

**THE EFFECT OF ECONOMIC LIBERATION ON MONOPOLY ORGANIZATIONS
AND EXPORT**

PhD, Abdullaev D.A.

Associate Professor of Tashkent Financial Institute,

Abdusherozov A.

Assistant of the Tashkent Financial Institute

Abstract: Economically changing decade, all countries try to improve their economic conditions in both internal and global market. Not all countries survive in the global market, because of economic policy of their nation. The more economy is liberalized, the bigger share they get in foreign markets. Moreover, the scope of their international relations also boost and improves. However, economic liberalization is can not be seen every aspects of economy, causing monopoly to exist. Monopolization is a force that slows economic growth, reducing potential export profits.

Keywords: Economic liberalization, monopoly, export, import, economic tools, import quotes, tariffs, price strategy, tourism export, consumers, WTO, UNWTO, transport monopoly, economic loss and potential profit.

Introduction.

In the economically changing world, free trade relations became the main tool for economic liberalization. Nowadays, it is difficult to imagine the economy of modern countries without international trade, that is, without international relations with other countries. Regardless of the level of development, each country strives to strengthen economic ties, increase exports and thus gain a bigger shares in the world market. The ultimate goal of economic liberalization is economic growth, as well as high export efficiency. One of the biggest economic barriers to this is monopoly. Every country has such economic sectors that monopolies are very common. As a result, some countries do not sufficiently liberalize their economies to defend their monopoly enterprises and organizations, and are deprived of potential economic benefits. The idea of mercantilism, which originated in Europe in the 16th and 17th centuries, states that a country can increase its wealth through more exports and less imports. That is, they put forward the idea that the country's wealth comes from foreign trade. The Scottish economist Adam Smith argued in *Wealth of Nations* (1776) that through the theory of absolute preference, each country should produce a product of absolute preference and export it abroad. Later, one of the milestones of economists David Ricardo used the theory of relative advantage in which each country was excluded from international trade by producing and exporting a particular commodity, even though it did not have an absolute advantage in producing a particular commodity over other countries. showed that he could win. As important as international trade and the liberalization of the country's economy in general were in the past, today they are more important than ever. But as the world economy has grown, so has the competitive environment between the nations of the world. And countries have begun to use various trade barriers to protect their domestic producers. These trade barriers include instruments such as import tariffs, import quotas, export subsidies, and export licenses. This is true for some monopolies in the world. By the middle of the 20th century, the capacity of foreign trade between countries has declined. The main reason for this was the protectionist policies of the countries and both world wars. Based on this situation, world leaders have come to the conclusion that they need an

organization that will regulate the world economy. That is, it was important for the world to have international organizations that could solve economic, political, and trade problems.

In 1945, with the proposal of USA the International Trade Organization was created in 1994, as part of this proposal, the General Agreement on Tariffs and Trade (GATT) was formed which applies in the 27 countries of Western Europe and North America. The formation of the Free Trade Organization and the membership of states in it led to both its successes and its economic shortcomings. This article analyzes the effects and conditions of monopolies that hinder exports, the pros and cons of economic liberalization in services (tourism) and manufacturing, divided into two parts.

Methodology.

The base of this research methodology is the fundamental principles of economic theory and the works of leading local and foreign economists who have conducted research on the problem under study. The research also used methods such as theoretical observation, scientific abstraction, comparative analysis, mathematical and statistical grouping, and infographics.

Analysis and results.

Part 1. The effect of monopoly in production sector

One of the most important problems our country facing today is the liberalization of our economy and thus increase the welfare of our people, the creation of jobs. One of the things that needs to be done is membership in the WTO. Uzbekistan was one of the first ones in Central Asia to apply for membership in 1994, before the organization was renamed the WTO, and it is still in talks. The main reason for the protracted negotiations is the in-depth analysis of WTO membership by economists. This is one of the vital obstacles to the liberalization of our economy. Today, the WTO has 164 member countries and the share of WTO members in world trade is 99.9%, which shows how important this organization is. The membership of three countries in Central Asia - Kazakhstan, Tajikistan and Kyrgyzstan - could open up great opportunities for our economy. But in our economy today, the share of domestic monopolies that survive through protectionism is significant. In other words, in the liberalization of the country's economy, many of these monopoly enterprises and organizations may face serious competition and possibly go bankrupt. Today, domestic producers in our country are protected by tariff and non-tariff methods. Both types of methods are currently used in our country. This, in turn, has led to legitimate consumer protests. Why does the state need to restrict free trade economically, and whether it benefits or harms the state's economy. Of course, many scientists have done research on this question, and there are theories that have been formed so far. Below we see how the introduction of import tariffs by the country will change the producers, consumers and overall well-being of the economy.

