

Reforming State Enterprises - New Threats or New Opportunities for the Development of Uzbekistan's Economy?

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Received: 2022 March 15; **Revised:** 2022 April 20; **Accepted:** 2022 May 10.

ABSTRACT

To implement the goals of the dynamic development of the Uzbekistan`s domestic economy declared by the country's leadership in the context of significant foreign policy and internal

economic contradictions, it is necessary that both the goals and objectives of the socio-economic policy of the Republic of Uzbekistan correspond to the current relations of appropriation and alienation of property both within the country and in relation to other economic systems. At the same time, it is necessary to proceed from the understanding of property relations as, first of all, permanently changing social relations. The transformation of property relations occurs not only and not so much under the influence of external factors, but also primarily as a result of the implementation of its immanent internal logic, emanating from the historical dynamics of development.

Keywords: state-owned enterprises, privatization, competition, market economy, centralized economy, property reform

INTRODUCTION

The problems of reducing the presence of the state in the economy, opening markets and increasing competition are discussed increasingly in scientific areas. Indeed, an informed solution to these issues can create a reliable basis for the use of market levers that allow efficient allocation of the resources involved and increase the productivity of the labor used.

Despite the rather difficult modern period of economic development of the Republic of Uzbekistan, associated with the negative impact of the coronavirus pandemic, as well as forced restrictions, the country's leadership has demonstrated its commitment to continuing the course of implementing structural reforms. So, on October 27, 2020, the President of Uzbekistan Sh. Mirziyoyev signed a large-

scale decree on reforming more than 2,000 state assets, of which 479 enterprises will be put up for auction, 62 are prepared for privatization, 32 are transformed¹.

State-owned enterprises are strategically important in the national economy. About 50% of the country's GDP and one-fifth of the volume of foreign trade is created by state-owned enterprises, which provide more than half of the state budget revenues when hiring less than 10% of the employed population.

State-owned enterprises operate in many sectors of the economy, including the extraction and processing of oil and natural gas, public transport, air travel, agriculture,

¹О мерах по ускоренному реформированию предприятий с участием государства и приватизации государственных активов. Указ Президента Республики Узбекистан от 27.10.2020 г. №УП-6096.
<https://lex.uz/uz/docs/5068826>

the chemical and mining industries, water supply, housing and utilities, and others. They traditionally have privileged access to land and infrastructure facilities, procurement contracts, subsidies and enjoy other government support, including tax and customs preferences. More than 80% of the assets of commercial banks, as well as all large insurance companies, are also owned by the state.

In most of the CIS and Eastern Europe, reforms to privatize state assets were carried out in the early 1990s. Although in Uzbekistan the reform of state assets is being carried out relatively later than it has been done in other states, the country can use the accumulated experience to its advantage and not repeat mistakes in this important area of economic reform.

LITERATURE REVIEW

The principle of separation of powers, introduced in 1748 by the French encyclopedicC. Montesquieu (1698-1755), presupposes the division of the sole state power into three spheres: legislative, executive and judicial, which should serve as a condition for effective control over the activities of the state apparatus.

From the second half of the XIX century, social theory starts to gradually give way to the state theory of self-government.

Well-known scientists, in Russia, such as - N.I. Lazarevsky (1886-1891), A. D. Gradovsky (1841-1889) and V. P. Bezobrazov (1828-1899) were considered its supporters. This theory saw in local self-government the transfer of part of the state tasks to the local community, the involvement of local residents in the service of state interests and goals.

N. I. Lazarevsky defined local self-government as "decentralized public administration, where the independence of local authorities is ensured by a system of this kind of legal guarantees, which, creating the reality of decentralization, at the same time ensure the current connection of local government bodies with the given area and its population"

Hu Yifan, Song Ming and Zhang Junxi: Privatization results in productivity and wage increases combined with cost savings without large-scale layoffs. And "final privatization" leads to greater efficiency gains than "partial privatization"

ANALYSIS AND DISCUSSIONS

There are many examples in the world that demonstrate the successful implementation of property reform. So, in 2004, the Malaysian government, in agreement with McKinsey & Company and the Boston Consulting Group, implemented the

Transformation Program for Government-Linked Companies (GLCs). The project has been recognized by the international community as the most successful public enterprise reform project in Asia. The reform has increased the efficiency and profitability of using available capital and resources in enterprises. Specifically, the market capitalization of Malaysian state-owned enterprises tripled between 2004 and 2014, with a CAGR of 11 percent.

