



Socio-Economic Aspects of Home Trade Internationalization

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Abstract: The issues of internationalization of internal trade of Uzbekistan are considered. The socio-economic aspects and consequences of this process are revealed. There are two trends of internationalization of the trade sector of Uzbekistan: the expansion of imports and the large-scale penetration of foreign trade capital into the sphere of commodity circulation. The attention is focused on the strategic mistakes of trade policy in the field of wholesale trade, which led to blocking the entry of domestic producers into the market and stimulating commodity imports. It is proved that the expansion of imports of goods to Uzbekistan has essentially blocked the weakly competitive domestic commodity production. The share of domestic goods in turnover has reached a critically low level in comparison with the standards of national economic security. It is indicated that domestic and foreign investments have different directions. Domestic investment funds are directed mainly to the development of trade in cars and other vehicles, as well as retail trade. Foreign investments, on the contrary, reveal the growing interests of foreign investors in wholesale trade - a sector that is currently backward and important in the future. The factors that determine the investment attractiveness of the domestic consumer market of Uzbekistan are given. The relevance of the study is explained by the globalization of commodity markets and the little-studied theoretical and applied aspects of internationalization.

Keywords: domestic trade; globalization; internationalization; commodity imports; investments.

A characteristic feature of the development of the national system of internal trade at the present stage is the internationalization of its organizational forms and functional systems, and on an international scale, regardless of the level of development of the country and the type of economy.

Despite the global scale of internationalization, its scientific foundations, patterns and prospects of development, socio-economic consequences are poorly studied. Even the essential characteristic of internationalization has many interpretations, which indicates its complexity and versatility. Summarizing the positions of various scientific schools, it can be argued that the essence of internationalization lies in the purposeful mutual penetration (combination) of national and interethnic factors in the economy, forms of economic relations and ties in the process of cooperation with the aim of its transformation and development on an integration basis.

The internationalization of the economy has common features, principles and patterns. At the same time, it has specific characteristics depending on the sphere of economic activity.



In the sphere of commodity circulation in Uzbekistan, internationalization is characterized by:

- penetration of international factors in all forms of trade (wholesale, retail, trade mediation, virtual);
- modernization of trade on innovative principles and on the basis of mixed investments;
- development of new motivational mechanisms, economic regulators, standards, regulations, WTO rules, etc.;
- creation of joint and foreign enterprises and corporations;
- the increasing scale of exports and imports of goods and services;
- expansion of foreign commodity capital;
- expansion of cooperation and integration ties;
- coordination of the internationalization process by international organizations.

All these processes are aimed at the qualitative renewal of domestic trade by displacing national components and ensuring the predominance of interethnic components in key areas

According to the Board, "further external expansion of European operators in the XXI century will only intensify" [Transformation process..., 2009, p. 69].

Thus, the internationalization of the sphere of commodity circulation in Uzbekistan has a comprehensive nature and complex content.

In essence, all forms and structures of trade belong to the sphere of internationalization, but internationalization is manifested on a larger scale in retail trade. Here it manifests itself in the creation of new types and formats of trade.

In Uzbekistan, during 2005-2012, this category of trade objects doubled.

Based on the data in Fig. 2. it is possible to state the fact of a new strategic priority in the development of retail trade, significantly changing its structure and offerings. We are talking about the concentration of trade turnover in large and medium-sized trade enterprises, whose share is 80% in the national turnover, despite the fact that their number does not exceed 5%.

Such structural imbalances in retail trade should be considered deformed, since:

- they do not correspond to the state policy of development of the current entrepreneurship in the field of trade;
- lead to a significant differentiation in the level of commercial services to the population in large and small settlements, especially in rural areas;
- lead to monopolization of the sphere of commodity turnover.

At the same time, large retail facilities have a number of advantages economic, technological and organizational nature, which explains their accelerated development. They acquire the organizational form of networks of large-format retail enterprises.

The networks of such enterprises are corporate in nature and belong to large commercial and industrial groups, companies: "Furshet", "Silpo" (Fozzi Group), "Maxi", "Tiki-market", "Sper", "Billa", "Metro cash and Carry", "Arsen" ("Intermarket"), "El Dorado", "Foxtrot", "Epicenter" and others.

Currently, there are two main groups of retailers, the first are those who enter Uzbekistan through partners (franchisees), the second are those who have their own parent company (these are companies from Russia ("Sportmaster", "O'stin", "Incity", "Gloria Jeans", "Centro"); Poland ("LPP")



and Turkey ("Collezione", "LC Waikiki"). At the same time, it can be noted that the Ukrainian market is 90% franchised.

The competition among companies in the market of household goods and appliances also continues. So, in 2012, Technopolis absorbed the Eldorado chain of household appliances and electronics stores, while increasing the number of stores to 165 units (second place in the market). The network for the sale of mobile phones "Samsung" also bought out its competitor - "Redmi", which allowed to increase the number of enterprises selling this type of product to 900 units.

The main areas of expansion of Western retailers are those segments where there are no large operators that would occupy a large market share: this is retail trade in food, household goods, clothing. Attempts to enter the consumer electronics market, which is divided between four large domestic chains, as well as the pharmacy business, where large Ukrainian chains are developing rapidly, have not yet succeeded.

