

## Features of the Formation of a Competitive Environment in the Areas of Natural Monopoly in Uzbekistan

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**Abstract:** This scientific article covers the features of the formation of a competitive environment in the fields of natural monopolies in Uzbekistan. Natural monopolies cause the emergence of an unhealthy environment of comfort, which can be caused in the market, the circumstances of the origin of unfavorable situations in the economy are studied. By regulating natural monopolies, an important role and peculiarities of the state are shown in the formation of a competitive environment.

**Keywords:** monopoly, natural monopoly, competitive environment, commodity and financial market, free competition, market defects, price regulation, regulation, management, economic and technologic feature.



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### Introduction

With renewed reforms, the potential for sustainable development of the economy, in particular, with clear goals in the real sector of the economy, and gross modernization, and measures implemented by the state, take strategic sectors of the economy into private ownership, in particular, work is being carried out in stages on the formation of a competitive environment in the areas of natural monopolies.

In the Real sector of our country, in order to develop a competitive environment and to regulate antitrust and radically improve the capital market, in accordance with the decree of the president of the Republic of Uzbekistan dated January 24, 2019 "on the organization of activities of the antitrust committee of the Republic of Uzbekistan"PK-4126", the antitrust committee of the Republic of Uzbekistan was established.

The committee was tasked with shaping the modern reforms of today in the real sector of

the economy, namely the transparent environment through assistance to privatized enterprises, regulation of antitrust, development of a competitive environment, control over the activities of natural monopoly entities and licensing of commodity exchanges.

The following decision was made by the antitrust committee of the Republic of Uzbekistan to develop a strategy for the development of competition in the commodity and financial markets in 2019 - 2023 and to approve it to the Cabinet of Ministers of the Republic of Uzbekistan [1]:

- to create a completely new advanced model of the transformation of the system of protection and development of competition and antitrust regulation that meets the high requirements of structural changes and processes taking place in the national economy and the world economy;

- introduction of tools and methods of analysis of commodity and financial markets

based on the principles of flexible, including behavioral economics;

-introduction of preventive means for the protection of competition, including the mechanism of antitrust complements-a system of ensuring compliance with the requirements of legislation on competition within economic entities that occupy a dominant position in the commodity and financial markets in the first place;

- radical improvement of the system of state regulation of prices (tariffs) of goods (works, services) due to the introduction of new highly effective methods of the formation of incentive tariffs with a competitive effect and mechanisms for controlling their application;

-creation of effective means of antitrust regulation of the digital economy, including in order to prevent cross-border forms of violations of competition legislation;

- strengthening measures of legal influence for violation of competition legislation requirements and simultaneously abolishing powers of wide discretion in the application of the right;

- strengthen cooperation with law enforcement agencies in order to identify and put an end to complex types of anti-competitive actions such as cartel agreements and collusion;

- Introduction of the most important performance indicators (CPI) of the activities of the antitrust committee using indicators for the development of a competitive environment in the commodity and financial markets according to the methodology of the organization for Economic Cooperation and development;

- introduction of innovation developments and information technology into the activities of the antitrust committee to identify situations of competition restriction and increase the speed of taking measures of influence on them;

- To systematically increase the personnel capacity of the antitrust committee, introduce special directions for training personnel in the

field of competition policy and competition law into the educational programs of higher educational institutions;

- to increase the effectiveness of the activities of the antitrust committee and prevent various factors that cause corruption, providing for social guarantees regarding decent material security and social conditions.

Today, many countries around the world have specific competition laws and enforcement bodies, many of which have been established in the last 15-20 years.

In general, a system is formed in the Republic in such a way that it can forcibly ensure the implementation of competitive policies. At the same time, the presence of a large number of bodies responsible for various aspects of competition policy creates serious problems associated with the Coordination of the activities of such bodies and the increase in their functions.

Today, the experience of developed countries also shows that the further development of the production and service sector in the country and the formation of an honest competitive environment through it, and ultimately, the supply of quality and affordable products and services to the population is one of the important factors of development.

