

## Article

# Development Trends and Current Situation of Logistics Services in Uzbekistan

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**Abstract:** This article describes the current situation and development trends of logistics services in Uzbekistan, and mainly analyzes the changes, statistical analyzes and development stages in the field. In addition, This article explores the development trends in Uzbekistan's logistics services, the challenges it faces, and the current situation as the country strives to modernize and integrate into the global supply chain.

**Keywords:** Logistics centers, infrastructure, transit cargo, customs services, volume of cargo transportation, warehouses.

## Introduction

As in many countries of the world, the service sector in Uzbekistan is developing steadily and taking its place in the country's GDP. Especially in recent years, as a result of a number of reforms in the service sector, as well as in all sectors of our country, the increase in income from this sector has led to the creation of new jobs. In Uzbekistan, logistic services play an important role in ensuring continuity of regular activities of all economic sectors. Moreover, a landlocked country in Central Asia, is increasingly becoming a key player in the regional and international logistics and transportation sectors. Positioned strategically between major markets like China, Europe, and the Middle East, the country's logistics services have evolved significantly in recent years. As a result of the targeted state programs implemented in this direction, together with the increase in the number of enterprises operating in the logistics sector, the creation of services such as the delivery of the necessary products at the right time and to the right place within the framework of meeting the demand of consumers for products, not only the activities of manufacturers but also stimulates the increase of consumer demand for products.

## Liturationa review

Many scientists have conducted scientific research within the framework of researching the country's logistics system. Mainly SH. Butayev, D. Umarova, T. Kosareva, S. Makhmudov and several other scientists analyzed the logistics system of the country in their research work, and provided support for logistics enterprises from the organizational and economic side, digitization and financing of the industry, introduction of green logistics. conducted research on

## Research methodology

In the process of research, it was produced from induction and deduction, synthesis, general and selective analysis, economic statistical and economic mathematical methods. Also, the

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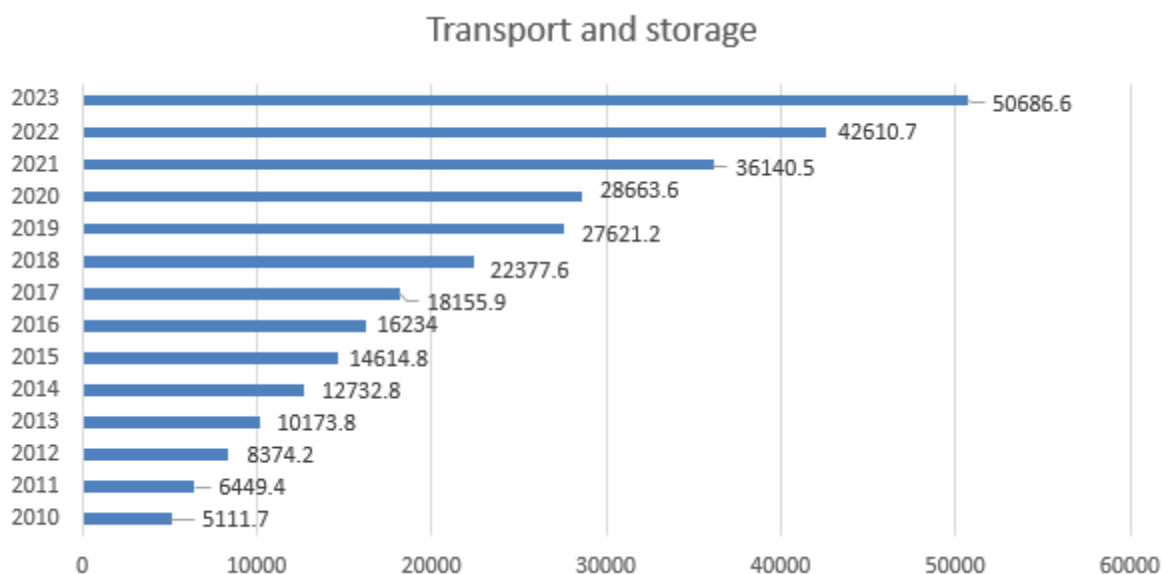
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comparative method was used in these research processes to compare the logistics activity processes with the previous period.