In the next phase, the Malaysian government, in collaboration with management consulting firms, developed the New Economic Model, which expanded the expansion of state-owned enterprises to a global scale. As a result, these enterprises began to operate in 42 foreign countries, and the gross revenues of the 20 largest of them tripled - from 7 to 22 billion dollars.

An analysis of property reform in Central and Eastern Europe (CEE) shows that the transformation process coincided in time with a transformational crisis. In these conditions, the activities of both privatized and state-owned enterprises were influenced by external factors (free investment resources, the level of macroeconomic stability, the structure of production, the investment climate, the presence of sales markets, and others).

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Under these conditions, common in the early 90s. claims that privatized enterprises perform better than state-owned enterprises have proved insufficiently unfounded. At the same time, countries such as Slovenia and Poland, where the privatization process was unfolding more slowly than in other CEE countries, in which decisive measures were taken to create a competitive environment, already in the mid-90s. demonstrated steady growth².

In all CEE countries, there have been cases of foreign investors acquiring ownership of enterprises that are their potential or current competitors in order to place a competitor under control, restrict production, or completely liquidate it. It became obvious that direct sale of state assets as a method of privatization is effective only if there are developed market institutions.

In these countries, in the course of mass privatization, property certificates (vouchers, vouchers, coupons) were transferred to the population for a small fee, which became legal tender during the

²Глинкина С.П. Итоги приватизации в странах Центрально-Восточной Европы // Управление собственностью. 2004, N 2. [http://www.imepi-
eurasia.ru/news.php?id=108](http://www.imepi-eurasia.ru/news.php?id=108) (Обращение от 3.11.2020 г.)

privatization of state property. The so-called program of equal access to property by means of vouchers (coupons) reached both domestic and foreign investors.

The voucher privatization schemes implemented in the CEE countries varied in a number of aspects. Poland and Romania in their privatization programs advocated the centralization of this process. Governments have been given great rights in deciding which enterprises and how they will participate in privatization. In Romania, this approach has encountered less difficulties due to the tradition of rigidly centralized management in the previous stages of the country's development. In Poland, the centralized management of the privatization process was practically blocked by the power structures. In Romania, each enterprise began to transfer 30% of its property for privatization under a voucher scheme.

Corruption is often a negative manifestation of the excessive presence of the state in the economy. Its highest level was observed in the Russian Federation, Ukraine, as well as in a number of other CIS countries. In the absence of transparency of privatization processes, lobbying of narrow departmental and private interests, oligarchic structures have

formed in these countries, with the negative effect of which society has not been able to get rid of in the flesh until now. Among them are the export of capital abroad, an unjustified rise in prices for manufactured products, environmental problems, and unfair wages of employed personnel.

In the long term, privatization reduces the level of corruption, as it begins to restrict the freedom of action of officials, expands competition and transparency in this area. However, in the short term, the need for complex negotiations to approve the terms of privatization creates temptation and opportunities for abuse. Weak institutions are unlikely to resist this temptation. If corruption becomes evident in the eyes of the public, then a negative image of privatization is formed, although the transactions themselves can have high economic and financial sense³.

For example, many specialists and ordinary citizens of the Russian Federation still speak negatively about the "Chubays" voucher privatization of the 90s of the last century, which creates a negative connotation for the image of all privatized enterprises. As a result of this

³Helping countries reform economic and sector policies.
<http://www1.worldbank.org/publicsector/anticorrupt/corruptn/cor05.htm>

privatization, many strategic objects were seized by illegitimate persons (in particular, in the mining industry, metallurgy, the chemical industry, heavy engineering, in the media, as well as in other highly liquid areas). In fact, a start was given to the “black” redistribution of public property, its seizure from labor collectives, from the state in favor of a narrow circle of “shareholders” possessing the power, strength and cruelty of the actions taken.