**Analysis of thematic literature.** In order to form a favorable competitive entrepreneurial environment, by developing new norms in accordance with international standards and modernizing national legislation, antitrust regulatory measures and measures to combat the anti-competitive behavior of companies are strengthened, regulatory regulations for pricing products and services of natural monopolies are improved.[2]

Competition is the clash of the economic interests of market entities, which means the struggle between them to have higher profits and more elegance.[3]

Monopolistic competition occurs through the combination of Monopoly and competitive

elements. In some sources it is also called "stratification of products".[4]

The freedom of activity of business and economic entities in the economy with a competitive environment in our republic, their activities in the market of any goods and the legal regulation of these relations are one of the pressing issues of today.[5]

PF-6019 decree of the president of the Republic of Uzbekistan dated July 6, 2020 "on additional measures to further develop the competitive environment and reduce state participation in the economy" was issued in order to reduce state participation in the economy in order to create an effective competitive environment by gradually reducing the monopoly in the commodity and financial markets.[6]

In this decree, the following were defined:

- disclosure of information about its final interested parties (beneficiaries) who have direct or indirect control over 25 percent or more shares (shares) by posting relevant information on the special information portal of public procurement within two days from the date of the official announcement of the winner on tender and selection sales and the results of the selection of the best offers;

- posting on their website and on a special information portal information about the implementation of tender and selection trades on a permanent basis, as well as the procedures for selecting the best offers, as well as the obligations of the contract signed directly at the conclusion of negotiations;

- the introduction of amendments and additions in the manner established in the current legislation, providing for the opening of a path for the private sector and its development, to areas of Monopoly, where a free competitive environment can be brought in.

It is noted that over the past 4 years, a number of measures have been taken towards the formation of an honest competitive environment in our country[7]:

First, approved by the decree of the president of the Republic of Uzbekistan dated September 8, 2017, the "concept of administrative reforms in the Republic of Uzbekistan" showed the establishment of restrictive measures for the formation of commercial organizations with state participation in areas where the private sector operates effectively, and the reorganization of current enterprises, as well as the abandonment of the practice of granting exclusive rights,

Secondly, according to the decree of the president of the Republic of Uzbekistan dated May 31, 2018 "on measures to radically improve the procedure for granting benefits and preferences", tax and Customs benefits and preferences are provided by laws and acts of the president of the Republic of Uzbekistan for branches, areas of activity, territories in general, temporary benefits are provided by the, in order to implement projects of social importance in networks where the private sector is not interested in investing, it was indicated that they will be issued with the documents of the president of the Republic of Uzbekistan in accordance with the international treaties of the Republic of Uzbekistan or in the presence of specific social or economic grounds.

Thirdly, by the decree of the president of the Republic of Uzbekistan dated June 27, 2019 "on measures to further regulate the issuance of tax and Customs benefits" from October 1, 2019, asbestos, coal, wood materials, wood and products made from it, hydrocarbon raw materials became exempt from Value Added Tax (VAT).

Fourth, on June 19, 2020, by the decree of the president of the Republic of Uzbekistan "on the abolition of special tax and Customs privileges", tax and Customs privileges related to VAT were abolished in a number of regulatory legal acts. In particular, the regressive tax rates given to exporter enterprises in proportion to the share of exports were abolished in accordance with this decree.

Fifth, by the decision of the president of the Republic of Uzbekistan on August 21, 2020 "on additional measures to support local producers", separate procedures for the purchase of goods (works, services) for strategically important economic societies and enterprises were abolished.

There are direct and indirect reasons for state regulation. This is because the policy of regulating and setting prices by the state, taking into account the social layer of the population, that is, consumers, is carried out on the products produced by these industries and the services provided. At the same time, these areas are sectors of high strategic importance for the state. [8]

Implementation and regulation of the activities of natural monopolies in market conditions is one of the most complex and controversial problems related to many areas of society: economics-diy, information, technological aspects, political and social spheres. Legal regulation of public relations arising under the influence of structural changes, the introduction of market mechanisms and progressive technologies, the improvement and transformation of the regulatory role from the state side. [9]

The formation of competitive relations in the field of natural monopolies combines more complex and multifaceted problems. Many experts and scholars who study the problems of competition and monopoly express different views on the problem of competition, but they do not give a clear definition of the term, there is no fixed model of defining the relationship between enterprises or organizations as competitive, clear formulas affecting efficiency also not developed. [10]

