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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE**

## **Global Forum on Competition**

**COMPETITION POLICY, INDUSTRIAL POLICY AND NATIONAL CHAMPIONS**

**Contribution from Uzbekistan**

-- Session I --

*This contribution is submitted by Uzbekistan under session I of the Global Forum on Competition to be held on 19 and 20 February 2009.*

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## COMPETITION POLICY, INDUSTRIAL POLICY AND NATIONAL LEADERS

### --Uzbekistan--

1. Most of the state aids and subsidies in Uzbekistan are granted only to national (100% state owned companies) or to joint-ventures where state has controlling of majority stakes. Even though there is no official definition as to the nationality in this case, it would be defined as 100% of state ownership or where state possesses controlling stake. The support to the national champions is provided mainly by establishing excise-duties to imports, providing bank loans and controlling ownership.
2. The main targets of the government's industrial policy are to foster exports and reduce unemployment. However, as the country is not a member of WTO the policy to support national champions has been stable for long period of time.
3. There are no major success or failure stories related to policies. Most of the time the support provided to national champions helps companies to grow and improve production. The state support is given for certain period of time after which the state reviews the necessity for further assistance. The success is defined as sustainable growth in production and increased efficiency as well as decreasing costs. National champions are usually but not wholly excluded from the sphere of activity covered by the best practice of competition policy standards. Currently the automobile market is supported by high import duties, which sometimes leads to high prices. Success means the total economic independence of the companies, where state eventually stops the subsidies and leaves it open to pure competition. Failure means continued subsidy of the companies without proper strategy as to the company's future. Failure would also mean rising costs, decreasing efficiency and poor quality of the products.
4. The competition agency is not responsible for calculating the costs and benefits of the government interventions; however the agency tracks the prices of products and monitors the market access issues at those sectors. Industrial policy and competition policy in theory are different sides of the same issue. Each of the policies overlaps each other and to the point defines the priorities depending on state's preferences. In most developing or transitional countries competition policy never realises its role and always lags behind the industrial policy, because of rationally set priorities, which sometimes may look like to have a negative long term economic impact for the economy. The competition agency constantly monitors the number of bankrupt companies and the number of insolvent companies. The benchmark to assess economic costs and benefits of government interventions is not implemented.
5. When the mergers take place based on the decrees by the Cabinet of Ministers preliminary review of merger's effects take place by the competition authority. Mergers that have been approved by the competition agency are constantly monitored. Companies that apply for approval of the merger submit business plans on investment plans, plans of restructuring of manufacturing processes and increasing of production. These plans are reviewed by the competition agency and in cases when investors don't take responsibility according to their business plans the competition agency reviews the case and may take a decision to reverse the merger.
6. No decision of the competition agency has been overridden on grounds of industrial policy. However, at the current level of economic development, industrial policy prevails over competition policy.
7. There is a special fund under the Academy of Science that is used to support research activities by the academic institutions in cooperation with manufacturers.

## **Means and Goals**

8. The instruments used for industrial policy are government procurements, exemptions from antitrust laws, regulatory barriers to competition, access to credit, arranged mergers and acquisitions, control of acquisitions of national companies by foreign investors, easy access to commodity resources and products of monopolist companies.

9. In cases when national champions operate in foreign markets such as the case with the automotive producer, state is often motivated to increase the market share or protect the existent share in the foreign markets. So, such motivations are limited because not many of the national champions directly operate in foreign markets.

10. Industrial policy in Uzbekistan is often motivated to foster exports and decrease the dependence of imports, as well as creating jobs. So by those means it is not directed at correcting market failures.

11. As competition to Uzbek companies mostly comes from China, Uzbekistan is also pursuing these policies which clearly constitutes to the “prisoners’ dilemma” situation. However, big nations such as China can take more advantage from these policies because it might take a long time for all countries to adopt industrial policies to back up their manufacturers.