As a result of this privatization, the state squandered a significant part of budget funds (in particular, in lost funds in the form of taxes and dividends), and the employed - jobs. Raider seizures, periodic judicial showdowns suspended the activities of many basic enterprises, and a reduction in the production of industrial and technical products undermined macroeconomic stability, contributed to inflation, worsened the business environment, which reduced investment flows. Many large enterprises could not go through such a difficult period of privatization and were forced to close (with the exception of the military-industrial complex, as well as not which are strategic areas in which the government was still able to protect the

interests of the state thanks to the intervention of the security forces).

On the other hand, according to a number of economists, the reform of state assets is today an economic and political necessity. First, where there is excessive government interference and lack of public oversight, there are high opportunities for corruption. So, in Uzbekistan, the current situation led to the fact that by 2020 the country had an unfavorable situation with this dangerous social evil (the country was in 153 place out of 180 countries in the world in the corruption perception rating of Transparency International for 2019). In this regard, World Bank experts advise Uzbekistan to carry out a large-scale privatization of state assets. Secondly, the dominance of state-owned enterprises in any sector discourages private investors from entering the markets, because in these conditions, the state is trying to create more favorable conditions for state enterprises. Thirdly, the experience of recent years shows that the domination of state-owned enterprises and monopolies leads to ineffective activities - low quality of products, high production costs and prices, which are ultimately passed on to the state budget and the population.

Thus, a selective analysis of the production and financial activities of 1,703 enterprises

with a state share in the authorized capital of 50% or more in 2017-2019 revealed that the number of state-owned enterprises operating at a loss has significantly increased in recent years. If at the end of 2017, 181 enterprises (10.6% of the total number of analyzed entities) had unprofitable activities, then at the end of 2018 - 213 enterprises (12.5%), in 2019 - 241 enterprises (14.2%).

The physical volumes of natural gas produced by state-owned enterprises in Uzbekistan are falling from year to year. So, if in 2017 the production of this energy resource in the republic amounted to 39.3 billion cubic meters, then in 2018 it decreased by 10% (35.4 billion cubic meters), in 2019 - by 5.4% (33.5 billion cubic meters). This circumstance is reflected in a decrease in tax revenues from enterprises in the industry. If at the end of 2018 the total amount of tax revenues from Uzbekneftegaz JSC, Uztransgaz JSC and Khududgaztaminot JSC amounted to 13.3 billion soums, then in 2019 revenues decreased by 7.5%. Given such dynamics, the country may experience a growing shortage of strategic energy resources in the near future.

In the electric power industry, there is a slight increase in the volume of electricity generated by thermal power plants. So, if

in 2018 the total volume of electricity generated amounted to 56.3 billion kWh of electricity, in 2019 56.4 billion kWh was generated (an increase of 0.2%). In 2020, the growth in electricity generation amounted to about 3.7% of the actual production volumes in 2019.

In 2019, tax payments of enterprises in the industry increased by 25%, which was associated with an increase in electricity tariffs. At the same time, despite the growth of production indicators, significant risks remain for the enterprises of the industry, due, first of all, to the high deterioration of power units, power lines, substations and transformer stations.

So, out of 85 power units operating at the enterprises of AO TPP, most of them - about 87% of power units have been in operation for over 30 years. Given that the maximum service life of this type of equipment is on average 25-30 years.

In addition, high-voltage power transmission lines with a total length of 9.7 thousand km are used in the republic, of which about 3.0 thousand km or 31% are power lines that have been in operation for more than 30 years.

Over 55% of substations and transformer stations used for the distribution and transmission of electricity need to be

replaced due to the expiration of the standard operating life.

The current production capacities available in the republic cannot provide an increase in demand from the sectors of the economy and the population for electricity. According to the Ministry of Energy's forecast, electricity demand is expected to grow by 6-7% annually, and additional capacity of 15 GW is required to meet this demand. This is about \$ 15 billion of investments until 2030, or \$ 1.2 billion a year, which may not be within the reach of the State budget.

Thus, the high deterioration of technological equipment at all stages of production and transmission of electricity to the final consumer, testifies in general to a low level of overall efficiency of enterprises, their lack of competitiveness and non-compliance with modern standards.

