

THE ROLE OF CARGO INSURANCE IN SUPPORTING INTERNATIONAL TRADE IN UZBEKISTAN

Ibragimov Kamal Ikram ugli

Master's degree student at Banking and Finance Academy of the Republic of Uzbekistan

E-mail: ibragimki@mail.ru

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Abstract: This thesis explores the significance of cargo insurance in facilitating international trade in Uzbekistan. It examines the current state of the cargo insurance market, its challenges, and its role in mitigating risks associated with cross-border trade. Recommendations for enhancing the effectiveness of cargo insurance are provided based on comparative analysis and global best practices.

Key words: insurance, cargo, cargo insurance, international trade, Uzbekistan, economy, risks, comparative analysis.

International trade is a cornerstone of Uzbekistan's economic development, driven by its strategic location along the Silk Road. However, trade activities are inherently exposed to risks such as damage, theft, and delays. Cargo insurance plays a crucial role in mitigating these risks, ensuring financial stability for exporters and importers. This thesis investigates how cargo insurance supports Uzbekistan's international trade, highlights challenges, and provides actionable recommendations for its enhancement.

Cargo insurance is a contract that protects goods in transit from physical loss or damage. It offers financial security, thus fostering confidence among trade participants. Uzbekistan's cargo insurance market has evolved since its independence in 1991. With the liberalization of the economy, international trade expanded, necessitating more sophisticated risk management tools.

Countries like Germany and China have developed robust cargo insurance systems, supported by digitization and strong regulatory frameworks. Uzbekistan can draw lessons from these models. The cargo insurance market in Uzbekistan is characterized by a few dominant players and limited competition. While awareness is growing, penetration remains low compared to global standards.

Uzbekistan's laws governing cargo insurance are evolving but still lack alignment with international norms. Initiatives under the government's trade liberalization policy aim to address this. Stakeholders include insurers, logistics companies, exporters, importers, and regulatory authorities like the Ministry of Finance.

Cargo insurance fosters trade by providing a safety net against losses, which is especially critical for exporters and importers. For Uzbekistan:

- Risk Mitigation: Protects against damages during transit over the country's vast landlocked terrain.
- Economic Growth: Facilitates smoother trade relations and boosts investor confidence.
- Trade Agreements: Cargo insurance supports Uzbekistan's participation in initiatives like the Belt and Road Initiative (BRI).

A Tashkent-based exporter benefited from cargo insurance when their shipment to Turkey faced delays and partial loss due to a transportation mishap. The insurer compensated the loss, preserving the company's reputation and financial stability.

Challenges in the Cargo Insurance Market:

- **Low Awareness:** Many SMEs are unaware of the benefits of cargo insurance.
- **Operational Inefficiencies:** Claims processing is often slow and cumbersome.
- **Regulatory Hurdles:** Lack of alignment with international practices creates inefficiencies.
- **Limited Technology Adoption:** Digital tools for tracking and processing claims are underutilized.

Diagram 1. Challenges in the Cargo Insurance Market



[1]

The adoption of blockchain for real-time cargo tracking and claim settlements can improve transparency and efficiency. Aligning Uzbekistan's cargo insurance regulations with global standards will attract foreign investments.

Cotton is one of Uzbekistan's largest export commodities, often shipped to markets in Europe and Asia. In one notable case, an Uzbek cotton exporter faced damages to a shipment caused by fire during transit through Turkey. Because the exporter had comprehensive cargo insurance coverage, they received timely compensation, avoiding severe financial losses and preserving their relationship with the overseas buyer. This example underscores the indispensable role of insurance in safeguarding key industries and fostering trade reliability.

Collaboration between government bodies and private insurers can improve awareness and accessibility. Training programs for insurers and exporters will enhance professionalism and trust in the cargo insurance market.

Cargo insurance is vital for supporting international trade in Uzbekistan, offering protection against risks and fostering economic growth. While the market faces challenges, opportunities for modernization and reform can significantly enhance its effectiveness. By adopting global best practices and leveraging digital tools, Uzbekistan can position itself as a regional leader in cargo insurance.

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