

EXPLAINER

Jump-starting Aviation and Tourism in Central Asia amid COVID-19



CAREC countries suffered an overall 68% decline in passenger traffic for 2020 or 40 million fewer passengers than 2019. Photo credit: ADB.

The pandemic opens an opportunity to reset CAREC's aviation industry through green lanes and domestic tourism, among others.

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Introduction

The coronavirus disease (COVID-19) pandemic has had a devastating impact on the aviation industry globally as nearly all air travel came to a halt in late March and April 2020. The Central Asia Regional Economic Cooperation (CAREC) countries were no exception as virtually all scheduled international flights were suspended, and several countries implemented bans on domestic air travel in an attempt to contain the spread of COVID-19.

CAREC groups together 11 countries: Afghanistan^[1], Azerbaijan, the People's Republic of China, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

Domestic markets in Central Asia started reopening in May 2020 and most domestic routes have now

resumed. However, passenger traffic is still below precrisis levels in most CAREC countries and will likely not fully recover until after the pandemic.

Border restrictions remain in place throughout the region, impacting demand for international air travel and limiting tourism. International passenger traffic volumes now are a tiny fraction of what they were prior to the pandemic. More international services are expected to gradually resume over the next several months.

The recovery of international passenger traffic will be very slow. International traffic is expected to still be at a small fraction of pre-crisis levels in 2021 and not fully recover until at least 2023. The reduction in international passenger traffic for 2020 and associated reduction in tourism will have a huge economic impact. CAREC aviation and tourism must implement reforms, new strategies, and restructurings to mitigate and recover from the impacts of this pandemic.

This article is adapted from a study, [Impact of COVID-19 on CAREC Aviation and Tourism](#), published by CAREC and the Asian Development Bank (ADB).

How has COVID-19 affected aviation and tourism?

CAREC's aviation industry is proportionately more impacted by the pandemic than the global aviation industry due to heavy dependence on the international market. Prior to COVID-19, the domestic market accounted for only 27% of passenger traffic compared to 73% for international.

40 million fewer airline passengers in 2020

While the level of impact varies by country, CAREC countries suffered an overall 68% decline in passenger traffic for 2020 or 40 million fewer passengers than 2019. Before the pandemic, the aviation market—excluding the People's Republic of China (PRC) — consisted of nearly 60 million passengers annually. Countries relying heavily on international traffic and international tourism (Georgia, Tajikistan, and Uzbekistan), have a bigger decline than countries with bigger domestic markets (Kazakhstan and Pakistan) and smaller tourism industries (Afghanistan and Turkmenistan).

\$7 billion reduction in passenger revenues

Global passenger revenues for 2019 reached \$612 billion, according to data from the International Air Transport Association (IATA). CAREC's share was approximately \$10 billion. This is based on its portion of total traffic and adjusted to reflect higher average fares for CAREC given the relatively small size of domestic market and low market share from low-cost airlines. The estimated airline revenues for CAREC in 2020 is expected to decline to just \$3 billion.

\$11 billion reduction in international visitor spending and \$27 billion reduction in travel and tourism contribution to GDP

The international visitor spending in CAREC is estimated to decline by 85% in 2020 or around \$11 billion

less than in 2019. The total travel and tourism contribution to GDP in CAREC is projected to drop by 70% or around \$27 billion in 2020. A higher proportional decline than the global average is projected due to CAREC's higher average reliance on international tourism. The projected \$27 billion reduction for 2020 is applied on a base of \$38.5 billion in 2019—calculated using the World Travel and Tourism Council figures for eight CAREC countries plus an estimated \$230 million for Afghanistan and Turkmenistan.

1 million jobs at risk

Around 1.5 million jobs of the 65.5 million global jobs are in CAREC countries and 1 million are at risk. Pakistan has the most jobs at risk (3,881,900 in 2018), followed by Georgia. Azerbaijan, Mongolia, Kazakhstan, and Uzbekistan, which have roughly similar number of jobs at risk. Afghanistan, the Kyrgyz Republic, and Turkmenistan have the least number of impacted jobs.

The number of jobs in travel (includes aviation) and tourism can vary significantly by country depending on popularity as a tourist destination and workforce efficiency.

Estimated COVID-19 Impact on CAREC in 2020

Airline traffic reduction	40 million passengers
Airport traffic reduction	6 million passengers
Passenger revenue impact	\$7 billion
Travel and tourism jobs at risk (IATA methodology)	1 million
Reduction in travel and tourism GDP contribution	\$27 billion
Reduction in visitor numbers	33 million
Reduction in visitor arrivals by air	5.5 million
Required financial support for CAREC airlines	\$2 billion

What are the mitigation and recovery strategies that CAREC can implement?

Promote domestic tourism to help facilitate a recovery during a period of much lower international traffic

Domestic tourism will continue to play an important role in 2021 and until the end of the pandemic. Its revenues could reach record highs for several CAREC countries in 2021 as restrictions on overseas travel will likely remain and many residents may prefer to holiday closer to home even if border restrictions ease. However, to fully realize the potential of domestic tourism, countries will need to promote domestic holidays, and tourism companies will need to adapt to meet the needs of local travelers. A quick recovery in domestic tourism helps mitigate the impact to the overall tourism sector.