### Analysis and results

Uzbekistan's location has historically been central to the ancient Silk Road, making it a natural hub for trade. In recent years, the government has renewed its focus on using this strategic advantage to bolster its logistics and transportation sector. Uzbekistan borders all the other Central Asian republics, making it a vital transit country for goods moving across the region. Moreover, its proximity to China—a major trading partner—offers enormous potential for the development of logistics infrastructure. In order to develop the logistics sector in the country, The Uzbek government has prioritized the development of logistics infrastructure, aligning its goals with the broader national economic reform plan. The "Development Strategy of Uzbekistan for 2017–2021" placed a strong emphasis on modernizing the transport sector. This plan is continued in the 2022–2026 development strategy, where enhancing logistics efficiency is seen as crucial to increasing exports, promoting economic diversification, and attracting foreign investment.<sup>1</sup>

According to the analysis, in 2010–2023, the volume of gross added value in the sectors of the national economy of Uzbekistan improved, and in 2023, the share of transportation and storage services amounted to 56.7 trillion soums, or its share in GDP was 5.3 percent. Although the share of transportation and storage services in GDP decreased from 7.7% to 5.3% in the period under study, we can see that the total volume of services increased from 6.9 trillion to 56.7 trillion. If we analyze the above data, the total contribution of transportation and storage services, representing logistics services, to the country's GDP has had a tendency to increase from year to year. In particular, as a result of the benefits created for foreign and local entrepreneurs in the sector, the gross value added in this sector increased by 4.5 times in 2010–2019, and this value increased by almost 2 times in 2020–2023.



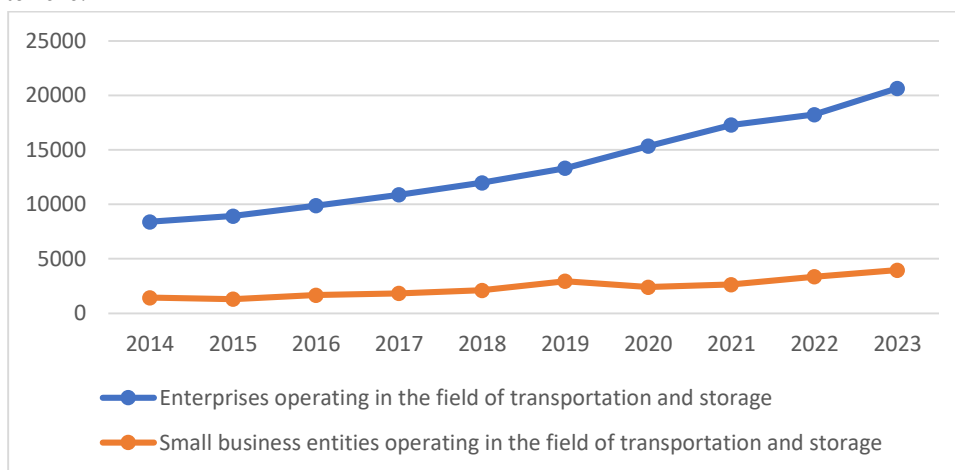
**Figure 1. Gross added value of transportation and storage services in Uzbekistan (in billions of soums)**

In 2023, in the territory of the republic, the volume of transport services 108 trillion 478 billion soums, its share in total services was 23 percent, including 1 billion 383 million tons of cargo was transported, and this indicator increased by 102 percent compared to 2022 In the section of transport types, railways carried 73.8 thousand tons (101%), air transport 9 thousand tons (87%), road transport 1,309 thousand tons and 102%, the total cargo turnover in our country is 48 billion

<sup>1</sup> <https://lex.uz/uz/docs/-5801123>

818 million tons. km of freight turnover and we can see that it has achieved a growth of 106 percent compared to the previous year.<sup>2</sup>

According to the analysis, the number of enterprises providing logistics services in our country has been increasing in recent years. Measures to support entrepreneurs in our country create relief for the establishment of new enterprises in this area. In particular, between 2015 and 2023, the number of enterprises operating in the field of transport in our country increased from 8931 to 20666. We can see that the number of enterprises increased by 11,735 units in the given period and increased by 117.9% compared to the first period. Although the total number of enterprises and organizations engaged in this activity increased over the years, the number of large enterprises and organizations engaged in this activity decreased from 445 to 216.<sup>3</sup> Based on these data, we can say that there are many problems for large enterprises and organizations in the organization of logistics services in our country. In particular, a large amount of funds are required for the establishment of large logistics enterprises, high loan interest rates in our country, underdevelopment of the financial market, and other economic, social and legal factors are causing obstacles in the establishment of large enterprises in this field. Since the organization and implementation of logistics services for small enterprises requires relatively low costs and the expected level of risk is low, most of the enterprises operating in the logistics system in our country are organized on the basis of small business entities. Even during the pandemic, that is, in 2020-2021, the number of small business entities engaged in transportation and storage increased from 2399 to 2646.