The privatization of state-owned enterprises will help increase their economic efficiency. An increase in production and sales of products as a result of competition will lead to an increase in tax revenues, since privatized enterprises use fixed assets more efficiently in the absence of benefits and indulgences.

Consequently, the reform of state assets and their privatization will be able to

improve the competitive environment in the economy in the medium and long term, will reduce political risks and will contribute to an increase in the inflow of foreign investment into the economy of Uzbekistan. A country with a more competitive economy always has a relatively high sovereign credit rating, and places securities on international financial markets on favourable terms.

Along with the favourable consequences of privatization, there is a possible risk of an increase in unemployment due to enterprise restructuring, which, in conjunction with labour market reforms, will avoid the worst scenarios. There is another risk to the budget due to a temporary decline in production volumes during the privatization period. However, if the implementation of the reform is successful and the state share goes into "skillful hands", then, in this case, both the employees of the enterprise and the state as a whole will benefit by increasing production volumes. As a result, there will be an increase in the income of the employed, the owner and the state, and a reduction in subsidies at the expense of budget funds.

The results of the study indicate the need to strengthen supervision over the activities of state-owned enterprises, since

their profitability or loss-making directly affects the degree of associated fiscal risks. State-owned enterprises often perform quasi-fiscal functions, attracting funds from both the state budget and external sources to finance sectoral projects.

In 2019, 67% (or \$ 5.3 billion) of the total volume of external borrowings (direct and under government guarantees) was attracted for projects implemented by state-owned enterprises and banks. At the end of the first half of 2020, loans for financing projects of state-owned enterprises accounted for 2/3 of the state external debt (\$ 12.1 billion), directed to the transport infrastructure (\$ 2.25 billion), energy (\$ 5.08 billion dollars) and housing and communal services (2.23 billion dollars) and the chemical industry (0.87 billion dollars).

In 2019 and 2020, 96.5% (\$ 342.6 million) of total domestic public debt fell to state-owned enterprises and banks.

It is obvious that the poor quality of debt service resulting from the attraction of investments and loans by state-owned enterprises will potentially increase pressure on the state budget and may negatively affect its financial stability. As noted in their latest reports by S&P Global Ratings and Fitch Ratings, the timely and complete fulfillment of debt obligations of

state-owned enterprises, especially in the context of the global crisis and pandemic, is an important factor influencing the country's sovereign credit rating.

In accordance with international standards, the obligations of state-owned enterprises, including those not guaranteed by the government, are also a contingent obligation of the country. Timely and full payment of external debt obligations by the state is in many ways closely related to the efficient operation of state-owned enterprises. In this regard, it is necessary to create an environment in which state-owned enterprises were financially stable and could independently fulfill their debt obligations and finance investment projects without providing guarantees from the state.

State-owned enterprises that are ineffectively managed and show negative profitability indicators have to periodically provide support at the expense of already limited budgetary resources. As a result, fiscal risks are growing, leading to suboptimal capital investments and high levels of contingent liabilities. Often, state-owned enterprises are not transparent enough and their reporting systems do not comply with international financial reporting standards. This does not allow

obtaining reliable data and revealing their real financial position.

The main goal of the property reform in Uzbekistan is to improve the efficiency of state-owned enterprises and the national economy as a whole. The reform involves the transformation of large state-owned enterprises, the introduction of modern methods of corporate governance and financial audit, increased transparency and financial stability, as well as improving their ability to meet their debt obligations without government involvement. In general, the reform implies the introduction of market principles at state enterprises, their privatization and the creation of additional opportunities for attracting private capital.

In this regard, the government of Uzbekistan has taken a course to increase the role of the private sector in the ongoing structural reforms, improve the competitive and investment environment.

After the currency liberalization carried out in 2017 and the improvement of the tax sphere in 2019-2020, the reform of state-owned enterprises currently under way can be classified as the third most important, but more complex in content and scale. The experience of European countries accumulated in the 1990s shows that the correct implementation of such a

reform is a very difficult and responsible task due to possible difficulties and mistakes. We are talking about both the current institutional environment and the possible lack of a clear understanding among stakeholders about the potential of the reforms, which can limit the scope of the reform and even lead to abuse and losses.

