

Formation of a Competitive Environment In the Areas of Natural Monopolies

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Abstract: This scientific article covers the experiences of foreign countries in managing natural monopoly enterprises. In particular, the existence and development of natural monopolies, mainly their interaction with the external environment, including determining the efficiency of the natural monopoly subject and comparing it with the alternative efficiency of the competitive market, the causes of market defects, market participants and types of activities Problems related to this are theoretically studied and methods of state regulation of natural monopoly enterprises are justified.

Key words: monopoly, natural monopoly, oligopoly, competitive environment, competition mechanism, "market defects", pricing theory, profitability, limited amount of price growth, relative price growth, social policy, environmental protection, economic security.

INTRODUCTION

Like all sectors of the country's economy, great importance is attached to the sustainable development of the real sector of the economy, increasing its potential with specific goals in mind, and privatization and expropriation of state property in strategic sectors of the economy. Also, work on creating a competitive environment in the fields of natural monopolies is being carried out step by step. It is in the real sector, in order to develop the competitive environment and to regulate the fight against monopoly and fundamentally improve the capital market, "Effective organization of public administration in the field of competition development and consumer rights protection within the framework of administrative reforms" of July 7, 2023 of the President of the Republic of Uzbekistan In accordance with the Decree No. PF-108 [1] on the measures for the promotion of competition and the protection of consumer rights, the Committee of the Republic of Uzbekistan was established.

By the Committee for the Development of Competition and Protection of Consumer Rights:

- conducting fundamental scientific and practical research on competition policy and protection of consumer rights, ensuring the introduction of foreign experience in the field of competition and its harmonization with the national system;
- preparation of proposals and programs for radical reform of natural monopoly sectors, economic analysis and development of strategic programs for regulation of monopoly and development of competitive environment;

to regularly increase the qualifications and potential of personnel, including foreign experts and specialists of higher education institutions of the republic, to improve the qualifications of the employees of the Competition Committee, other state bodies and organizations in the field of competition development and protection of consumer rights.

In our country, the conduct of competition policy in the spheres of natural monopolies is organized as mandatory. That is, it is based on the principles of economic, financial and legal punishment of controlling the activity of industries. In the field of natural monopolies, it is necessary to give up the principles of punishment in order to properly organize the environment of competition, and carry out work on the regulation of types of activities and warnings in an open manner.

The experience of developed countries also shows that the provision of quality, affordable products and services to consumers and the population by creating a healthy competitive environment in the field of products and services produced by natural monopolies in the country is one of the important factors of development.

As a result of the reforms carried out in Uzbekistan, the practice of warning in the regulation of natural monopolies, and assistance in eliminating the existing problems and shortcomings encountered in the activity of the sector has been introduced. However, even today, there are cases where certain laws and decisions contradict each other. Therefore, it is necessary to generalize the laws on "Natural Monopoly" and "Competition". In addition, by reviewing other laws, decisions and regulatory documents, i.e. by applying the "Regulatory Guillotine" method, those that have a negative impact on the indicators of economic growth in the sectors and the development of business activities it is necessary to eliminate restrictions, improve the possibility of achieving high efficiency in the sectors and branches of the country's economy.

Analysis of literature on the topic. As a result of the existence of natural monopolies in economic sectors, it is possible to have conveniences in conducting negotiations with large companies on behalf of the country, in fulfilling state orders, and in establishing relations of economic cooperation with other countries. However, the country faces problems in creating an effective competitive environment in domestic industries. Therefore, it is necessary for the state to always carry out a targeted policy that eliminates existing problems in the field.