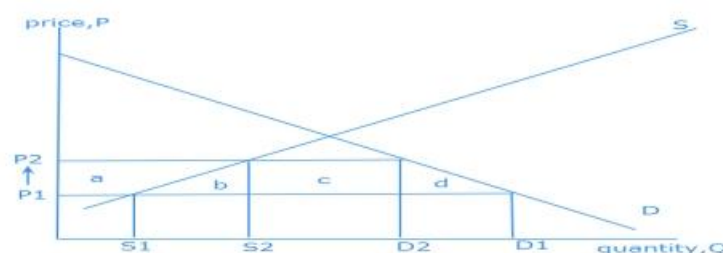


Figure 1. The impact of import tariffs on the economy of a small economy

The figure above shows the impact of the introduction of import tariffs on the economy of a small economy. That is, as a result of the introduction of import tariffs, the domestic price increased from P_1 to P_2 . As a result, surfaces a, b, c, and d are formed. Here:

a- the profit of domestic producers as a result of price increases

b is the revenue of the state budget from import tariffs

$a + b + c + d$ - consumer losses due to price increases

$b + c$ - is the net loss of the nation as a result of import tariffs.

From the above, we can see that only domestic producers benefit from the liberalization of the domestic market. The whole nation is loses because of the restriction. In other words, our economy is losing by protecting monopoly enterprises. That is, in the short run, supply increased from S_1 to S_2 , while demand decreased from D_1 to D_2 , as seen in the figure above. However, over time, that decline will reduce demand. This is one of the main impediments to the country's economic improvement. As an example, we can cite UZAUTO MOTORS, a monopoly in our country. The company started production of the car in March 1996 and is still protected from external competitors. At present, the President of the Republic of Uzbekistan No. PP-3818 of June 29, 2018 "On measures to further regulate the foreign economic activity of the Republic of Uzbekistan and improve the system of customs and tariff regulation" is regulated by the decision of the gi. According to this decision, for example, if we want to import a Chevrolet SPARK for 100 million sum, it is as follows:

- duty 15% of the value of the car = 15 million sum
- 18,000 sum from the engine capacity of the car = 1000 ss- 18 million sum
- VAT 15% = 15 million
- Utilization fee is 30 times the BHM = 7.35 million sum

This means that we have to pay 55,350,000 sum to import a car worth 100 million sum. This monopoly works in favor of our company. As you can see in the picture above, consumers are losing out on these barriers. The more barriers, the higher the import tariffs; consumers and the country's economy are losing so much. One of our monopolies in this industry is 10 other monopolies.

As far as agriculture is concerned, the role of government in agriculture has been very important so far. In other words, in 2021, the total area under agricultural crops will be 3,260,700 hectares.

Until now, most of these lands was used for cotton and wheat production on behalf of the government. It is known that the yield of cotton and grain is low. Giving real freedom in this area will also increase the profitability of this industry. Given that agriculture employs 25.1% of the country's GDP and 28.3% of the total population employed in this sector, liberalization in this area is also important. The right question is how to liberalize the economy of our country, which was formed after independence and is dominated by monopoly enterprises. In this case, how to adapt our monopoly companies to the new economic system with less damage is a topical issue. At the same time, WTO membership may be a solution to the problem of liberalization of our entire economy. Thus, one of the first conditions for joining the WTO is to bring the country's domestic economic standards in line with world standards, to open its domestic market to foreign enterprises and firms, to remove any barriers to exports and imports.