Previous attempts to reform state-owned enterprises in Uzbekistan have been unsuccessful due to the lack of the necessary institutional framework. In recent years, the government has undertaken careful preliminary preparations for the implementation of the forthcoming reform. Since 2019, the State Assets Management Agency has been working to create a systematized database of state enterprises in the republic. Given the existence of a conflict of interest between the regulatory and commercial activities of state-owned enterprises, structural transformations are underway in various sectors, including in the oil and gas and electric power industries, the mining and metallurgical and electrical industries, civil aviation, in the field of road construction, building materials, agriculture and other sectors of the economy. ...

The following preparatory work has been carried out in the energy sector:

1. In 2019, an authorized state body in the field of regulation and supervision of participants in the domestic market of the energy industry was formed - the Ministry of Energy of the Republic of Uzbekistan.
2. In order to further develop and reform the electric power industry, Uzbekenergowas reorganized by dividing it into 3 separate joint-stock companies according to their functional focus - production, transportation, distribution and sales.
3. In order to improve the management system and form an effective organizational structure, Uzbekneftegaz JSC is also divided into 3 parts - production, transportation, distribution and sales. In the future, it is planned to attract investors through primary and secondary public offering of shares on the domestic and international stock markets.

With the adoption of the Presidential Decree of 12.05.2020 No. UP-5992 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025", the privatization of the banking sector began in the country.

In accordance with the Presidential Decree No.UP-6096 of October 27, 2020, the Ministry of Finance was entrusted with the

task of organizing the implementation of all the powers of a shareholder on behalf of the state, preparing financial statements of enterprises and developing a financial recovery strategy for them, introducing modern corporate governance (clause 2 Decree). In recent years, the role of this ministry has been strengthened in carrying out structural reforms, in particular in managing the influence of state-owned enterprises on the formation of budgetary funds, including through financial supervision and assessment of possible fiscal risks.

The Ministry of Economic Development and Poverty Reduction, the Antimonopoly Committee, the Anti-Corruption Agency and the State Assets Management Agency were instructed to conduct an inventory of benefits and preferences, critically review the activities of joint-stock companies and make proposals for organizing their activities on the basis of market principles (paragraph 4 of this Decree) .

A necessary step for the implementation of the reform is the formation of a clear coordination of the activities of key ministries, departments, agencies and other structures. The coordinated activities of the economic block of the government, in particular, the Ministry of Economic Development, the Ministry of Finance, the

Central Bank, the MIFT, local authorities, as well as the support provided by the country's leadership in bringing the reform to its logical conclusion, is the main guarantor for successful large-scale transformations.

The presidential decree determines which spheres of activity will be dealt with by the state, and which - by the private sector. It is envisaged that the capacities for the production of cars, textiles and other goods will be transferred to private entrepreneurs. The program for deepening the processes of privatization of state property as part of large-scale reforms provides for the implementation by strategic investors of shares of enterprises in the mining and metallurgical industry of Uzbekistan (the country ranks 5th in the world in terms of gold reserves, 5th in terms of uranium reserves, 13th in terms of copper, in a dozen countries in terms of reserves of rare earth non-ferrous metals), the oil and gas sector (the country is among the world leaders in natural gas reserves).

In February 2021, a list of 11 state assets put up for auction since March of this year was approved in the republic⁴. Among

them are the Poytakht business center, newspaper production facilities, the Malika shopping and household service complex, a hotel, recreation areas and other facilities (list No. 1 to Presidential Decree No. UP-6167). It is envisaged that 95% of the funds received will be directed to the State Budget, and 5% will remain at the disposal of the Fund for the Management, Transformation and Privatization of State Assets.

In addition, 18 enterprises are put up for auction, whose state shares have been sold since April this year. Among them are Fergana Oil Refinery (100%), Quartz (89.5%), Trest-12 (51%), Kokand Mechanical Plant (64.1%), Uzbekkhimmash (44.7%), "Zhizzak Plastics" (85.8%), Samarkand winery named after Khovrenko (71.2%) and other facilities. Almost all privatized companies operate in the form of joint stock companies.

