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Round table on competition policy and poverty reduction

Contribution

Federal Antimonopoly Service

The Russian Federation

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Introduction

In the Russian legislation there is no official definition of “poverty”, the notion close to it is an “economically disadvantaged person (people)”, whose average income is less than a minimum subsistence line. The law defines “minimum subsistence line” as a monetary measure of the consumer (subsistence) basket (hereinafter “CB”), as well as mandatory payments and contributions. The volume and composition of the CB is set forth by respective normative legal acts that are reviewed on a periodic basis. The CB foresees a certain amount of goods and services that are necessary for a person with a relatively average income. Should the income be less than the CB, the person is considered as poor and becomes entitled to the help from the state.

A number of reforms aimed at improving social, economic and political situation, with particular emphasis on the socially beneficial effect thereof, have recently been carried out in Russia. The poverty reduction issue has been addressed there within. Starting from 2000 up to the present, the problem of fighting poverty is one of the key issues addressed by the President of the Russian Federation to the Government of the Russian Federation¹. The poverty reduction policy is, therefore, implemented nationwide and on all levels of state authorities. Therefore, the whole state authority system, including the FAS Russia, as a federal executive authority, conducts their activities within the avenue of social welfare.

Competition policy and poverty reduction

The FAS Russia is a multiregulator that conducts antimonopoly control, control over the activities of natural monopolies, public procurement, tariff regulation, control over advertising. It is authorized to exercise control and monitor such vitally important spheres as agriculture, trading activity, social sphere, fuel sector, transport and communication, power and energy, financial markets, etc. Moreover, the FAS Russia is empowered to fight against cartels recognized as one of the most socially and economically damaging evil, and has successfully conducted a certain number of investigations. By means of exercising control, the FAS Russia

¹ The texts are available at the official web-site www.kremlin.ru/transcripts

is involved into the process of creating a more competitive, thus, healthy, social and economic environment, with indirect impact on the poverty reduction.

This impact is more evident in socially significant markets, including food, agricultural, pharmaceutical, retail, mobile communication ones. As one of the state authorities in charge, the FAS Russia monitors markets and respective price situations and takes timely necessary measures to keep under control sharp prices fluctuations, as well as applies additional measures to stabilize the consumer prices. The results of monitoring are reported to the Government on a regular basis. Making goods and services available for a larger number of people, and reducing the ratio of the amount of money spent on them to the total amount of income might be illustrative of the poverty level reduction.

Therefore, the goals of the FAS Russia are formed also taking into account the global goal of decreasing poverty level and raising the level of well-being of citizens.

In 2023, the FAS Russia continued to monitor pricing in commodity markets, including for socially significant products, vital and essential medicines. The FAS Russia continued the work on the implementation of the National Plan for the Development of Competition in the Russian Federation for 2021-2025², approved by the Order of the Government of the Russian Federation of September 2, 2021 No. 2424-r (hereinafter – “National Plan”).

The goals and objectives of the National Plan are formulated on the basis of the priority of observing and protecting the rights and freedoms of citizens, as well as the desire to improve their welfare and quality of life in a pro-competitive environment.

Taking into account the results of the implementation of the main directions of the state policy for the development of competition, as defined by Presidential Order No. 618³, the measures of the National Plan are aimed at creating conditions for innovative development, increasing entrepreneurial and social activity, and eliminating social inequality.

² <http://en.fas.gov.ru/documents/documentdetails.html?id=15371>

³ Executive Order of the President of the Russian Federation of 21 December, 2017, No. 618 "On State Competition Policy Guidelines" //

<https://en.fas.gov.ru/documents/documentdetails.html?id=15342>

The most important areas of work under the National Plan are as follows:

- development of fair competition in commodity markets;
- provision of effective and transparent management of state and municipal property and non-discriminatory access of economic entities to it, including natural resources;
- development of small and medium-sized enterprises;
- development of exchange trading;
- unification and systematization of state and municipal preferences;
- digitalization of antimonopoly and tariff regulation.

Retail trade sphere

In 2023, the development of price stabilization mechanisms in socially important commodity markets continued. This subject was also raised at the UNCTAD platform⁴.

In particular, the implementation of the following measures was ensured:

- monitoring of the price situation on consumer markets, analyzing the causes of rising prices for goods and developing economic regulation measures aimed at balancing the markets by federal executive authorities;
- operational monitoring of retail prices for essential goods, pharmaceuticals, medical devices and their availability in trade organizations by regional authorities;
- maintaining an interactive service for tracking the situation on the markets of food and non-food products, including prices for relevant goods and their inventory, on the basis of the Coordination Center of the Government of the Russian Federation;
- daily monitoring by the FAS Russia of complaints regarding prices for socially important food products;
- monitoring of the formation of prices for food products sold through retail chains, primarily for goods, the list of which is approved by the Resolution of the Government of the Russian Federation of July 15, 2010, No. 530 “On approval of the rules for establishing maximum allowable retail prices for certain types of socially important essential foodstuffs and the list of certain types of socially important essential foodstuffs, for which maximum allowable retail prices may be established”;
- monitoring of prices for vegetables that are added into borsch soup (common soup in the Russian Federation), together with industry unions (associations) and large retail chains, measures aimed at stabilizing prices for vegetables in case of a risk of significant price increases;

⁴<https://unctad.org/publication/commodities-and-development-report-2023>

- weekly monitoring of weighted average wholesale and retail prices and markups for chicken meat and chicken eggs;
- expansion of the practice of voluntary limitation by retail chains of markups on socially important food products;
- analyzing financial and economic indicators of product manufacturers;
- conducting unscheduled on-site inspections.