In order to create a favorable competitive business environment, on the basis of the development of new norms in accordance with international standards and the improvement of national legislation, anti-monopoly regulatory measures and measures to combat the violation of competition requirements by companies will be strengthened, regulatory rules on pricing products and services of natural monopolies will be improved.[2]

"Competition is a clash of economic interests of market entities, which means a struggle between them for higher profit and more enjoyment".[3]

In the competitive economy of our republic, one of the urgent issues of today is the freedom of business and economic entities, their activity in the market of any goods, and the legal regulation of these relations.[4]

Regarding the application of the "regulatory guillotine" method, the President of the Republic of Uzbekistan "Transfer the norms of departmental regulatory legal documents into legal documents with high legal force and the remaining documents by using the "regulatory guillotine" method, including , as part of the systematization of the legislation, the Decree on establishing a clear list of departmental normative legal documents adopted by them, which provides for the gradual reduction and cancellation of the authority of each office, was adopted.

Starting from the first stage of market reforms, Uzbekistan reflected the policy of regulating the activities of natural monopoly organizations in economic and legal legislation, and in the process of deepening economic reforms, this policy gained its further development. [6]

"Monopoly is a form of sole domination in a certain area of the economy, ownership of the market. In such markets, the only seller operates with his goods, there is no substitute for such goods in other sectors" [7]. "Relationships between monopolistic organizations (such as mergers, collusions, or cartels) result in competition that is perfectly reasonable and justifies state intervention to preserve liberal traditions." arises in the circumstances. A monopoly can also be natural or over a commodity that is in short supply. In this case, the reasonable size of the production unit is aimed to satisfy the entire market" [8].

Thus, a natural monopoly arises where competition is impossible or economically inefficient and where competition makes less efficient use of society's resources. It occupies a privileged position in the market - due to the technological features of production and individual resources. At the same time, there is a natural monopoly in the field of activity, which is excluded or limited by natural, technological and other conditions that limit the existence of competition in the market. [9]

L.I. Lopatnikov defines the concept of "natural monopoly" as follows: On the one hand, it is a situation in which, based on the technological characteristics of production, the producer (seller) of goods and services effectively responds to the demand of the industry in the absence of competition in the market.[10]

Stratified approach to monopolistic markets and separation of natural monopoly sectors. In the economy of any country, there are areas where market mechanisms, including the system of pricing through the market, are not reasonable. Natural monopolies, industries where it is impossible to develop competition or economically inefficient are among such industries. The main task of the state in relation to such industries is to agree with their monopolistic activities. [11]

E.G. Moiseeva emphasizes the relevance of the concept of monopoly and research in the field of monopoly, and believes that the variety of definitions of monopoly, the abundance of terms, the classification of types of monopoly, have the right to a significant spread of ideas and views in the world. This area creates certain difficulties in developing the most effective methods of monopoly regulation.[12]

In a number of cases, monopoly rights are not granted, but arise naturally or are established by economic entities by occupying a dominant position in the market of goods and services.[13]

Both conditions for the emergence of natural monopolies are based on one thing. It is still technology. In the first case, the characteristics of technologies influence the emergence of natural monopolies from the supply side, and in the second from the demand side.[14]

This definition is explained in detail in the concise dictionaries of economists as follows: monopoly is the exclusive right of a physical, legal or state to formulate a product policy, to regulate prices and the volume of sales of goods.[15] Commercial dictionaries define monopoly as the concentration of any rights or opportunities in one hand. [16]

The explanatory dictionary "Eurasian wisdom" gives a brief definition of monopoly as follows: this is a situation that occurs when there is only one buyer of goods (monopolist) in the market, who, due to his exclusive position, is able to buy goods from all sellers and, first of all, their price can tell the conditions for [17]

In the Oxford Encyclopedia we find the following description of monopoly:

Monopoly (in economics) (monopoly) is a situation in which there is only one seller of goods or services (monopolist) in the market. Monopoly power is the ability of a single producing firm to influence the price in order to obtain a profit higher than necessary to cover costs, including the return on equity. Such profits are called surplus or monopoly. It does not necessarily lead to the benefit of a monopoly over a particular nomenclature or variety of goods. If a number of firms have a monopoly on slightly different, substitutable goods, this situation is called monopolistic competition. The state can limit the undesirable, even harmful influence of monopolies on the price and supply of goods, thereby trying to limit their dominance (law of competition, economies of scale). [18]

Research methodology. The methodological basis of the research was the work of foreign scientists, scientific theoretical and practical rules, legislative and regulatory documents of the Republic of Uzbekistan, dedicated to the problems of creating a competitive environment for natural monopoly enterprises.

