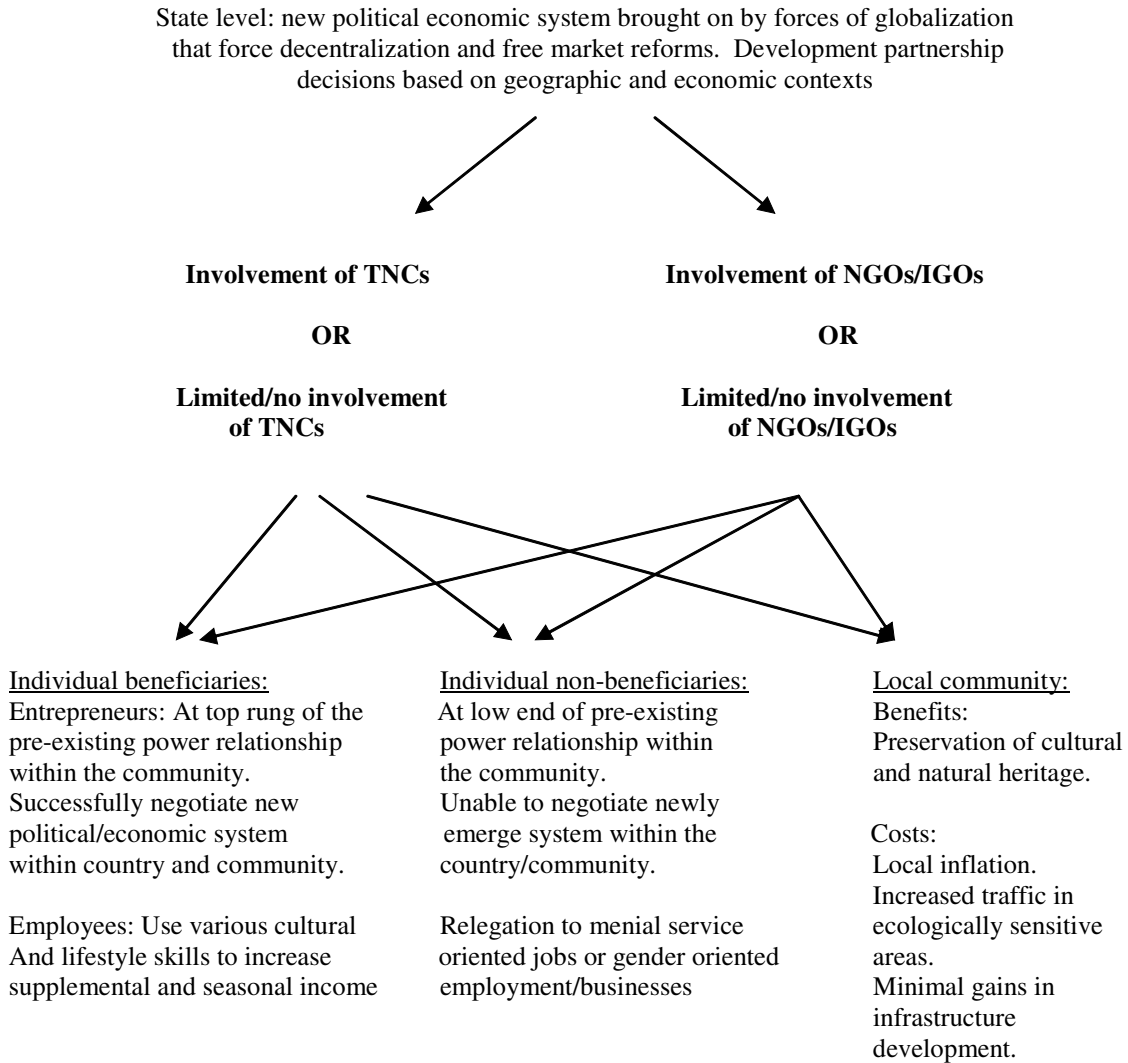


Figure 3: Path Model Two

Central Question: In what ways does the growth of the tourism industry in rural regions influence the local labor market? How does this industry affect economic development, entrepreneurialism, migration flows, and employment in local communities?