Stratified approach to monopoly markets and separation of natural monopoly areas. In the economy of any country, there are areas where market mechanisms are not rational, including the system of pricing through the market. Natural monopolies, sectors in which

it is impossible or economically inefficient to develop competition are among just such areas. In relation to such networks, the main task of the state is to agree with their monopolistic activities. For this reason, direct state regulation applies to economic entities that apply to natural and state monopolies, and provides for the regulation of their economic activities according to the main indicators of production and investment, product quality, price (tariffs)planning, as well as the possibility of providing dossiers related to such regulatory costs. [11]

The following areas of natural monopolies are regulated by the state: transportation of oil, oil products and gas by pipeline; production and transportation of electricity and thermal energy; transportation on railways, taking into account the use of railway infrastructure; general freely used postal services; water pipelines and sewage service; services of Aeronautics, ports and airports. [12]

**Research methodology.** The paper made extensive use of scientific study of existing problems in the management of natural monopolies, comparative comparison, study and economic comparison and analysis of statistical data, logical reasoning, scientific abstraction, analysis and synthesis, induction and deduction methods.

**Analysis and results.** The use of protective - warning measures in the implementation of antimonopoly policies in Uzbekistan has just begun to enter into practice, and the use of coercion - punishment measures is currently being maintained. Most economic entities and public authorities are violating antimonopoly legislative requirements due to insufficient warning in places.

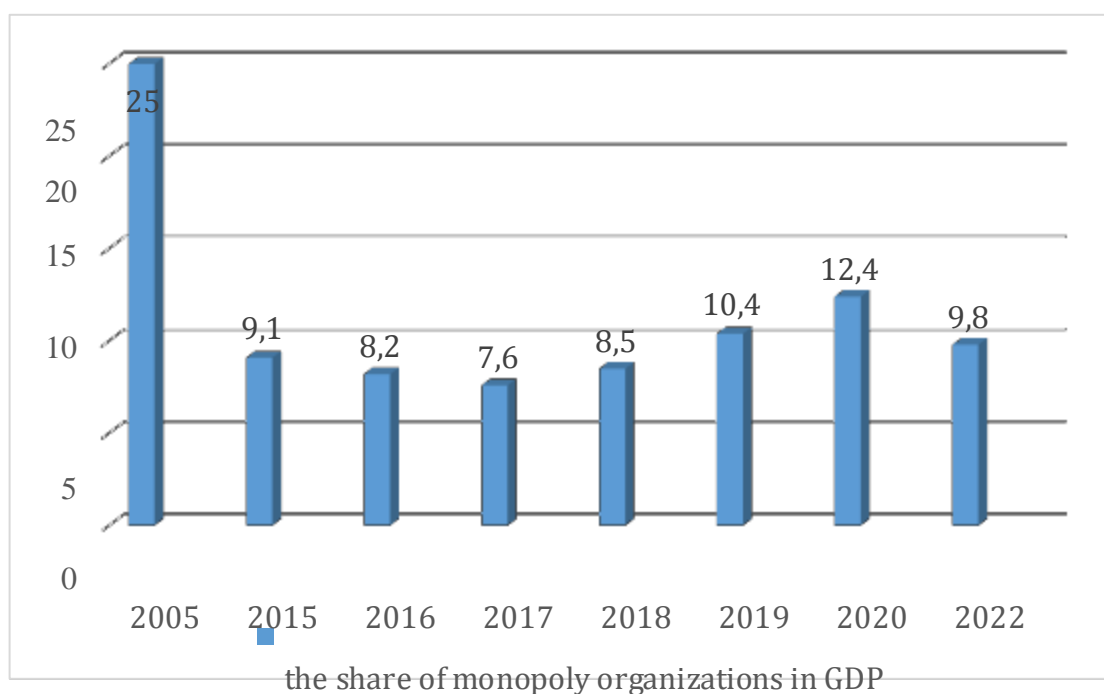
Therefore, in a number of foreign countries, antimonopoly organs are distinguished by knowledge, observation, sudden examination and other research methods. The lack of sufficient qualifications and experience in the staff of the antimonopoly body in determining price-free defects also has its negative impact.

Antimonopoly policies are implemented in our republic on the basis of the following four basic principles.