Analysis and results. The state has shown the mechanism of formation and regulation of the competitive environment in the field of natural monopolies. The purpose of the mechanism of formation and regulation of the competitive environment in the fields of natural monopolies, its main tasks and the main priority directions of the formation of the competitive environment in the fields are shown (Fig. 1).

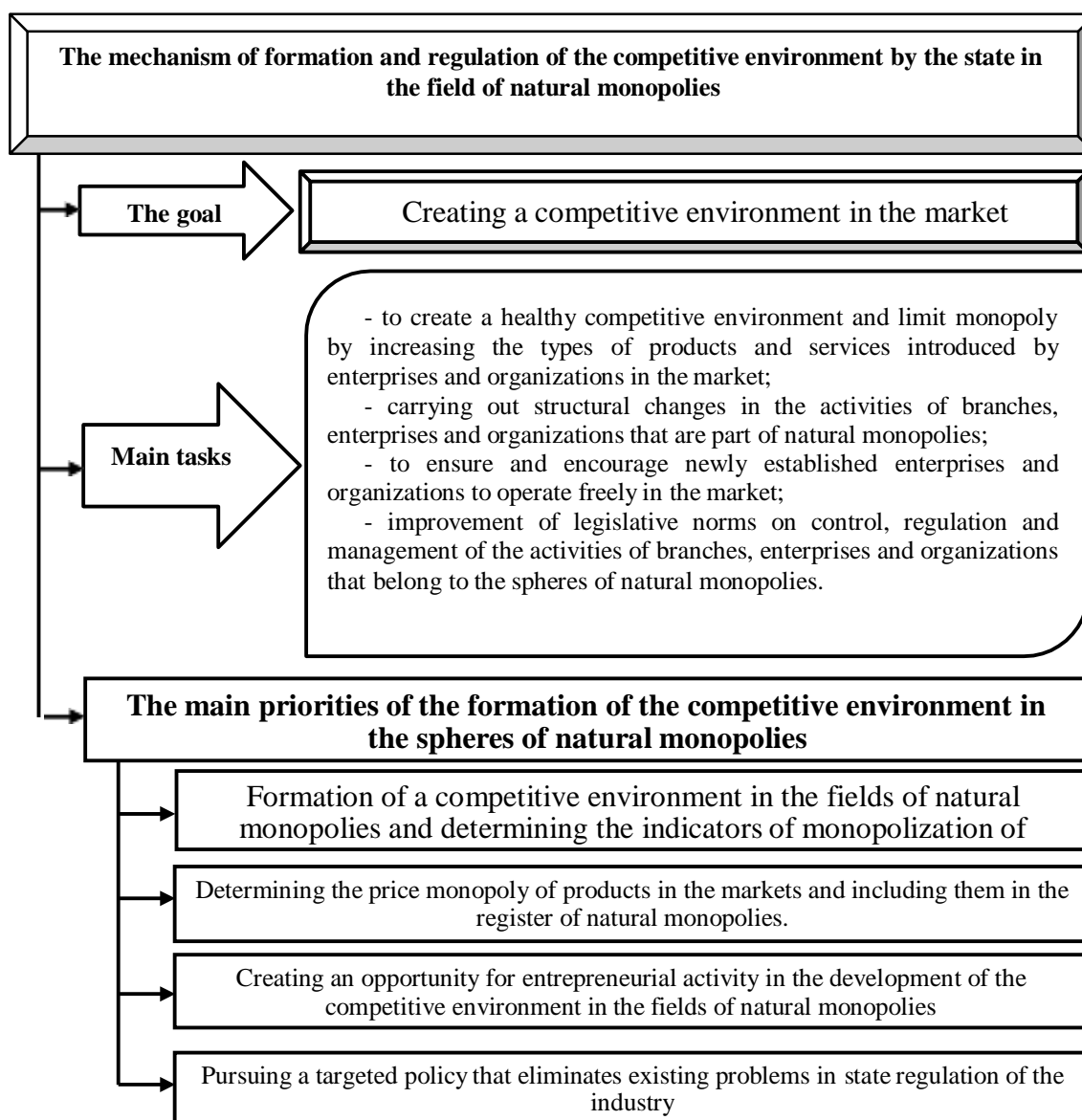


Figure 1. The mechanism of formation and regulation of the competitive environment by the state in the field of natural monopolies

