

Competition Policy in the Global Development Agenda

Introduction

1. Today the problem of poverty is one of the most important all over the globe. One of the way to fight with poverty is to improve competition in all the countries. Competition plays an important role in this connection because competition means fair prices. It means that poor people can afford goods and services. Unfortunately, today we face numerous anti-competitive practices which do not allow people live a fair life. One of the key features in modern world is globalization and regional integration and it is extremely important to discuss the competition issues and its influence on poverty on global platforms.

2. Starting from the year 2000 up to the present moment the problem of fighting poverty is one of the key issues discussed on all the governmental platforms. This topic is on the focus of the talk addressed by the President of the Russian Federation to the Federal Assembly. This top-priority objective is directly or indirectly set before them. Therefore, the whole state authority system, including the FAS Russia, as a federal executive authority, aiming at bringing maximum benefits to citizens as major stakeholders, i.e. social welfare in a broad sense.

3. The FAS Russia, as an authority responsible for competition policy and law enforcement, is authorized to exercise control and monitor such vitally important spheres as agriculture, trading activity, social sphere, public procurement placement, fuel sector, transport and communication, power and energy, unfair competition, financial markets, and etc. Moreover, the FAS Russia is empowered to fight against cartels, as one of the most socially and economically damaging evil, and has successfully conducted a certain number of investigations, which influenced the markets to a certain degree.

4. FAS Russia monitors prices for some commodities of social importance. The results of this monitoring can be the subject to antitrust investigation and detection of violation of the Law on Protection of Competition. In particular, cases on abuse of dominant position by means of excessive pricing, discriminatory pricing, and also

cases on uncompetitive agreements on price fixing were detected. The violations of the law “On Trade” were also detected.

Pharmaceutical market

5. The sphere which is considered by the FAS Russia to be extremely important for social development and fighting the poverty is pharmaceutical market. Medicines and drugs are the products which are essential for life saving. Existing of cartels in this market will be even more harmful because it is impossible to replace some drugs which are produced by cartel-member with the other.

One of the benchmark decisions made by FAS in 2012, legitimacy of which was confirmed by supreme Court Instances in Russia, was the decision that two large pharmaceutical companies had concluded a cartel agreement.

In February 2013, the Panel of Judges of the Supreme Arbitration Court of the Russian Federation confirmed legitimacy of the FAS decision regarding the fact of a cartel agreement between two large participants of the pharmaceutical market – “R-Pharm” CJSC and “Irvin-2” Ltd., implemented at a tender for purchasing medicines organized by the Ministry of Health Care and Social Development. “Irvin-2” Ltd. won the tender for supplying capsules and tablets of mycophenolate mofetil (used for transplanting organs and tissues), while “R-Pharm” CJSC practically refused to compete. Seven days after the tender “Irvin-2” Ltd. bought the medicine required for the contract directly from “R-Pharm” CJSC. The sum of the contract was 99,899,280 Rubles (approximately US\$ 3,150,000).

Public procurement

6. Public procurement placement is another sphere of relations which is under control of the FAS Russia. Public procurement allows procuring entities to procure services and goods of the best quality at the lowest price. This mechanism is an effective measure to support the poor who enjoy the state help.

One of the great achievements in this field is introduction of electronic auctions. For this purpose 5 sites (electronic platforms) were created. It also presumes free participation for all the participants except for the winner; information is placed uniformly, the search system is universal. Electronic platforms bear administrative liability. The economy of budget funds for the period 2006-2011 amounted to more than 1 trln. 448 bln. rubles. (more than 36 bln. Euro).

Moreover, the FAS Russia initiated introducing of a united system of public procurement for federal, regional and municipal needs in the form of competitive electronic auctions. So, in 2012 the total sum of contracts for small and medium enterprises was more than 5 billion euros. It allows supporting small and medium enterprises and also improving a social and economic situation in the country.

Communication market

7. Undeniably, developed communications is one of the crucially important factors for effective business activity, from the socially and economic points of view, in such a geographically great country as Russia.

In 2010, the FAS Russia along with other antimonopoly bodies of the CIS members-states started investigations on the markets of roaming services. The investigations were completed in October 2010; on the basis of the findings the FAS Russia found that “the big three” of mobile operators MTS OJSC, VypelCom OJSC, and MegaFon OJSC abused their market dominance.

As for the cases investigated by the FAS Russia, Russian operators reduced their rates in December 2010 by two - four times. In 2012 prices continued going down but without involvement of the antimonopoly bodies.

The problems of telecommunications with use of roaming in the CIS and the countries of Europe are regulated to a greater degree. For other regions, however, additional coordination of the efforts of the antimonopoly bodies is required. Therefore, in June 2012 the FAS Russia and the Turkish Competition Authority discussed the possibility of forming the International Working Group for Research of Competition Issues in the Market of International Telecommunications (Roaming), the first session of which was held on September 12, 2012, within the framework of the Russian Competition Day. The Working Group will continue its operations in 2013.