The measures taken ensured the containment of the growth of prices for food products.

The adoption of the Resolution of the Government of the Russian Federation of April 26, 2023, No. 662 “On cases of permissibility of agreements concluded by state authorities of the subjects of the Russian Federation with economic entities in order to stabilize prices for goods included in the list of certain types of socially important food necessities, for which maximum permissible retail prices can be established” (hereinafter “the Resolution of the Government of the Russian Federation No. 662”) made it possible to coordinate the activities of regional authorities to conclude agreements with market entities, giving them the opportunity to come forward with such initiatives independently, which increased the effectiveness of the implementation of mechanisms of responsibility and accountability. As of mid-March 2024, price agreements are in force in 35 regions, and they have been concluded with 9,410 trade organizations, 46 manufacturers and 23 wholesale organizations.

In connection with the significant increase in the price for chicken eggs, which peaked at the end of 2023, the FAS Russia suggested that the regions use the opportunity provided by the Resolution of the Government of the Russian Federation No. 662 to conclude price agreements with producers, suppliers of chicken eggs and retail trade organizations. In order to speed up the process of their conclusion, the FAS Russia developed and sent to all constituent entities of the Russian Federation recommendations on the parameters of such agreements. As of February 2024, agreements on chicken eggs have been concluded in 18 constituent entities of the Russian Federation.

In 2023, 18 competition law cases were initiated, 9 decisions on violation of antimonopoly legislation were made, 14 warnings on the grounds of violation of antimonopoly legislation and 11 cautions were issued.

All the measures taken contributed to the stabilization of prices for socially important goods and increased their accessibility for citizens. As a result, in 2023 there was a decrease in the number of citizens' complaints about the rise in food prices.

Agro-industrial complex

In connection with the FAS Russia's detection of advanced growth rates of wholesale prices at the end of 2023 compared to the growth rate of the cost of chicken eggs, which was accompanied by an increase in the profitability of sales of this product in the wholesale sector, 10 cases of violation of antimonopoly legislation were brought against a number of producers of chicken eggs in 10 constituent entities of the Russian Federation, including on the grounds of anticompetitive agreements and concerted actions.

Three major companies operating in the poultry market have made voluntary commitments to reduce wholesale prices for poultry meat when supplying it to federal retail chains.

In order to ensure a commensurate reduction in retail prices in retail chains when wholesale prices are reduced by poultry suppliers to retail chains, the FAS Russia sent relevant recommendations and organized monitoring of the fulfillment by business entities of their voluntary commitments to reduce poultry prices and the transmission of such reductions to retail price.

Healthcare sector

As part of the ongoing economic analysis, in 2023, 252 manufacturers' maximum selling prices for pharmaceuticals classified under 40 INNs were reduced by an average of 14 % as a result of their harmonization with prices in reference countries and the entry of new reproduced medicines into the market.

Reduction of such prices will ensure creation of equal conditions for circulation of such pharmaceuticals and increase their accessibility for consumers.

Mobile communications

A large number of complaints have been received by the FAS Russia from users of communication services. Thus, in September 2023, the largest Russian mobile operators were issued a warning about the need to stop charging for the distribution of the Internet from subscriber devices – the warning has now been implemented.

The FAS Russia constantly controls the tariffs that are set by all the largest mobile operators.

Construction materials

Due to a sharp rise in prices for rebar by more than 15 % in October 2023, a case was initiated against a group of persons of the largest manufacturer for violation of antimonopoly legislation on the grounds of establishing a monopolistically high price for rebar. Following the initiation of a case on violation of antimonopoly legislation and sending letters on the need to comply with the principles of responsible pricing to other rebar manufacturers, prices decreased.

In 2023, due to the unprecedented growth rates of cement prices the FAS Russia initiated an investigation of the market. The analysis of the business activity data showed that the prices set by the largest cement producer in the first half of 2023 exceeded the amount of necessary expenses and profits for production and sale. The FAS Russia identified signs of violation of antimonopoly legislation in the actions of a group of persons and initiated a number of cases against the largest cement producer in the Far Eastern Federal District, in the Southern Federal District and the North Caucasus Federal District.