The study of markets, the determination of the level of competition and monopolization between them. In order to determine the degree of monopolization of the commodity and financial markets, to indicate the existing organizational, economic and legal barriers in the markets, it was studied on the basis of the data of the State Statistical Committee of the Republic of Uzbekistan. (Figure 1).

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**Figure 1. The share of monopoly organizations in the total volume of GDP in 2005-2022, in percentage [8]**

This, according to the data presented in the picture, the share of monopoly products in GDP was 25% in 2005, 9.1% in 2015, 8.2% in 2016, 7.6% in 2017, 8.5% in 2018, 10.4% in 2019 and 12.4% in 2020.

In connection with the reforms being carried out, the creation of a competitive environment, the expansion of markets and the attraction of foreign capital, there is a gradual reduction in the number of monopolists in various sectors of the economy.

Stratified approach to monopoly markets and separation of natural monopoly areas.

The regulation on the procedure for drawing up and maintaining the State Register of natural monopoly entities, registered in the Ministry of Justice of the Republic of Uzbekistan on October 11, 2010, No. 2147, establishes the procedure for drawing up and maintaining the State Register of natural monopoly entities.

As of February 1, 2022, 130 economic entities are registered in the State Register of natural monopoly entities on 11 types of goods (works, services).

**Table 1. The number of natural monopoly organizations and the types of services provided by them in the Republic in 2022**

№	Territorial departments registered in the republic	Number of natural monopoly organization	Number of types of service provided
1	Republican section of the register	14	14
2	Territorial Department of the Republic of Karakalpakstan of the register	4	5
3	Regional Department of Andijan region of the register	3	4
4	Territorial Department of Bukhara region of the register	7	10
5	Territorial Department of Jizzakh region of the register	2	3
6	Territorial Division of the Kashkadarya region of the register	5	7
7	Territorial Department of Navoi region of the register	10	20
8	Territorial Division of Namangan region of the register	6	7
9	Regional Department of Samarkand region of the register	6	7
10	Regional Department of Syrdarya region of the register	4	5
11	Territorial Department of Surkhandarya region of the register	4	5
12	Territorial Department of Tashkent region of the register	25	35
13	Regional Department of Fergana region of the register	20	21
14	Territorial Department of Khorezm region of the register	5	6
15	Territorial Department of Tashkent City of the register	15	26
<b>total</b>		<b>130</b>	<b>175</b>

As can be seen from the data in the table, there are a total of 130 natural monopolistic organizations in the Republic, while the types of services provided by them are 175. Of this, the Republic branch of the register carries out 14 types of natural monopoly organizations and 14 types of services. The largest number of natural monopoly organizations and the types of services provided by them, coincides with the contribution of the Tashkent region. The minimum number of natural monopoly organizations is recorded in the Jizzakh region. In the second and third places, the number of natural monopoly organizations in the Fergana region is 20, 21 by types of services and 15 by natural monopolies in the city of Tashkent, 26 by types of services.

In the State Register of natural monopoly organizations, a total of 130 economic entities are recorded in 11 types of services. Compared to the

same period last year (in terms of 134 subjects and 10 types of services), the number of organizations decreased to 4.

While 90 of the economic entities in the State Register of natural monopoly entities (69.2 percent) are considered organizations with state participation, 40 (30.8 percent) fall on private sector contributions.

**Active support of private entrepreneurship as a key factor in the development of competition.** State incentives for entrepreneurship are seen in taxes and other benefits, the development of market infrastructure, the creation of various support institutions.

Protection of entrepreneurship from the barriers of monopolistic economic entities, creating conditions for the rapid development of the private sector and protecting the legal rights and interests of private entrepreneurship management from

illegal actions of government bodies of various levels is the task of antimonopoly bodies in this direction. The committee conducted 190 field studies on compliance with the competition laws and natural monopolies laws of the Republic of Uzbekistan during 2020 and found a total of 430 cases of violations. Including:

- Section 10 of the Competition Act in 19 cases, Section 11 in 1 Case, Section 12 in 45 cases, Section 13 in 94 cases, Section 14 in 111 cases, Section 15 in 10 cases, Section 16 in 2 cases, Section 17 in 4 cases, Section 23 in 22 cases;

- Section 15 of the natural monopolies act in 2 Cases, section 12 in 1 Case, Section 16 in 25 cases;

-Requirements of paragraph 36 of the Regulation approved by decree of the Cabinet of ministers No. 239 of 28.10.2010 in 55 cases;

-The requirements of Article 178 of the code of administrative responsibility have been found to be violated by economic entities in 39 cases.