Transportation

8. Public transport is one of the most important industries in the Russian Federation. Share of paid public transport services among the total amount of paid public services in Russia accounts for more than 20%. The size of the country and its geopolitical features determine a significant role of air transport as a powerful factor of integration. On the basis of the detailed analysis, the report outlines the measures which can principally improve the situation on the market of air transportation. .Because of the territory of the Russian Federation it is extremely important to make avia transport available for all the citizens.

For several last years antimonopoly authorities of the CIS member-states together with the aviation authorities of CIS member-states carried out work on preparation of the draft of the Model agreement on the air traffic, including pro-competitive norms. It should be noted that in 2012 there passed a series of negotiations between the aviation authorities of the CIS member states on revision of agreements in force on air traffic about the conclusion of agreements of the new format considering pro-competitive norms, provided by the Model agreement on air traffic.

The FAS Russia is monitoring the prices on avia tickets on internal and external routes. All the violations of competition are considering by the FAS Russia. In the last three years the volume of passenger traffic has been increased because of the fall of the prices.

Moreover, the FAS Russia is voting for appearance of so-called low-cost companies on the internal routes, because it allows people with low income to buy avia tickets. In Europe 30% of the market of avia transport services belongs to the low-cost companies. Today in Russia a number of measures concerning creations of low-cost companies is set. It includes development of infrastructure of airports, changing of the structure of tickets price.

The FAS Russia drafted proposals aimed at improving the current situation and reaching the main goals, such as: by 2020 increasing passenger air traffic by 4 – 5 times, cargo transportation - by 8 – 10 times; increasing the number of operational airports (aerodromes) at least twofold; developing conditions for overrunning growth of the low cost segment of transportation, general aviation, including business aviation; considerable increase of proportion and the volume of regional and local carriage. Based on the FAS proposals, supplemented by the Ministry of transport of the Russian Federation and approved by session participants, the Government Commission on Transport and Communications gave instructions to promptly devise and approve the programme for developing the air transportation market. Implementing the proposals will make air transportation fully available to the population of the Russian Federation.

Fuel sector

9. Controlling the fuel sector is within the scope of responsibility of the FAS Russia. The price for certain goods and services is formed with the fuel price taken into account. The FAS Russia monitors the oil and petroleum products prices, and takes necessary measures, should the situation require it. During the period from 2008 to 2011 the FAS Russia initiated three series of cases against the biggest oil

companies (Lukoil OJSC, Gazprom Neft OJSC, TNK –BP Holding OJSC and Rosneft OJSC).

The violations were the following: fixation of monopolistically high prices for oil products, creation of discriminatory conditions for Russian wholesale oil market, fixation of groundlessly different prices for oil products, exemption of goods out of circulation.

The fact of collective dominance was found during the case consideration. The Russian territory was recognized as geographic market boundaries. The decisions of the FAS Russia were upheld in all the court instances, *inter alia* in the Supreme Commercial Court of Russia.

Competition Advocacy

10. Apart from fighting poverty by regulating the objects, the FAS Russia is putting much effort into developing of entrepreneurship on different social levels through, *inter alia*, competition advocacy, which is gained through the following.

Transparency and openness of the FAS Russia activity are guaranteed.¹ There are Public Consultations Council and Experts Councils for key markets functioning under the FAS Russia. The FAS Russia is presented in social media and successfully leads fruitful dialogues with individuals.

Conclusion remarks

11. Though the FAS Russia is not directly involved into poverty reduction process, *i.e.* it protects competition, and the powers it is vested with do not explicitly stipulate fighting against poverty or carrying out other poverty-related issues; the activity of the FAS Russia has certain impact on creating better social and economic environment for the consumers, and the poor are among them, and for the economic entities, which through competition might provide the former with better goods at the lowest price, and not abuse their market power and set excessive prices for goods and services necessary for people with relatively small income.

Therefore, the FAS Russia activity is aimed at developing competition, which contributes to the existence of more market players, *i.e.*, including, more working places for people. Competition is a fight for the consumer who should have a choice,

¹ Pursuant the Federal Law on Protection of Competition the FAS Russia:

- submits to the Government of the Russian Federation an annual report on the competition situation in Russia and places it on the official web-site www.fas.gov.ru;
- places Decisions and Instructions on cases on the antimonopoly legislation violation and Decisions on submissions.

and can make it within the price range from the lowest to the highest, but always of a decent quality. The principle of fair price shall be fair for all social levels.

The FAS Russia is still under the process of launching and elaborating the statistics on the effects of its actions for the population and the economic situation. Having launched, the aforementioned data accumulating and processing, it will be more evident what impact competition has on the poverty reduction.