The sale of state shares is carried out by transferring them to the authorized capital of the investment company UzAssets JSC at par. The distribution of the funds received is the same as in the previous list. It is envisaged that the share owned by Uzkimyosanoat JSC (Khimprom) is

⁴О мерах по дальнейшему ускорению процессов приватизации государственных активов. Указ Президента Республики Узбекистан N УП-6167 от 11.02.2021 г.
<https://lex.uz/uz/docs/5283489>
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transferred at book value due to the decrease in the state's share in the authorized capital of UzAssets JSC investment company at par and put up for auction as a single package.

It should be noted that in 2019, in accordance with the decree of the President of the Republic of Uzbekistan dated April 10, 2019, the Indonesian company PT Trans Asia Resources was supposed to receive 100% of the share of the Fergana refinery belonging to Uzneftmakhsulot with an initial redemption payment of \$ 16 million.

The government decree established the conditions for the implementation of the state share, including attracting at least \$ 120 million for the working capital of the FNPZ. However, according to the Agency for State Assets Management, it was decided to transfer the Fergana Oil Refinery to the trust management of Jizzakh Petroleum LLC. The Jizzakh Petroleum joint venture was established in June 2017 by Uzbekneftegaz and Gas Project Development Central Asia (a subsidiary of Gazprom International). According to the project, the shares of participants in the authorized capital were redistributed with a decrease in the share of Uzbekneftegaz from 60% to 30% and

an increase in the share of foreign founders from 40% to 70%.

In June 2020, the composition of the founders was as follows: Belvor Holding Limited from Cyprus (68%), Uzbekneftegaz (30%) and Gas Project Development Central Asia (2%), and now the shares are distributed between Uzbekneftegaz and Belvor Holding Limited 49% each. In the same month, it was reported that the Fergana refinery would be modernized for \$ 300 million. Jizzakh Petroleum planned to launch production of AI-92 gasoline and Euro-5 diesel fuel there from mid-2023.

In our opinion, the privatization of the FNPZ through the sale of the state share is an insufficiently justified decision. It would be better for the government to initiate the construction of an oil pipeline and provide the factories with the necessary raw materials and circulating assets through the issuance of internal loan bonds. A one-time profit from the sale of a state share instead of a constant and stable income from the activities of this strategic enterprise is not the best option for solving the problem of a refinery's payback. In this case, the privatization of the enterprise may turn into a sale of state property at low prices.

The reform of state-owned enterprises in the medium and long term should increase the economic efficiency of enterprises, have a beneficial effect on the formation of budget funds, economic growth, employment, living standards and other spheres of the economy.

International experience of privatization shows that the reform of state-owned enterprises is not a one-time act, but the construction of a sequence of intermediate decisions depending on the confluence of circumstances and the dynamics of macroeconomic indicators. In this regard, in order to achieve the success of the reform of state assets, mutual coordination of the reforms being carried out with monetary and fiscal measures is necessary. In the process of expanding the scope of market instruments, it is advisable to fully control the situation with price jumps, the provision of high-quality social protection and the creation of social capital. The removal of price controls must be accompanied by the elimination of existing imbalances.

The reform of state-owned enterprises should be accompanied by structural reforms in the relevant sectors of the economy, which are currently still monopolized. This applies, first of all, to the production of cars, certain types of

electrical products, the provision of utilities and others.

It should be noted that the extractive industries, as well as strategic enterprises, must remain state-owned (the controlling stake must remain with the state), which will ensure the economic security of the state. Sustainable operation of large economic facilities will ensure the filling of the domestic market with raw materials, energy carriers and other basic goods at affordable prices. These enterprises can continue to be the main sources of the formation of budgetary funds. In turn, the state will control the environmental situation in the involved territories and provide support for the export activities of raw material enterprises. The stability and sustainability of the development of this area will create favorable conditions for industries that produce products with a high degree of processing and added value. The production of consumer goods and the provision of services should be carried out primarily in private, collective and other enterprises operating in competitive markets.

The activities of enterprises with a state share should be carried out under the close scrutiny of the State Assets Management Agency, the Accounts Chamber, the Ministry of Finance, public organizations

that ensure effective management, corporate governance, protection of the interests of shareholders and the workforce, and optimal and fair distribution of income from product sales. Market factors in this area should be of secondary importance, and issues of achieving economic security and justice should be the main role.

