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EQUILIBRIUM AND COMPETITIVE STRATEGIES IN OLIGOPOLY AND MONOPOLISTIC COMPETITION: THE CASE OF UZBEKISTAN'S ECONOMY

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Abstract. This paper examines the economic transformation of Uzbekistan following its independence in 1991, focusing on the shift from a centralized to a market economy. It argues that this transition naturally led to the emergence of monopolistic and oligopolistic market structures, as early entrants established dominance in key sectors. The analysis utilizes classic economic models—Cournot, Bertrand, and Stackelberg—to explain the competitive strategies of firms in sectors like automotive (GM Uzbekistan), telecommunications, and energy. The paper also explores the nature of monopolistic competition in consumer goods markets. Furthermore, it discusses the regulatory measures implemented by the Uzbek government, including the 1996 law on competition and the role of the Competition Development and Consumer Rights Protection Committee, to mitigate the negative impacts of these market structures. The study concludes that while monopolies and oligopolies are an inherent feature of Uzbekistan's developing market economy, effective state intervention is crucial to ensure fair competition, prevent market abuse, and support the growth of small and medium-sized enterprises, aligning with the nation's broader economic goals.

Keywords: Uzbekistan, Market Economy, Oligopoly, Monopoly, Competition Policy, Cournot Model, Bertrand Model, Stackelberg Model, Economic Transition, Antitrust Regulation, Monopolistic Competition.

Introduction. After the Republic of Uzbekistan gained independence in 1991, it transitioned its economy from a centralized economy to one based on a market economy. This, in turn, increased the volume of foreign investments coming into the country. Furthermore, restrictions on privatization in the state were lifted, and incentives were provided. Concessions were granted to small and medium-sized enterprises, and they were supported by the state. The main objective was to transform the Republic of Uzbekistan from an agrarian republic into an industrialized state. As these processes were implemented, monopolistic and oligopolistic corporations inevitably formed in Uzbekistan, just as they had in all other states.

The main reason for the emergence of corporations in the form of monopolies or oligopolies in Uzbekistan was that the first companies to form in the market of this newly independent state quickly reestablished themselves and became leaders in their respective sectors. After large corporations emerged in the market, they attempted to push smaller companies out, which in turn led to the formation of monopolistic or oligopolistic corporations in various sectors. Such corporations create several disadvantages for a market economy.



Date: 15th November-2025



Oligopolistic corporations are present in many sectors in Uzbekistan. For example, the telecommunications, banking, and energy sectors are controlled by oligopolistic corporations. Monopolistic corporations include the "GM Uzbekistan" car plant, "Uz Railways" joint-stock railway company, the "Navoi Mining and Metallurgical Combine," and the "Almalyk Mining and Metallurgical Combine." In the Uzbek oligopoly market, equilibrium and competition strategies are primarily formed between a small number of leading firms, based on interrelationships and game theory. Unlike monopolistic competition and pure monopoly, the oligopoly market creates a situation where the number of producers is limited, and prices are interdependent. In these markets, firms and corporations compete through mutual agreements, price control, and competition in quality and service to maintain equilibrium. These mutual competitions can be observed through the Cournot model, Bertrand model, and Stackelberg model.

If we consider the Cournot model, in this model, each oligopolistic firm or corporation determines the production volume of its rivals based on the production volume of competing firms, thereby reaching an equilibrium and determining its own production volume on this basis. For example, let's imagine that there are two or three large firms in the automotive market in Uzbekistan. As each firm changes its production volume, it chooses the optimal output by estimating the volume of rival firms. As a result, the market reaches an equilibrium on its own.

The Stackelberg model, on the other hand, shows the competition between a leading firm in the Uzbekistan market and its followers. For example, in the energy market in Uzbekistan, a large state-owned company is in a leadership position and sets its production volume first, after which smaller firms adapt to it. This model is used to control market prices and production volumes.

In the Bertrand model, corporations and firms demonstrate their competitive strategy in terms of price. If the quality of the products of corporations and firms is equal, one corporation will try to lower its prices below another, the result of which is beneficial for buyers. For example, if we look at the mobile communication operators market in Uzbekistan, mobile operators monitor each other's prices and set service fees according to mutual competition. If one mobile operator lowers its tariffs, other mobile operators are also forced to lower their tariff prices.

In a market economy, because such economic policies and models exist, the state regulates these strategies, encourages the efficient functioning of markets, limits monopolies, and strives to increase competition. In an oligopolistic environment, the strategy of balancing prices and production volumes between firms ensures market stability. In Uzbekistan's economic markets, competition strategies are aimed at improving quality and service, maintaining price leadership, and creating barriers to entry for new companies and firms entering the market.

When we speak of a monopolistically competitive market in the Uzbek economic market, we mean a market type where many sellers offer similar, but not identical, products. In this, each firm and corporation differentiates its products from others in terms of quality, appearance, service style, brand, and other features. A monopolistically

Date: 15th November-2025



competitive market differs from perfect competition in that firms end up having a partial monopoly over their products and can set prices to a certain extent. To bring monopolistic competition into equilibrium, it is first necessary to increase the number of producers and the variety of products. Only in such a situation can new firms freely enter or exit the market, and each firm can produce products according to its own demand and costs. In equilibrium, corporations and firms may have minimal average total costs, or the price may be higher than production costs, which allows them to make a profit, but the overall economic efficiency for society is slightly lower than in perfect competition. Examples of monopolistically competitive markets in Uzbekistan can include consumer goods markets: toothpaste, soap, shampoo, clothing, pharmaceuticals, and service sectors. For example, various cosmetics companies differentiate their products through unique packaging, additional services, and marketing. These corporations also differ in the prices and quality of their products, but they compete for the same need, namely health and beauty. The Republic of Uzbekistan's 1996 "On Limiting Monopolistic Activities and Competition in Commodity Markets" Law was developed to prevent monopolistic activities, develop competition, and promote savings. This law is aimed at maintaining market balance, limiting monopolistic tendencies, and encouraging competition. Currently, the government of the Republic of Uzbekistan has the Competition Development and Consumer Rights Protection Committee of the Republic of Uzbekistan. This committee was established in 1992 as the Main Department for Anti-Monopoly and Price Policy under the Ministry of Finance and was later transformed into an independent state body. The main tasks of the committee include limiting monopolistic activities, protecting market competition, protecting consumer rights, and measures for regulating monopolies. This committee fights against the formation of monopolistic or oligopolistic corporations or firms in Uzbekistan's economic markets.

In conclusion, after the collapse of the USSR, Uzbekistan began its transition to a market economy. In such conditions, it was inevitable that monopolistic or oligopolistic corporations would emerge in the market. These corporations had to test the above-mentioned models to find a balance in the new market. They must also carefully study the domestic market. The state performs tasks such as preventing unfair competition in market conditions, taking measures against the abuse of a monopolistic position, and combating fraud and anti-competitive actions. The state is always taking on such problems. Monopolistic or oligopolistic corporations in the Uzbek market create significant obstacles for small business owners. This contradicts the initiatives promoted by the country's leadership. That is, the goal is to form a competitive product market in Uzbekistan.

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Date: 15th November-2025

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Date: 15th November-2025

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