

COMPETITION VS. MONOPOLY DIFFERENCES, ADVANTAGES AND UZBEKISTAN'S EXPERIENCE

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Abstract: This article presents a comparative analysis of competition and monopoly as two fundamental market structures in economic theory. Drawing on classical and contemporary economic literature, relevant Uzbek legislation, and recent statistical data, the study examines differences in pricing, output, innovation incentives, and consumer welfare between the two structures. The article also analyses Uzbekistan's ongoing antimonopoly reforms (2017–2024) and offers five targeted policy recommendations.

Keywords: competition, monopoly, market structure, antimonopoly regulation, natural monopoly, pricing policy, economic efficiency, Uzbekistan.

Аннотация: В статье проводится сравнительный анализ конкуренции и монополии как двух основных структур рыночной экономики. На основе классической и современной литературы, законодательства Узбекистана и актуальных статистических данных изучается влияние на ценообразование, объём производства, инновации и благосостояние потребителей. Анализируются антимонопольные реформы Узбекистана (2017–2024) и предлагаются пять практических рекомендаций.

Ключевые слова: конкуренция, монополия, структура рынка, антимонопольное регулирование, естественная монополия, ценовая политика.

INTRODUCTION

In market economics, competition and monopoly occupy opposite ends of the market structure spectrum, yet both are present in virtually every real economy. Competition drives efficiency, lowers prices, and spurs innovation, while monopoly — though often viewed negatively — can deliver scale economies and large-scale infrastructure investment. Understanding when each structure is economically justifiable is central to sound policy design.

Uzbekistan has paid increasing attention to this balance since its independence-era reforms deepened after 2017. Presidential Decree No. PF-4947 (7 February 2017), which approved the national "Action Strategy," explicitly listed the development of a competitive environment and the reduction of monopolistic barriers among top economic priorities [1]. Presidential Resolution No. PQ-4706 (13 April 2020) followed with a specific road-map for reforming antimonopoly regulation [2]. Most recently, the revised Law on Competition (No. O'RQ-793, 2 September 2022) redefined dominant position, monopolistic agreements, and market-share thresholds in line with international standards [3].

Against this backdrop, this article aims to: clarify the theoretical distinctions between competition and monopoly; compare their economic outcomes using structured evidence; and assess Uzbekistan's reform progress and propose targeted improvements.

LITERATURE REVIEW

The theoretical foundation of competition rests on Adam Smith's concept of the "invisible hand" [4], later formalised by Alfred Marshall [5] into supply-and-demand equilibrium theory. Joan Robinson [6] extended the framework to account for imperfect competition and monopoly pricing. Jean Tirole's landmark work [7] systematised industrial organisation theory, including the economics of regulation, and earned the 2014 Nobel Prize in Economics precisely because of its relevance to monopoly and market power.

Baumol et al. [8] introduced the theory of contestable markets, demonstrating that even a monopolist behaves competitively when entry barriers are low — a finding directly applicable to Uzbekistan's infrastructure sectors. Domestically, Toshmatov [9] mapped Uzbekistan's natural monopolies and proposed a gradual unbundling model, while Hamidov and Nazarov [10] highlighted emerging digital monopoly risks in the platform economy.

RELATIVE ADVANTAGES OF EACH STRUCTURE

Dimension	Advantage of Competition	Advantage of Monopoly
Pricing	Prices approach marginal cost	Higher margin funds capital investment
Quality	Rivalry constantly improves quality	Large brands sustain quality standards
Innovation	Survival pressure forces innovation	Scale allows large R&D budgets

Dimension	Advantage of Competition	Advantage of Monopoly
Infrastructure	Parallel duplication wastes resources	Single network is cost-efficient
Stability	No single failure disrupts the market	Large operator maintains system reliability
Global scale	Small firms struggle internationally	"National champions" compete globally

Schumpeter [see 7] argued that monopoly profits fund the very innovation that eventually destroys the monopoly — his "creative destruction" cycle. This suggests that policy should not eliminate all monopoly power but rather ensure it does not become permanently entrenched.

MONOPOLISED SECTORS IN UZBEKISTAN (2024)

Sector	Main Operator	Market Share	Monopoly Type
Electricity	Uzbekenergo	~95 %	Natural monopoly
Natural gas	Uzbekneftgaz	~100 %	Natural + resource
Railways	Uzbekistan Railways	~100 %	Natural monopoly
Airport services	Uzbekistan Airports	~90 %	Natural monopoly
Postal services	Uzbekiston Pochta	~80 %	Statutory monopoly
Mobile telecoms*	4 operators (Ucell, Beeline, Humans, UzMobile)	~25 % each	Oligopoly

Table 3. *Main monopolised sectors in Uzbekistan, 2024. *Oligopoly. Source: Competition Committee of Uzbekistan, 2024*

According to the Competition Committee's 2024 annual report, 91 enterprises hold dominant-position status and 28 are classified as outright monopolies — down from 134 and 47 respectively in 2017, reflecting genuine reform progress [3].

ANTIMONOPOLY REFORM OUTCOMES (2017–2024)

Indicator	2017	2024	Change
Dominant-position enterprises	134	91	↓ 32 %
Officially registered monopolies	47	28	↓ 40 %
Telecom competition index (HHI)	High	Moderate	Improved
Total fines imposed (billion UZS)	12.4	48.7	↑ ×3.9
Consumer complaints received	1,246	3,891	↑ ×3.1

The near-quadrupling of fines and tripling of complaints indicate both stricter enforcement and greater public awareness of competition rights — positive institutional signals. However, fines remain small relative to monopoly profits, weakening their deterrent effect.

POLICY RECOMMENDATIONS

No	Recommendation	Expected Outcome
1	Apply unbundling in natural monopolies: retain network infrastructure under state ownership while opening service provision to competition	Lower tariffs and improved service quality
2	Raise maximum fines to at least 10 % of annual turnover to create genuine deterrence	Stronger deterrent against anticompetitive behaviour
3	Establish a dedicated digital market unit within the Competition Committee to monitor platform monopolies	Early detection of emerging digital monopolies
4	Offer tax incentives to new foreign entrants in sectors currently dominated by a single operator	Increased market participation and competition

No	Recommendation	Expected Outcome
5	Formalise joint enforcement protocols between the Competition Committee and the Prosecutor-General's Office	Faster resolution of competition law violations

CONCLUSION

Competition and monopoly are not simply "good" and "bad" — they are context-dependent market outcomes. Competition delivers the most consumer benefit in tradable goods and services where entry is feasible; monopoly may be the least-cost solution in network industries where duplicating infrastructure is wasteful. The policy task, therefore, is not to abolish monopoly everywhere, but to regulate it where it is inevitable and dismantle it where it is not.

Uzbekistan's antimonopoly reform record since 2017 shows clear institutional progress: fewer registered monopolies, higher enforcement activity, and an updated legislative framework aligned with international norms. Yet gaps remain — particularly in tariff regulation of natural monopolies, digital market oversight, and deterrent-level sanctions. Addressing these gaps through the five recommendations offered in this article would bring Uzbekistan's competition policy closer to global best practice and yield tangible benefits for businesses and consumers alike.

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