The goal of state regulation of natural monopolies is to create a competitive environment in the market. Its main tasks are as follows: to create a healthy competitive environment and limit monopoly by increasing the types of products and services introduced by enterprises and organizations in the market; carry out structural changes in the activities of industries, enterprises and organizations that belong to the spheres of natural monopolies; ensuring and encouraging newly established enterprises and organizations to operate freely in the market; improvement of legislative norms on control, regulation and management of the activities of branches, enterprises and organizations belonging to the spheres of natural monopolies.

The following are implemented as the main priority areas of creating a competitive environment in the fields of natural monopolies.

1. Formation of a competitive environment in the fields of natural monopolies and determination of monopolization indicators of products in the markets. The share of the total volume of GDP by types of products and services produced by natural monopolies was analyzed (Fig. 2).

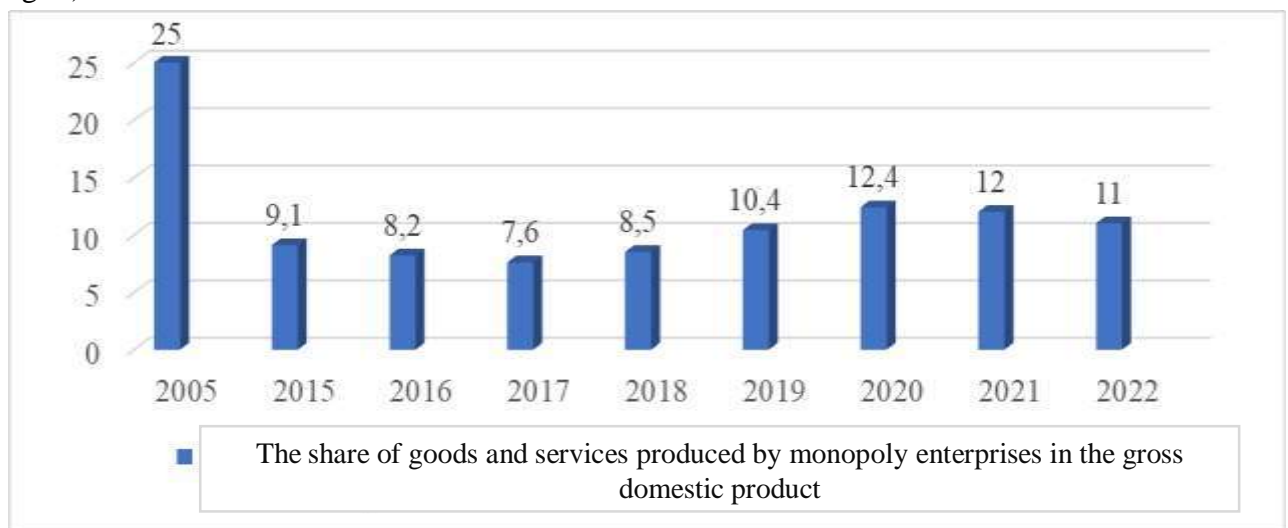


Figure 2. The share of services produced and provided by monopoly organizations in the gross domestic product of the country in 2005-2022, in percent [19]

Figure 2 shows the share of services produced and provided by monopoly organizations in the gross domestic product of the country in 2005-2022. In this case, the share of services produced and provided by monopolistic organizations was -25 percent in 2005, and by 2015 it decreased by -15.9 percent to 9.1 percent, in 2016 it was -8.2 percent, in 2017 - It was 7.6 percent, in 2018 it was 8.5 percent. By 2019, it increased to 10.4%, in 2020 it was -12.4%, and in 2022 it was 11%. The increase in the share of monopolistic organizations in the GDP in the last years of 2020 and 2022 can be explained by the pandemic situation caused by the coronavirus in the world economy.