The implemented mechanisms should create the same competitive conditions and open access to these markets for all economic entities, regardless of the form of ownership, including private capital.

An equally important factor for the successful implementation of the reform of state enterprises is to communicate to the public the goals, objectives and results of the reforms. Receiving broad public support for reforms helps to reduce the shadow economy, strengthens the atmosphere of trust and mutual understanding among the public⁵.

There is no doubt that the reform of state-owned enterprises requires a significant change in legislation in the field of antimonopoly regulation and protection of competition, the banking and financial system, improved protection of private property and consumer rights, social

protection of the most vulnerable segments of the population and the unemployed.

The role of privatization of state assets is increasing in the context of the gradual entry of Uzbekistan into the WTO. One can agree with the opinion of Khamidulin (2020, p. 929-930), who asserts that each of the uniting countries pins great hopes on the unification and, first of all, with regard to solving their problems⁶. However, achieving a positive result requires taking into account the interests of all the uniting parties, which sometimes may require taking into account the interests of all parties and finding compromises in upholding national interests on the basis of fair, consensus, trusting interaction based on the concept of long-term cooperation. Without a long-term strategy of political, economic, social and other cooperation in the region, a feeling of mistrust will constantly persist, permanently turning into mutual reproaches and accusations. This directly concerns the processes of

⁶Хамидулин М.Б. Регионы в стратегиях международного взаимодействия и сотрудничества стран ЕАЭС и других стран Большой Евразии. Статья в сборнике материалов конференции «Большая Евразия: развитие, безопасность, сотрудничество». С.929-930. <http://ukros.ru/archives/25147> и на сайте Клуба субъектов инновационного и технологического развития <http://innclub.info/archives/18974> и на <https://www.academia.edu/44787892/>

⁵<https://www.gazeta.uz/ru/2021/02/15/privatization/>

privatization of state assets and the implementation of structural reforms on this basis. The development strategy should, on the one hand, protect the regions from turning them into raw materials appendages of artificially created centers, on the other hand, protect against the permanently arising desire of regional leaders to ensure territorial food, energy and other types of security, which in the absence of appropriate competitive advantages can lead to a decrease in efficient use of limited resources.

The concentration of countries' resources, an orientation towards the production of final products from regional raw materials, taking into account the use of the existing labor force potential in the regions, will significantly increase the competitiveness of each region and the association as a whole in the world division of labor. In order to solve these problems, it is necessary to use the positive experience and approaches to the privatization of state assets and the regulation of local and global investment flows.

CONCLUSION

Carrying out the reform of state-owned enterprises on a systematic basis, taking into account their compatibility, consistency, economic security and justice,

expanding transparency to society, will significantly reduce risks and provide additional opportunities to increase the efficiency of large-scale transformations and achieve the established priorities of socio-economic development at the republican level, and the Central Asian region and the world market.

We see overcoming the identified negative trends in the country's socio-economic situation in the use of mechanisms for improving property relations, among which we will single out the following.

1. Restriction of the use by the bureaucracy (represented by officials) of the property rights of the state.
2. Using a wide range of mechanisms to protect property rights. In addition to mechanisms of direct public and private enforcement, based on state regulation of property rights and supervision of their observance, the use of self-enforcement and group enforcement, based on the principle of partners' interest in observing agreements.
3. Increasing the responsibility of society for the realization of its own interests, as well as the provision by the state of mechanisms for the implementation of such responsibility. The responsibility of the Uzbek society lies in the development of public control (over the activities of the

state and business) and public initiative in order to intensify the processes of economic transformation. Increasing the responsibility of society, as well as ensuring the equality of participants in the "business-society-state" triumvirate, is possible through the development of such a form of collective appropriation as cooperative property, as well as in the form of joint-stock companies of workers (people's enterprises).

4. Creation of a system of national property. The main components of the system of national property are: constitutional consolidation of natural resources throughout Uzbekistan in the form of the collective property of the entire society; an open competitive market regime for the economic exploitation of national wealth, ensuring the required level of its profitability; national dividend, that is, a part of entrepreneurial income and rent from the commercial exploitation of natural resources accumulated in the development fund.

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