If internationalization is explicit in retail, then this process is not transparent in the wholesale sector. It is expressed mainly in the creation of a network of intermediary structures - agency firms, distribution and consignment companies, brokerage offices, as well as organizers of wholesale turnover (commodity exchanges, auctions, wholesale agricultural markets, virtual exchanges, electronic portals).

Now in Uzbekistan there are at least 6 thousand structures mediating more than 450-500 billion UZS of wholesale turnover.

Foreign companies penetrate the wholesale trade quite destructively, but legitimately. The fact is that by the protocol of joining the WTO, Uzbekistan, as one of the few countries of this organization, opened the opportunity for foreign structures to provide wholesale services. As a result, on the one hand, due to the transfer of wholesale turnover to the sphere of wholesale and retail enterprises (mainly large-format networks), the network of wholesale trade bases has been destroyed, on the other hand, foreign companies are assisting in the formation of distribution firms. This is precisely the strategic mistake of the trade policy in the wholesale trade, which led to blocking the entry of domestic producers into the market and stimulating commodity imports. This situation needs to be corrected, especially due to the fact that "conducting an economic justification of the expediency of fulfilling the procedure of obligations regarding market protection is not regulated in any way".

It should be emphasized that an uncontrolled increase in imports is typical for most commodity groups, and on an increasing scale. This leads to a negative current account balance. Since 2005, there has been a significant gap between imports and exports in Uzbekistan.

The expansion of imports of goods to Uzbekistan essentially blocked the weakly competitive domestic commodity production, which, accordingly, led to an increase in imported goods as part of the turnover in the consumer market. As a result, the share of domestic goods in turnover in the domestic market has sharply decreased and reached a critical level in comparison with standards national economic security. Thus, taking into account the unorganized market, the share of food products of domestic production has decreased to 70%, and non-food products - is only 40-45%.

Thus, in the sense of the dependence of commodity and resource provision on the import of goods, the national consumer market is in a zone of critical security. Nevertheless, "foreign trade remains one of the main forms of international economic relations" [Economic problems..., 2007, p. 305].



It should be noted that the development of imports as one of the directions of internationalization of trade has a positive aspect, which consists in saturating the consumer market with goods, expanding and updating their assortment, and ensuring the availability of goods to consumers.

Along with the expansion of imports, there is another trend of internationalization of the trade sector - the large-scale penetration of foreign trade capital into the sphere of commodity circulation, aimed primarily at investment purposes.

The following factors determine the investment attractiveness of the domestic consumer market of Uzbekistan:

- high capacity of the consumer market and steady growth in the scale and pace of its development in the last decade;
- short payback periods for investments in trade objects;
- the inaccessibility of long-term bank loans for this area of business in Uzbekistan and excessively high interest rates for the loan;
- high turnover of assets in trade;
- the growing dependence of trade on loan capital.

Foreign direct investment in Uzbekistan's domestic trade is characterized by stable positive dynamics.

They reached more than 5.4 billion US dollars in 2012. In terms of the scale of foreign investment, trade ranks second among all types of economic activity, second only to the processing industry.

It should be noted that the general investment rates in the trade sector are very high. Thus, investments in fixed assets for 2000-2012 increased from UZS 30 billion to UZS 260 billion (8.5 times), and in trade - from UZS 1.3 billion to UZS 17 billion, that is, 13 times.

Such investment activity leads to accelerated development of all sectors of domestic trade. At the same time, it should be noted that domestic and foreign investments have different directions.

Domestic investment funds are directed mainly to the development of trade in cars and other vehicles, as well as retail trade (52.7%). The structure of foreign investments is diametrically opposite. Their investment in retail trade does not exceed 9.5%, which indicates the growing interests of foreign investors in the most backward at this time and the most important sector in the future - wholesale trade.

In general, the accelerated increase in fixed capital investments in Uzbekistan's domestic trade has a number of positive consequences:

- qualitatively updated fixed assets in all sectors of trade;
- technological progress is taking place, a deep modernization of the industry is being carried out;
- the competitiveness of trade objects increases;
- a modern trading service system based on high quality, culture and efficiency is being formed.

At the same time, fundamentally new phenomena are observed for the national economy: foreign direct investment creates favorable conditions for the intensive development of foreign entities in the commodity markets of Uzbekistan. This process is becoming widespread.



The number of new foreign trade entities is increasing at an accelerated pace, which displace domestic commercial business from the domestic consumer market. Only in 2005-2012, the number of objects in the organized trade sector of Uzbekistan decreased by almost 20%, which means that at least 10 thousand stores ceased their activities.

Thus, the internationalization of trade is a process not only poorly studied theoretically, but also confusing in practical terms. It cannot be accepted as a purely adaptive process. In internationalization, most likely, there are hidden elements of expansion. Internationalization is effective and mutually beneficial in equal-quality national economic systems, and in different-quality systems negative socio-economic consequences are inevitable.

It should also be added that the internationalization of business, including trade, requires management within an effective state policy and on a fundamental scientific basis.

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