As a result of the reforms being carried out in our country, a competitive environment is being formed in the sphere of natural monopolies as a result of the implementation of a new policy. As a result, in the markets where there are natural monopolies, the introduction of new types of products, the increase in the number of provided services, the types of products that replace imports and increase the export potential are increasing. Through this, the number of monopolies and natural monopolies in the fields is being reduced.

2. Determining the price monopoly of products in the markets and including them in the register of natural monopolies. If we look at the history of the development of the economy of any country in the world, we can certainly see that the spheres of natural monopolies occupy an important place. In the practice of these countries, there were shortcomings in the reforms carried out in terms of setting prices for products and services provided by natural monopolies. As a result of the implementation of several methods and rules for regulation of industries, pricing of products and services, the most optimal options were selected.

As of February 1, 2023, 130 economic entities for 11 types of goods (works, services) were registered in the State Register of Natural Monopoly Subjects (Table 1).

Table 1. The number of natural monopoly organizations and the types of services provided by them in 2023 in the Republic [19]

No	Territorial departments registered in the republic	The number of natural monopoly organizations	Number by types of services provided
1	Republican department of the register	14	14
2	Regional department of the Republic of Karakalpakstan	4	5
3	Andijan regional branch of the register	3	4
4	Regional branch of the registry of Bukhara region	7	10
5	Regional branch of the register of Jizzakh region	2	3
6	Kashkadarya region regional department of the registry	5	7
7	Navoi region territorial department of the registry	10	20
8	Regional branch of the registry of Namangan region	6	7
9	Regional branch of the register of Samarkand region	6	7
10	Regional branch of the registry of Syrdarya region	4	5
11	Surkhandarya regional branch of the register	4	5
12	Tashkent regional branch of the registry	26	35
13	Regional department of the register of Fergana region	19	21
14	Khorezm region regional department of the registry	5	6
15	Tashkent regional branch of the register	15	26
Total		130	175

According to the data in the table, there are 130 natural monopolies in the republic, and 175 types of services are provided by them. Of these, 14 natural monopoly organizations and 14 types of services are provided in the republican section of the registry. Tashkent region has the largest number of natural monopoly organizations and the types of services provided by them. The lowest number of natural monopoly organizations is registered in Jizzakh region. In the second place is Fergana region, there are 20 natural monopolies, 21 types of services, and 15 natural monopolies, 26 types of services in Tashkent city.

3. Creating an opportunity for entrepreneurial activity in the development of the competitive environment in the fields of natural monopolies. The best and most effective way to create a competitive environment in the fields of natural monopolies is to create business opportunities in the field. That is, by making structural changes to the activities of branches, enterprises and organizations that belong to the spheres of natural monopolies, establishing a new type of service-providing business activity in the field. When entering the market, it will be necessary to remove artificial barriers for newly established enterprises and organizations in the field, to create modern legal bases that protect a healthy business environment.

The anti-monopoly committee of the Republic of Uzbekistan is the organization controlling the spheres of natural monopolies in our country. Based on the requirements stated in the laws of the Republic of Uzbekistan "On Competition" and "On Natural Monopolies", this committee will study the activities of 190 enterprises and organizations in 2021, and a total of 430 cases of violations of the law have been identified. Including: Article 10 of the Law "On Competition" in 19 cases, Article 11 in 1 case, Article 12 in 45 cases, Article 13 in 94 cases, Article 14 in 111 cases, Article 15 in 10 cases case, Article 16 in 2 cases, Article 17 in 4 cases, Article 23 in 22 cases; Article 15 of the Law "On Natural Monopolies" in 2 cases, Article 12 in 1 case, Article 16 in 25 cases; Requirements of paragraph 36 of the Regulation approved by the

decision of the Cabinet of Ministers dated 28.10.2010 No. 239 in 55 cases; It was found that the requirements of Article 178 of the Code of Administrative Responsibility were violated by business entities in 39 cases.

