METHODS OF REGULATING THE ACTIVITIES OF NATURAL MONOPOLIES

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Abstract. As a result of the reforms being carried out in our country, significant transformations are also being implemented in all sectors, including those falling under natural monopolies. In the context of globalization, structural changes are being made in sectors that form the main part of the country's infrastructure. These changes aim to foster a competitive environment, ensure stable growth in the real sector of the economy, enhance competitiveness within industries, accelerate the processes of modernization and diversification of industrial sectors, reduce the state-owned sectors structurally, and privatize and divest service units from state ownership.

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.. As a result of the reforms being carried out in our country, significant transformations are also being implemented in all sectors, including those falling under natural monopolies. In the context of globalization, structural changes are being made in sectors that form the main part of the country's infrastructure. These changes aim to foster a competitive environment, ensure stable growth in the real sector of the economy, enhance competitiveness within industries, accelerate the processes of modernization and diversification of industrial sectors, reduce the state-owned sectors structurally, and privatize and divest service units from state ownership.

The state plays a crucial role as the primary reformer in these efforts. Transitioning from a control system to a regulation system in the natural monopolies sector involves restructuring their activities into high, medium, and low levels. This would allow new enterprises and organizations to enter the field, creating a healthy competitive environment. Additionally, it is essential to provide financial support and institutional reforms to ensure the free operation of newly established enterprises and organizations in the market.

During the study of issues related to the control, regulation, and management of natural monopolies, scientific debates often arise among experts and economists. No country has established fixed norms for regulating and managing natural monopolies, and it is currently impossible to develop such unchanging standards. This is because natural monopolies maintain their market position mainly due to technological and economic factors. Therefore, countries regulate and manage natural monopolies based on their internal capabilities and use various approaches accordingly.

In this study, we will focus on some aspects of regulating and managing natural monopolies, which include:

1. The advantage of natural monopolies in utilizing natural resources freely. Large enterprises and organizations, being the primary users of natural resources, have economic and technological advantages over others, making them natural monopolies.

2. Entities operating in key sectors of the country's infrastructure are considered natural monopolies. Due to the presence of modern technologies, these entities can reduce production costs.

3. The state provides opportunities for some types of natural monopolies because their products are aimed at export, thereby enhancing the country's position in international relations.

The regulation and management of natural monopolies are implemented differently in developed countries. For example, in Western countries, the legal regulation of natural monopolies is of limited practical importance. There are no specific laws or regulatory systems for natural monopolies in these countries, unlike in many CIS countries where such laws have been adopted.

The reasons for the emergence of natural monopolies and their economic, technological, and legal characteristics must be distinguished. The institutional aspects of regulating and managing natural monopolies need to be considered. Natural monopolies arise in the economy either as institutional (legal) entities or as entrepreneurial entities, and these should be distinguished from each other. Institutional natural monopolies play a role in shaping international relations (political or

economic), and the state provides certain subsidies for the products produced by these monopolies. Entrepreneurial natural monopolies have economic or technological advantages and the state uses various mechanisms to regulate and manage their activities.

In regulating natural monopolies, the state uses its internal capabilities to protect consumer interests by setting boundaries through methods such as taxation, customs duties, credit incentives, and price setting. Regulation methods include:

1. Price regulation - establishing permanent or temporary tariffs for products and services.

2. Setting tax burdens based on activity type, regulating credit rates, and determining state duties for importing and exporting products.

3. Establishing boundary norms for market entry of products and services based on the type of activity of natural monopolies.

4. Defining consumers who must be served based on the legal status of the organization or enterprise and setting subsidies and benefits for them.

State control and regulation of natural monopolies are essential to prevent market distortions and ensure the protection of consumer rights and the interests of other producers and service providers. This regulation involves direct and indirect methods. Direct regulation includes measures aimed at ensuring all market participants operate under the same requirements and use available opportunities fully. Indirect regulation uses various mechanisms to maintain market balance and transparency.

In summary, state intervention in the regulation and control of natural monopolies is crucial. This ensures that all expenses related to regulation and control are covered by the state, maintaining transparency, legality, and fairness.

Reasons for State Regulation of Natural Monopoly Sectors.

To prevent the above-mentioned issues, the following actions are planned in the Republic of Uzbekistan to develop the economy, foster competition in goods and financial markets, create equal conditions for entrepreneurial activities, ensure transparency, and further improve state procurement procedures:

- Propose measures to annul decisions by state bodies that violate competition laws and hold their officials accountable;
- Identify and curb "cartel" agreements and conspiracies in cooperation with law enforcement agencies;
- Oversee the establishment of state-participated business entities;
- Develop a unified law combining the "Competition Law" and the "Natural Monopolies Law" of the Republic of Uzbekistan, based on international experience and aiming to fundamentally improve the mechanisms of forming a competitive environment;
- Amend existing laws to introduce private sector opportunities in monopoly sectors where a competitive environment can be created and to promote their development.

The following forms of state regulation and management of natural monopoly sectors are widespread:

- Structural regulation of natural monopoly sectors by improving existing types of activities, introducing new types, reducing redundant services, and granting or denying service rights for specific activities;
- Modernizing the cancellation or registration of activity licenses;
- Establishing new operational criteria for sector activities;
- Setting tax rates for business entities operating in the sector and developing pricing strategies for certain goods;
- Creating financial support mechanisms to assist newly established organizations in the sector to develop a competitive environment.

Given these conditions, a price determined by a dominant market entity for goods is considered a monopoly price if:

- It exceeds the necessary costs and profit margin for services produced or provided by natural monopolies;
- It aims to cover unjustified expenses or to gain additional profit by lowering the quality of goods or services.

A system for regulating the activities of natural monopolies was developed by generalizing the goals and forms of regulation.

In every country, there is a need for state services to regulate and control natural monopoly sectors. This is because it is impossible to create a competitive environment naturally in each sector to enhance the population's welfare, protect consumer interests, and create an entrepreneurial environment. Therefore, the state creates a competitive market environment through the application of administrative methods, the development of legal standards, and the improvement of regulatory methods.

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