**Figure 2. The number of companies which is operating in logistics sector of Uzbekistan (in numbers)**

The government is implementing several measures to develop the country's logistics sector. In particular, significant investments are being funneled into the construction and upgrading of transport infrastructure, including roads, railways, and airports. For instance, the government has been collaborating with international financial institutions like the Asian Development Bank (ADB) and the World Bank to modernize key infrastructure such as the Angren-Pap railway line and airports in cities like Tashkent, Samarkand, and Bukhara.

Uzbekistan's rail network is one of the largest in Central Asia, and the country is investing heavily in expanding and modernizing it. Rail transport is particularly important for Uzbekistan's landlocked status, as it provides cost-effective transportation for bulky goods. Key projects include electrifying railways and building new corridors that connect the country to other regions, such as China and Europe.

One of the major initiatives is the development of the China-Kyrgyzstan-Uzbekistan railway, a project that will open a shorter route for goods moving between China and Europe. Additionally, Uzbekistan is improving its multimodal transport capabilities, integrating road, rail, and air

<sup>2</sup> <https://www.mintrans.uz/2023hisobot>

<sup>3</sup> <https://stat.uz/uz/>

transport to provide comprehensive logistics solutions. Also, the government allocates concessional loans to logistics enterprises to further improve their services, and customs concessions are granted for the import of heavy goods vehicles from foreign countries. The provision of such benefits helps to increase the number of enterprises operating in this field and to further develop the material and technical base of enterprises.<sup>4</sup>

Further development of the logistics network of the Republic of Uzbekistan, expansion of cooperation with neighboring countries is developing more and more. The improvement of such mutual relations leads to an increase in the volume of transit cargo transportation services along with the improvement of the logistic potential of the countries. In particular, our government has signed more than 100 agreements and contracts, including about 30 conventions, on the issues of transport and transit cargo transportation. In order to further develop transit cargo transportation, many measures are being implemented to fundamentally reform the operation of customs offices in our country, to eliminate problems encountered in transit cargo transportation. Since transit cargo is mainly transported by road and rail transport in our country, one of the necessary issues is to improve the infrastructure in this area, to determine convenient routes for foreign road transporters. As a result of the conducted research, the volume of transit cargo transported from the territory of our country in 2023 was about 11.3 million tons, of which 9.2 million tons or 81.3 percent of the total cargo was transported by railway lines, and the remaining 2.1 million tons of transit cargo was transported by road transport. In 2023, the indicator of total transit cargo increased by 2.1 million tons compared to 2022, and the volume of transit cargo transported by rail and road increased by 1.7 and 0.4 million tons, respectively.

In the new era, the logistics sector in Uzbekistan is undergoing a digital transformation. The introduction of automated systems and electronic documentation (e.g., e-freight, e-CMR) is streamlining logistics operations and increasing transparency in the supply chain. Companies are investing in warehouse management systems (WMS), fleet management systems (FMS), and transport management systems (TMS) to optimize their operations. Furthermore, the government is promoting the use of blockchain and other emerging technologies in customs clearance and cross-border logistics to improve efficiency. Uzbekistan is also working on creating digital corridors and trade facilitation tools to minimize border delays and improve coordination between customs and logistics operators, fostering a more seamless flow of goods. According to the Digital Uzbekistan 2030 program, a number of programs for the digitalization of the logistics sector have been defined and these programs are being done. The government has set a number of goals for increasing competitiveness in the sector and creating an effective business environment through digitalization of the logistics sector:

- Investment in digital and technology solutions can help businesses to strengthen business capabilities, improve customer experience and enable greater collaboration across the logistics value chain.
- It enables businesses to be agile, resilient and manpower-lean.
- The rise of Industry 4.0 has also created opportunities for businesses to adopt new digital capabilities to grow their business

The Logistics ITM ( Industry Transformation Map) has been launched in recent years . The Logistics ITM integrates the efforts of various government agencies and associations, and maps out strategies that will reinforce Uzbekistan’s position as a globally leading logistics hub through operations excellence, innovation and a strong Uzbek core. It outlines 4 key strategies of Productivity, Innovation, Internationalisation and Manpower skills and supply. Digitalisation plays an important role in driving productivity savings and manpower upgrading.