The large number of violations of this law shows that today there are enough problems in the regulation and management of natural monopolies. Therefore, in the course of conducting research, the current committee is justifying the need to establish a Ministry of Regulation of Monopoly Sectors and Protection of Consumer Rights in the Republic of Uzbekistan, based on modern best practices, based on the requirements of today's times.

4. Pursuing a targeted policy that eliminates existing problems in state regulation of the industry. The state will always have to oppose the emergence of monopolies and natural monopolies in economic sectors, that is, the emergence of large and centralized companies that are difficult to create a competitive environment in the sector.

By putting into practice, the mechanism of formation and regulation of the competitive environment in the spheres of natural monopolies by the state, the economic mechanism of the development of the competitive environment in the sector was developed (Fig. 3).

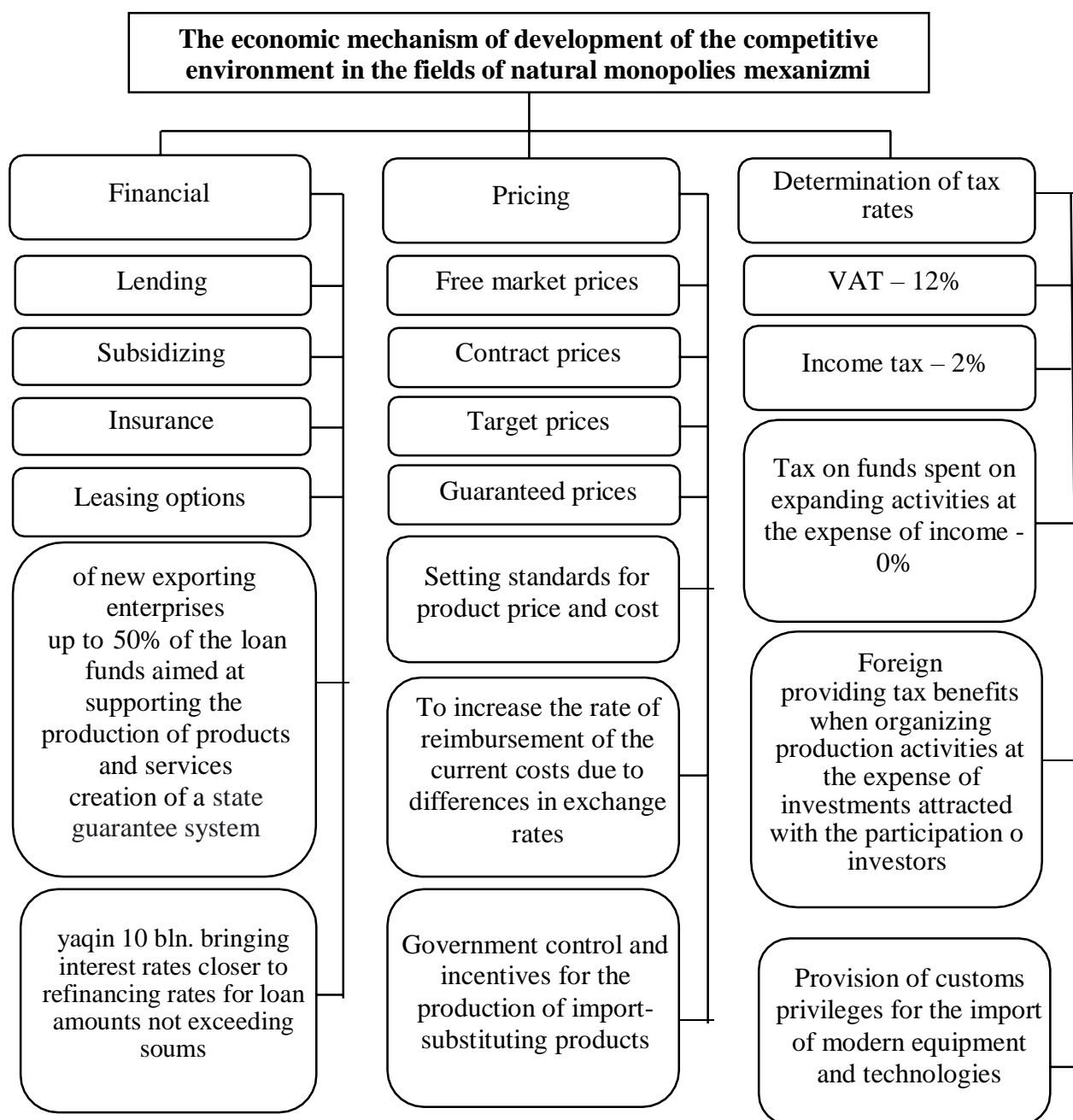


Figure 3. The economic mechanism of development of the competitive environment in the fields of natural monopolies

According to the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 230 dated August 20, 2013 "OnTable 2

In 2023, the status of organizations occupying a dominant position in the commodity or financial market according to the state register [19] recognizing the dominant position of an economic entity or a group of individuals in the goods and financial market" [20], "Goods or "Regulation on the procedure for maintaining the state register of economic entities occupying a dominant position in the financial market" was developed. Based on this Regulation, the State Register will be created and maintained by the Committee.

According to the data, the number of business entities producing goods in 11 sectors is 93, and the number of monopoly goods (services) is 106 (Table 2).

Table 2. In 2023, the status of organizations occupying a dominant position in the commodity or financial market according to the state register[19]

No	Industry names of business entities	The number of economic entities producing goods	Monopoly goods (services) the number
1	Bread and cereal products	1	2
2	Food	10	3
3	Coal	2	2
4	Oil and gas industry	5	6
5	Chemical industry	4	7
6	Mechanical engineering and metallurgy	8	13
7	Electrotechnical industry	1	1
8	Building materials	6	5
9	Services	43	44
10	Financial services	8	16
11	Other areas	5	7
	Total	93	106