In April 2024, as part of the work to verify the validity of setting prices for construction materials the FAS Russia initiated a case against a group of persons, which holds a dominant position on the market, and found that prices for aerated concrete blocks on the domestic market increased disproportionately to the companies' expenses needed for their production and sale. Following the case review, the group of persons was found guilty of violating the antimonopoly legislation. The FAS Russia issued a remedy to organizations to take actions aimed at ensuring competition.

Motor fuel market

The FAS Russia takes measures on the motor fuel market both in the wholesale and retail segments. According to the instructions of the Russian Government, the FAS Russia inspects the economic feasibility of pricing, and in case of unjustified price increases, antimonopoly response measures are taken.

To date, 30 antimonopoly cases have been initiated in 19 regions of the country as a result of the inspections.

Control of advertising and unfair competition

The Expert Council on the Application of Legislation on Advertising and Protection against Unfair Competition under the FAS Russia operates to prevent and suppress inappropriate advertising that may mislead advertising consumers or harm the health of citizens, and to combat fraud on financial markets.

The FAS Russia is actively promoting antimonopoly regulation on marketplaces in order to prevent the sale of counterfeit goods, suppress unfair practices and ensure equal and non-discriminatory conditions for all market participants.

Tariff regulation

One of the key areas of the FAS Russia's activities is the improvement of tariff regulation measures, which affects the entire economy. The Methodological Council on tariff regulation operates on the basis of the FAS Russia.

The FAS Russia is also developing new approaches to control this sphere. For example, from January 1, 2024, regional offices of the FAS Russia may conduct unscheduled on-site and documentary inspections in the field of tariff regulation on the instructions of the central office. This allows for a more effective response to cases of unjustified tariff increases.

Exchange trading

Exchange trading is one of the key tools for ensuring competition on the commodity markets.

In December 2023, the road map for the development of exchange trading⁵ was approved as part of the implementation of the National Plan for 2021-2025. Its key objective is to expand the boundaries of trading, i.e. to involve new commodity groups.

Execution of the road map will contribute to price stabilization, the formation of national price indicators for products that do not depend on external factors, and will also help to ensure the flow of supply of participants in the process in accordance with demand on the domestic market.

⁵ <https://en.fas.gov.ru/press-center/news/detail.html?id=55995>

Suppression of anticompetitive agreements as a mechanism for ensuring economic security

Anticompetitive agreements and concerted actions pose a serious threat to the economic security of the Russian Federation, cause significant damage to the state budget, and are a factor leading to social instability.

Agreements restricting competition undermine not only the foundations of the market economy, depriving goods and services of competitiveness in the long term, but also contain a corruption component and are often concluded in strategically important areas of the economy.

In the Strategy of Economic Security of the Russian Federation for the period until 2030, approved in May 2017 by the President of the Russian Federation, the prevention of cartels was included among the main tasks of the state in the field of ensuring economic security.

In March 2024, the Government of the Russian Federation approved the Interdepartmental Program of Measures to Identify and Prevent Cartels and Other Agreements Restricting Competition for 2024-2028. The document pays special attention to the digitalization of the fight against cartels. The program will make it possible to identify signs of antimonopoly law violations based on big data technology and artificial intelligence.

As part of the implementation of the powers of competition authorities aimed at detecting and suppressing violations of antimonopoly legislation, in 2023 the FAS Russia initiated 287 antimonopoly cases on anticompetitive agreements, including 224 decisions on violation of antimonopoly legislation.

In 2023, violations of antimonopoly legislation on tenders (bid rigging and collusion with the customer) were identified in 72 regions. The FAS Russia brought 307 business entities and 24 customers as defendants in the cases. The bidding agreements covered 2,911 purchases with the aggregate amount of initial maximum contract price of 174 billion rubles (1 947 930 000,00 USD). A total of 1,082,936,037 RUB (12 123 468,93 USD) was paid to the federal budget in 2023 for fines imposed by the central office of the FAS Russia for anticompetitive agreements.

In October 2023, the IV Eurasian Cartel Forum was held under the auspices of the chairmanship of the Russian Federation of the Eurasian Economic Union

(EAEU) in 2023. The forum was dedicated to the investigation of cartels in the member countries of the EAEU and the BRICS countries.

The forum participants discussed the problems and prospects of fighting cartels at the national and supranational levels, considered the specifics of antitrust regulation within the EAEU, topical issues of application of antitrust legislation in the Commonwealth of Independent States and BRICS countries, as well as the issue of mitigating liability for cartels. Special attention was paid to the problems of fighting cartels in the digital economy – in particular, the digitalization of the cartel detection process and the use of digital tools in proving anticompetitive agreements.

Conclusion remarks

Though the FAS Russia is not directly involved into poverty reduction process, 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 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's 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, and can make it within the price range from the at the lowest price ones to the highest, but always of a decent quality. The principle of fair price shall be fair for all social levels. Promoting the development of efficient and pro-competitive markets is beneficial because it results in cheaper, more varied and better goods, more jobs, more business opportunities and better public services for the benefit of the whole society and in particular the most vulnerable low-income groups.