Table 1

Membership of Central Asian countries to the World Trade Organization

	Applicant	Members
Kazakhstan	January, 1996	November, 2015
Kyrgyzstan	February, 1996	December, 1998
Tajikistan	May, 2001	March, 2013
Turkmenistan	July, 2020	Observer
Uzbekistan	December, 1994	Negotiations

As we can see from the table above, 3 of our neighbors are members of the WTO and the fourth is an observer. This opens the door to great opportunities for international trade when we become a member of this organization. Here are the benefits of WTO membership:

1. Reduction of the state monopoly in the economy
2. Increase in foreign direct investment in the economy
3. Increase in foreign trade
4. Tourism, tourism development
5. Declining prices as a result of protectionist barriers
6. Accelerate the development of institutional reforms in technical regulation, customs administration, service legislation, integration into the global process of scientific and technological development.
7. Membership in the WTO means the abolition of privileges and procedures that are not the same for everyone. The private sector will develop according to fair rules.

8. Efficient use of available resources, increased competition in the country, reduction of corruption and legal entry of smuggled goods into the country.

The positive aspects of membership are outlined above. I can say with confidence that if we become a member of this organization through the implementation of the right measures, many problems in our economy will be solved and the welfare of the population will increase.

Part 2. The role and impact of economic liberalization and monopoly in the service sector.

At present, the largest share of exports and interstate trade in the world market is in the services sector. This is fact, that in the field of services, the exporting country can operate electronically, online, without leaving the country, without any additional transaction costs. This can be noticed in the study of the situation, from IT services to tourism services. On the other hand, the exporting country, finds it convenient in all respects to be served by consumers from other countries who visit them in their own country. This will have a positive effect on the growth of domestic employment. Today, the main focus of the states is the enhancement of tourism exports and increasing its share. The tourism industry is economically linked to many industries, because its development will also contribute to the improvement of the domestic economic situation. We can see that the tourism sector depends on other areas of economic liberalization:

- Medical services and medicine;
- Liberalization of production and trade;
- Transport sector and cross-border movements;
- All other types of services;
- Global image of the state;
- Country's development and poverty reduction;
- Depends on gastronomic and catering services.

The importance of tourism export may be seen in the fact that the International Tourism Organization has been established and has 158 member states. Uzbekistan was one of the first Central Asian countries to join UNWTO in 1993. Becoming a member of this organization has had the following positive consequences.

- Acquisition and protection of tourist facilities by international organizations;
- Pay attention to the economic freedom of tourism and keep it stable;
- Assess the positive impact of the state on the level of internal poverty;
- Subsidies and assistance provided by the organization for tourism exports.

The economic importance of tourism exports can be analyzed using the following international statistics. Tourism has become a leading economic sector with over the one billion tourists travel to international destinations every year, contributing 9.8% of global GDP and representing 7% of the world's total exports.

According to the World Tourism Organization, the contribution of travel and tourism to gross domestic product (GDP) is expected to reach 10.8% at the end of 2026. Considered as an economic strength, tourism improvement plays crucial export tool in the reduction of a county's poverty and helper to the economic development. Moreover, these numbers testify to the enormous potential of tourism in solving the problems of economic growth.

The problem is that every country in tourism has the largest monopolistic power network, which is also the transport infrastructure. Regardless of the mode of transport, transport routes, i.e. air railways, have a monopoly power in tourism in the country. An airline monopoly in the United States, Europe, and Central Asia will result in a loss of 12% of potential tourism exports. According to statistics, the airline monopoly means that consumers and visitors choose countries where airfare is cheaper due to higher airline prices. The table below shows the countries with the cheapest international air tickets.

Table 2.

Countries with the cheapest international flights

Countries	Prices
Malaysa	\$4.18
Bulgaria	\$4.65
India	\$4.96
Turkey	\$6.28
Spain	\$7.08
Sweden	\$6.96
Moldova	\$7.37
Japan	\$7.57
Russia	\$7.60
Poland	\$7.75

Drastic changes of prices are not can be seen in foreign countries due to the high level of competition from airlines, and the large number of competitors has led to the strengthening of innovative approaches in services. Compared to other countries, Uzbekistan has a single and monopoly airline. As a result, prices are very expensive and volatile according to the "scrap" strategy. Below you will find UZAIRWAYS international tickets:

Table 3.