More than 70 commodity and financial market studies were conducted by the committee in 2021. 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 93 economic entities that occupy a dominant position in the goods and financial market, of which 81, i.e. 85.2 percent, have state participation, of which 45 (42.5 percent) are commodities. and has a share in 61 (57.5 percent) services.

Summary. As a result of carrying out structural reforms by the state in the activities of branches, enterprises and organizations that belong to the spheres of natural monopolies, the main task is to create a healthy competitive environment in the branches and sectors of the economy. The methods used by the state to effectively create a competitive environment in the fields of natural monopolies, the costs of implementing regulatory mechanisms are covered from the state budget. In addition, the opportunity to provide economic and financial relief for newly established enterprises and organizations in poorly formed branches and sectors of the competitive environment is implemented only by the state.

In order to effectively create a competitive environment in the fields of natural monopolies, the following should be implemented:

- improvement of regulatory and legal documents using the experience of advanced foreign countries in carrying out structural reforms in the activities of branches, enterprises and

organizations belonging to the spheres of natural monopolies, controlling, regulating and managing their activities;

- organization of types of services that have the opportunity to create a competitive environment in industries, enterprises and organizations that belong to the spheres of natural monopoly;

- expansion of business activities through privatization and privatization of service links in networks or large organizations in which the state's share is preserved;

- to regularly carry out structural and structural changes in organizations that are part of pure natural monopolies and legal natural monopolies and create a potential competitive environment;

- establishment of strict control over industries, enterprises and organizations that have preserved the status of natural monopolies;

- establishment of direct and indirect price control on products and services provided by natural monopoly organizations;

- assigning the current committee to set prices for products and services provided by certain types of natural monopolies;

- to create a competitive environment in the activities of natural monopoly organizations that produce export-oriented products, to develop ways to reduce the impact on the domestic market of the country.

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