In the registration of economic entities, favorable conditions are created by the committee and constant monitoring is carried out in this direction.

**Identification of monopolies in which targeted antimonopoly policies are conducted by the state.** The state seeks not to make large businesses that arise on the basis of decentralization and centralization of production a monopoly that violates the normality of the market mechanism. Controls the processes of mergers of state-owned enterprises and recognizes this as a legal and permissible situation.

At all stages of the reforms, the main direction

of management activities was considered, the development and implementation of measures for the development of monopolies and competition, the promotion of entrepreneurship by ensuring the free access of new economic entities to the market and eliminating obstacles.

The State Register of Monopolist – enterprises represents in itself the list of economic entities that have the leading Maqe in the market of goods of the Republic of Uzbekistan. That is, the state register is one of the fundamental tools for monitoring compliance with competition legislation.

According to the "methodological instructions on the procedure for maintaining and forming the State Register of monopolistic enterprises", the results of the analysis of commodity or financial markets conducted by the antitrust committee of the Republic of Uzbekistan and its territorial departments on the premises are the basis for inclusion in the register.

In accordance with the regulation on the procedure for recognizing the dominant position of a business entity or group of persons in the commodity and financial market and maintaining a dominant position in the commodity or financial market, approved by the decree of the Cabinet of Ministers of the Republic of Uzbekistan No. 230 of 20.08.2013, the State Register of economic entities holding a dominant position in.

**Table 2. The state of economic entities occupying a dominant position in the commodity or financial market in 2022 by state register**

N <sup>o</sup>	Field names of business entities	The number of economic entities producing goods	Number of monopoly goods (services)
1	Bread and cereals	1	1
2	Food	7	3
3	Coal	2	3
4	Oil and gas industry	5	3
5	Chemical industry	4	4
6	Mechanical engineering and Metallurgy	8	11
7	Electrical engineering industry	1	1
8	Building materials	9	6
9	Services	45	43
10	Financial services	8	16
11	Other areas	5	5
	<b>total</b>	<b>95</b>	<b>96</b>

According to Table 2, in 11 areas, the number of economic entities producing goods is 95, and the number of monopoly goods (services) is 96.

In 2022, more than 70 commodity and financial market studies were conducted by the committee. Based on the results of the study, 12 economic entities were included in the state register for 15 goods and services, while 18 economic entities were excluded from the state register for 18 goods and services. There are 95 economic entities that occupy a dominant position in the commodity and financial market, of which 81 i.e. 85.2 per cent have state participation, with 45 (42.5 per cent) holding a share in commodities and 61 (57.5 per cent) holding a share in services.

Descriptions of the market of goods, such as the volume of sales in the range of a certain period, data on the supply, import and release of goods, barriers to entry and exit from the market, the number of competitors, relative market shares and the level of competition in the market of one or another goods were analyzed.

**Conclusion.** Further reducing the negative impact of the monopoly of economic entities with

state participation on the competitiveness of the economy, increasing the efficiency of the system of granting privileges and preferences is relevant for today. We consider the suggestions below to be important for today:

- improving the framework of legislation that regulates the activities of natural monopoly organizations;

- regular separation of pure natural monopoly organizations from competitive sectors. Separation of pure natural monopoly types into a separate network enterprise and strict control over its activities, as well as the creation of potentially competitive industries;

- establish regular price control over natural monopoly organizations and record changes in the time frame of tariffs;

- development and implementation of a restructuring program, which provides for the separation and privatization of production capable of operating in the conditions of a competitive environment from natural monopoly networks;

- to exercise strict control over the activities of natural monopoly enterprises in order to prevent

them from using the monopolistic state of the domestic market for unreasonable, artificially increased prices for products and services provided;

- analysis of the activities of natural monopoly entities and preparation of proposals for the method of their regulation.

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