State level: successful in attracting intl. investors in tourism through various incentives and comparative advantages

State level: difficulty in attracting intl. investors in tourism because of insufficient inputs

OR

State unresponsive to tourism development issues outside of primary regions/sectors.

OR

State performance requirements too strict.

Upscale, mass tourism market

Significant involvement by TNCs

AND

Upscale, low-impact tourism market

Dominated by TNCs

AND

Budget, low-impact tourism market

Dominated by locals

Budget, low-impact tourism market

Dominated by local entrepreneurs

AND

Mass-oriented tourism market

Dominated by local entrepreneurs

Influence on

Local labor market

Significant involvement in mass market and budget market.

Minimal involvement in upscale, low impact market.

-Stratified in upscale market

locals operate in lower rung

with few in high rungs who

are usually local elites.

Moderate involvement of migrants in upscale market

And

Benefits/disadvantages for labor

Supplemental and seasonal employment.

And

Secondary sector

Involvement by locals in all three markets.

Restaurant owners, vendors, taxis involved

in all three markets. Performers, craftsmen

involved in the two low-impact market.

Local labor market

Significant involvement in both markets.

Minimal stratification in both markets.

-Business ownership and tourist streams in

the hands of those in gateway community(s).

-Minimal control of tourist streams by those

in destination communities.

Minimal involvement of migrants.

And

Benefits/disadvantages for labor

Supplemental and seasonal

employment.

More local control over the industry (but

In hands of those in gateway communities.

And

Secondary sector

Involvement greatest in low-impact

market.

Less involvement in mass-oriented

market (more direct employment).

Figure 4: Path Model Three

Central Question: How does the expansion of the tourism industry impact local communities in terms of the social and economic changes that are occurring within those communities?