<sup>4</sup> <https://www.carecprogram.org/uploads/Transport-and-Trade-Logistics-Uzbekistan.pdf>

Digital solution	Solution description	Benefits
B2B e-Payment	Enable electronic payment amongst business partners	-Obtain prompt updates on your business' financial transactions -Achieve faster settlement between business partners for better cash flow management
Digital Trade Permit Platform	Connect the trade and logistics communities for trade-related applications	-Improve operational efficiency within the supply chain -Minimise errors and achieve better compliance
Fleet Safety Management	Collect data automatically and provide insights on driving patterns and external environment through sensors and video recordings	-Improve road safety and cost savings through reduced insurance premiums -Reduce post-accident investigation processing time
Transport Management	-Enable real-time visibility of the whereabouts of vehicles. -Solution consists of route planning and optimisation, job assignment and tracking systems	-Real-time monitoring of vehicle fleet's location and utilisation -Optimise asset utilisation through effective planning and deployment of vehicle fleet
Warehouse Management	Control and track the transfer and storage of materials in a warehouse. The system supports processes needed in the shipping and receiving of goods	-Increase efficiency, consistency and oversight of warehouse operations -Enhance security through audit trails that identify workers involved in different job processes, thereby improving accountability

**Table 1. Benefits of digital collaborations in Logistics**

By these developed ways, Uzbekistan is actively seeking to integrate into international logistics networks and trade corridors. The country is a member of various international transport agreements, such as the Central Asia Regional Economic Cooperation (CAREC) program, which aims to promote regional cooperation in transport and logistics. Uzbekistan has also signed transit agreements with countries like Kazakhstan, Turkey, and Iran to create more efficient routes to key markets. An important regional initiative is the Lapis Lazuli Corridor, which links Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey, providing Uzbekistan with access to European and Middle Eastern markets via the Caspian Sea.

Despite these advancements, Uzbekistan's logistics sector still faces several challenges:

✓ **Infrastructure Gaps.** While significant progress has been made, infrastructure gaps remain, particularly in rural areas and border regions. Poor road conditions, outdated railway facilities, and insufficient warehousing capacity in some parts of the country hinder efficient logistics operations. These gaps can increase transportation costs and delay shipments.

✓ **Limited Access to Global Markets.** Although Uzbekistan is making strides in connecting with international trade routes, it still faces challenges accessing global markets due to its landlocked status and limited direct sea access. This situation makes the development of efficient transit corridors even more crucial for the country's logistics ambitions.

✓ **Logistics Services Quality.** The quality of logistics services in Uzbekistan is still developing. While large international companies offer modern logistics services, smaller local firms may not yet have the resources or expertise to provide comprehensive, high-quality logistics solutions. This gap creates a fragmented market where logistics efficiency varies significantly depending on the provider.

But, I think, to overcome these challenges, Uzbekistan must continue to focus on infrastructure investment, regulatory reform, and regional cooperation. The government's ongoing efforts to integrate digital tools into the logistics sector and to streamline trade routes will be essential to improving the competitiveness of the country's logistics services.

In new industrialized era, like most countries, Uzbekistan is facing to ecologic issues. Therefore, it remains an urgent issue to introduce greenness to the logistics sector within the framework of ensuring the environmental security of the country. In order to introduce greenness in logistics services, automation of all logistical processes, adaptation of freight transport vehicles, warehouse processes to greenness is being carried out in the country today. Ecologistics basically assumes three criteria - ensuring the stability of economy, environment and social life. If we pay attention to the above criteria of sustainability, if green logistics increases the company's profit by providing the economy with opportunities to save energy resources, reduce the labor force, improve the quality of service, and optimize routes, from the social side, to have quality environmentally friendly products for consumers, traffic congestion, accident prevention, and provide better working conditions for logistics workers, as for the environmental sustainability criterion, green logistics helps to prevent toxic fumes from polluting the air, preserve the diversity of nature, poison sea waters, and preserve the greenness necessary for humanity and the animal world in general. For this reason, today, large-scale work is being carried out to improve the country's export potential and encourage the entry of foreign enterprises by rapidly developing the logistics system and improving the country's position in the international logistics ranking.

### Conclusions and recommendations

If we conclude from the above, Uzbekistan's logistics sector is at a pivotal stage of development. With strong government backing, strategic investment in infrastructure, and a focus on digitalization, the country is on track to become a major logistics hub in Central Asia. However, addressing remaining challenges such as infrastructure gaps, regulatory inefficiencies, and logistics service quality will be critical to achieving the full potential of Uzbekistan's logistics sector. If these challenges are addressed effectively, Uzbekistan could solidify its position as a key player in the regional and global logistics landscape. We give some recommendations which is below to develop the logistics sector of Uzbekistan:

- ❖ Supply chain optimization
- ❖ Systematic planning development and route optimization
- ❖ Introduction of economic freedom for logistics service providers
- ❖ Encourage investment in the sector
- ❖ Environmentally friendly packaging
- ❖ Technological integration
- ❖ Establishing cooperation with other logistic enterprises
- ❖ Energy efficiency and alternative fuel
- ❖ Green storage and buildings
- ❖ Improving green strategies and measuring performance
- ❖ Regulatory compliance and certification
- ❖ Training of employees

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