UzAirWays ticket prices 2022

Country	Business flight \$	Economy flight \$
UAE (Dubai)	860	270
India	600	320
Turkey	670	260
Israel	890	310
Russia	750	320

Belarus	550	220
Kazakhstan	570	450
Azerbaijan	480	220
Tajikistan	230	100
South Korea	1200	650

The table above reduces the potential consumption of domestic and foreign visitors by at least 20% because travel in the country is cheaper than the return ticket price. A single transport monopoly will reduce tourism exports by a certain percentage. Of the total number of tourists visiting Uzbekistan, 6.260 million came from the CIS and 488.4 thousand from foreign countries. At the same time, exports of tourism services in 2019 amounted to \$ 1.313 billion, in 2018 it amounted to \$ 1.041 billion (an increase of 126%). If mathematically calculated, if the influence of a single monopoly enterprise were removed, the export volume of \$ 1.313 billion in 2019 would have increased by \$ 262.6 million.

Conclusion

Economic liberalization and the restriction of monopolization in industries will have a very significant positive effect on both production and exports of services. Given the situation in the manufacturing sector mentioned in the first part of the article, we can see that monopolies, firms and enterprises are a serious obstacle to the development of our economy. We saw this only in the case of UZAUTO MOTORS JSC. That is, the monopoly of the company is detrimental not only to consumers, but to our economy as a whole. $b + c$ is the net loss of the nation as a result of import tariffs. That is, we are losing ground. Of course, economic growth and development will take place only in conditions of free competition. Therefore, in order to liberalize our economy and increase the foreign trade potential of our country, we propose the following:

- The WTO is a large economic organization and its membership has many positive aspects for our country
- Membership in this organization will accelerate the integration of Uzbekistan into the world economy
- We can solve the problems of our logistics system through membership in this organization

Changing the monopoly infrastructure that hinders the export of services listed in Part 2 of the article could result in a positive change in exports from 8% to 20%. As a solution to this problem, we can give the expansion of the digital economy in tourism exports. Digitization of tourism will allow to use a combination of tickets not only for planes, but also for trains and buses to travel around Uzbekistan. Modern applications provide information about hotels, hostels, campsites, apartments anywhere in Uzbekistan. Another convenience from online apps is that it is possible to order through the online service, book a place in advance, get complete map information about the city. Working with global booking systems via the Internet allows travel organizations not only to receive prompt and reliable information about prices and the number of available seats at any time, but also to be able to monitor the passage of the order at all stages of its implementation.

We hope that proposals shown above will contribute a positive impact on the Uzbekistan's economy and strengthen the country's position in the world market.

References

1. <https://www.britannica.com/topic/mercantilism>
2. https://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf
3. <https://www.britannica.com/topic/comparative-advantage>
4. https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm
5. <https://www.cheapestdestinationsblog.com/2019/08/11/cheapest-international-flights/>
6. <https://www.uzairways.com/en>
7. <https://lex.uz/ru/>
8. <https://stat.uz/uz/rasmiy-statistika/agriculture-2>
9. Paul R.Krugman,Maurice Obstfeld,Marc J.Melitz “International Economics;Theory and Policy” Tenth Edition, 2015 page 243
10. Schubert SF, Brida JG, Risso WA (2011) The impacts of international tourism demand on economic growth of small economies dependent on tourism. *Tourism Manag* 32(2):377–385
11. Song H, Lin S (2010) Impacts of the financial and economic crisis on tourism in Asia. *J Travel Res* 49(1):16–30
12. Hoekman, B. & Kostecki, M. 2001. *The Political Economy of the World Trading System – The WTO and Beyond*. Oxford, Oxford University Press 2nd edition.
13. Langhammer, R. & Luecke, M. 1999. *WTO Accession Issues*. Kiel Working Paper No. 905. Kiel.
14. Suleimenov, M. & Osman, P. 2000. Trends in feed, livestock production, and rangelands during the transition period in three Central Asian countries. *Food Policy*
15. Достаточно сильны для ВТО // «Эксперт» №46 (779) 21 ноября 2011)
16. Sh.Mirziyoyev Xalqimiz dunyoqarashida innovatsiya muhitini yaratish – eng muhim vazifamiz <http://uza.uz/oz/politics/shavkat-mirziyeev-khal-imiz-dunye-arashida-innovatsiya-mu-it-02-12-2017>