Open green lanes and consider visa-free options to promote regional tourism

Most CAREC residents have never fully explored tourism destinations in neighboring CAREC countries. Travel to another CAREC country that does not share a border is even less common.

Countries in other regions have been establishing green lanes—also known as bubbles or air bridges—with select countries. There are no green lanes yet in CAREC.

While some CAREC countries have started lifting border restrictions, the approach has generally been piecemeal and unilateral. Bilateral green lanes between CAREC countries or a multilateral green lane involving several CAREC countries would help facilitate the resumption of travel.

The green lane concept provides an option for countries that have been relatively successful in containing the virus to reopen to each other with certain guidelines or requirements. The requirements for traveling in the green lane vary by country but can include testing negative for COVID-19 prior to travel. There can also be daily limits on the number of travelers.

Countries should also consider establishing visa-free policies. While visa-free options have increased in recent years, most CAREC countries still require visas from some other member countries.

Improve air connectivity during and after the pandemic

A lack of connectivity has long been a major impediment to travel between CAREC countries. Prior to COVID-19, only 18 or 44% of all CAREC country pairs (excluding the PRC) were connected with nonstop flights.

The lack of nonstop frequencies makes it difficult to travel around the region for business or leisure. Weekend getaways or 1 day business trips, which are common in other regions such as Europe or Southeast Asia, have been impossible between most CAREC countries due to limited flight frequencies.

Under normal circumstances, it could take a few years to rebuild the limited connectivity between

CAREC countries that existed pre-COVID-19, setting back by several years CAREC aspirations for improving connectivity. However, it could be feasible to reestablish in 2021 the air connections that existed before COVID-19 if green lanes between CAREC countries are implemented and if intra-CAREC tourism is promoted.

Provide incentives to support the launch of new routes connecting major cities with tourist destinations

New route incentives are typical around the world but have not been used effectively to facilitate new air services within CAREC. Several new routes connecting major cities with tourist destinations in other CAREC countries could be stimulated with a combination of green lanes, the right policies, and promotions.

Invest in boosting air cargo capabilities and liberalize the market

CAREC airports and governments should look at further investing in cargo facilities to help attract more transit cargo and support exports. Cargo is generating critical revenues for airports and airlines during this difficult time. With the right strategies, cargo could become an even bigger revenue generator for the aviation industry and help stimulate trade.

Governments should also pursue full liberalization of the air cargo market to facilitate growth during and after the pandemic. Air cargo services generally operate in a more liberal regulatory environment than passenger services—both in CAREC and globally. However, further liberalization would help CAREC countries recover economically and make the movement of goods, including perishable food, easier during this challenging period.

Promote contactless air travel and support digital procedures at airports

COVID-19 has led to major changes in the air travel experience to minimize risk of the virus spreading. Airlines and airports around the world are now accelerating the adoption of new technologies to support contactless travel.

Many airports in CAREC rely mainly on manual check-in and boarding processes. Significant investments will be required to support digital and contactless procedures. Capacity constraints also must be carefully managed to meet social distancing requirements, particularly in airport terminals that mainly cater to domestic travel as domestic traffic will recover much faster than international traffic. Investment by CAREC airlines will also be required to facilitate online or mobile check-in and document checks.

Adopt uniform standards and regulations for air travel

CAREC countries should consider adopting uniform regulations and standards for air travel during the pandemic. Globally there is a lack of harmonization, which the aviation industry is now trying to address with new guidelines and recommendations for mitigating the risk of virus transmission during the travel

process.

CAREC countries should look at adopting the new guidelines and recommendations issued by the International Civil Aviation Organization. Conforming to new global standards will facilitate the resumption of international travel and eliminate differences in regulations from country to country, which are now creating challenges and confusion for airlines and passengers.

Other Recommendations

- CAREC countries should consider providing support packages to help airlines, airports, and other aviation industry companies survive a period of significantly reduced revenues.
- Provide general support packages to the aviation and tourism industries through benefits such as wage subsidies, tax reductions, and fee waivers.
- Consider alternative funding options to offset the impact of reduced overflight revenues.

This [study](#) was published in November 2020. All the impact figures for 2020 are therefore estimates. The [CAREC Webinar Series – Aviation and Tourism](#) provides recent discussions regarding this topic.

^[1] [ADB placed on hold its assistance in Afghanistan effective 15 August 2021.](#)

Resource

Asian Development Bank. 2021. *[Impact of COVID-19 on CAREC Aviation and Tourism](#)*. Manila



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Central Asia Regional Economic Cooperation Institute (CAREC)

The Central Asia Regional Economic Cooperation Institute (CAREC) is an intergovernmental organization promoting economic cooperation in Central Asia and along the ancient Silk Road through knowledge generation and sharing. CAREC is jointly shared, owned, and governed by 11 member countries: Afghanistan, Azerbaijan, People's Republic of China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.



Asian Development Bank (ADB)

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