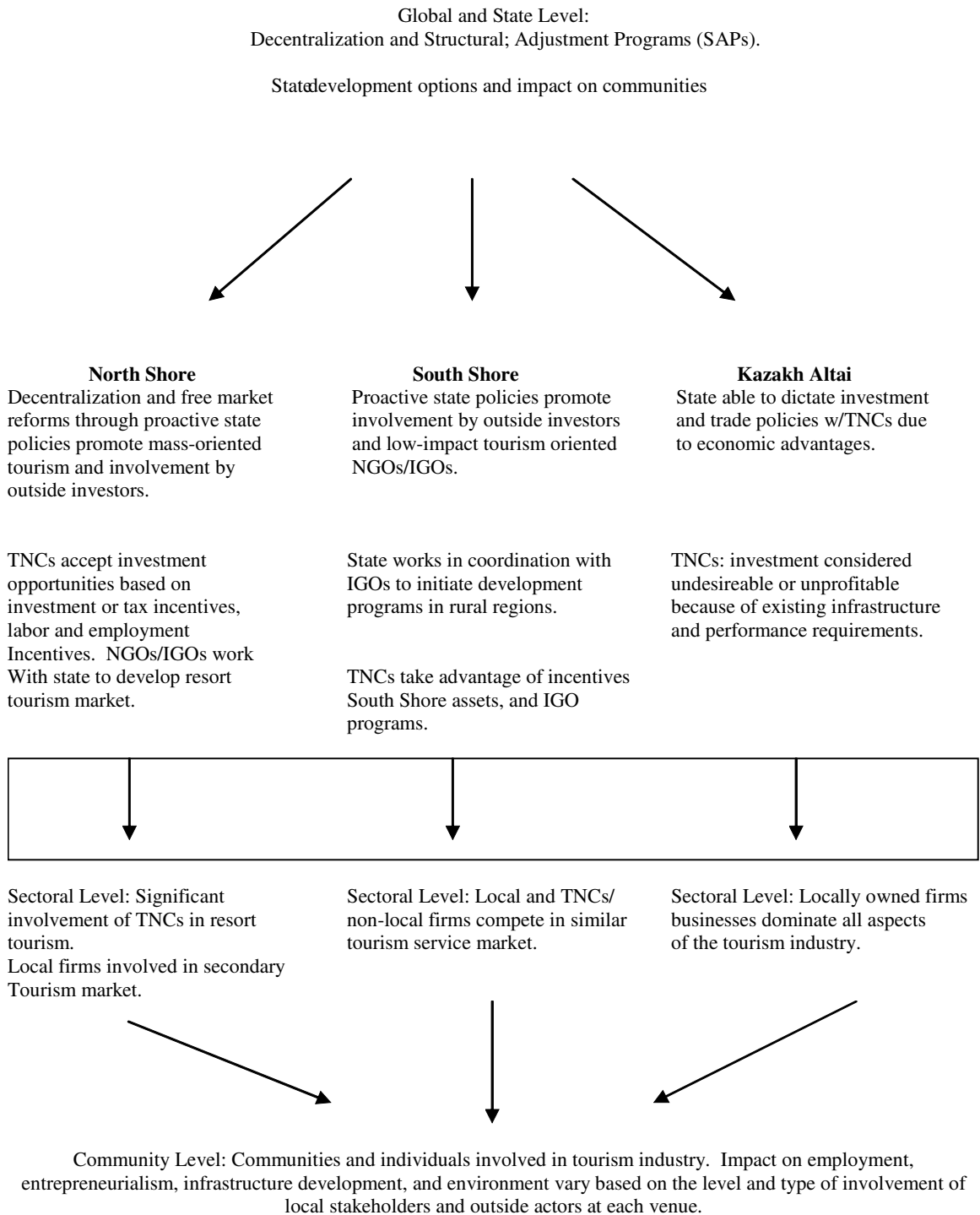


Figure 5: Interview questioning protocol

Interview protocol for community level respondents

1. How long the subject has lived in their current place of residence.
2. If a migrant, their reasons for migrating to present location.
3. If a migrant, the seasonality of their migration.
4. The subject's involvement in the local tourism industry and the degree of seasonality of the work. What the subject does for employment during the off-season.
5. What type of tourism oriented venture or enterprise the subject is involved in (examples- upscale venture, low-impact venture, subcontracting venture).
6. The subject's perception of the costs and benefits to themselves from being involved in the tourism industry (prompts- increased wages, sufficient supplemental wages, increase in various forms of human and social capital).
7. The subject's perception of their level of salary/wages, stability of work, and chances for advancement.
8. The subject's perception of the costs and benefits of the tourism industry to the local community (Prompts- better roads, better health care facilities, better health care facilities, growing inflation).
9. The subject's perception of the impact of tourism on the local environment.
10. The subject's occupation before becoming involved in the tourism industry and how they feel their way of life has changed since becoming involved in the tourism industry.
11. Strength of familial and kinship networks: the involvement of the subject's family and kin in the tourism industry.
12. Strength of social and entrepreneurial networks among the subjects.
13. Downturn in their employment due to global factors (9-11, economic downturns in regional markets).

Interview questioning protocol for sectoral level respondents

1. Activities provided to clients.
2. Demographics of clientele.
3. Seasonality of firm.
4. Structural/demographic makeup of employees.
5. Does the operation subcontract out labor and service needs to the local community and labor market and the specific services subcontracted out?
6. Retention of employees during the off-season?
7. Mode of operation during the off-season?
8. Describe the gratuity practices of your clientele?
9. Perception of how much money entrepreneurs think clients spend in the surrounding communities, not including the money spent on their services?
10. Use of national and transnational intermediaries and relationship with those intermediaries?

Figure 5 continued.....

11. How business has been impacted by recent global political and economic events?
12. Does the government provide any types of incentives for their operation?
13. Specific government regulations that they feel hinders their operation?
Contributes to the success of their operation?
14. Incentives or support received from global organizations?
15. What they feel is the most significant thing the government or an outside organization can do to help their business succeed?
16. What ecological programs have been put in place by the government to protect the environment surrounding their operation?
17. The impact of their operation on the surrounding environment?
18. The biggest threats to the surrounding environment that they can identify?

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