



REPUBLIC OF ARMENIA

***STATE COMMISSION FOR PROTECTION OF
ECONOMIC COMPETITION***

2006 ANNUAL PROGRAM OF ACTIVITIES

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Introduction

The present Program shall ensure the continuity of 2002-2005 Annual Programs of Activities of the State Commission for Protection of Economic Competition of the Republic of Armenia (hereinafter also “Commission”) and its goal is to protect and encourage economic competition on product markets, ensure environment necessary for fair competition, promote development of entrepreneurship and protect consumers’ rights in the Republic of Armenia.

Constitution of the Republic of Armenia, (Article 8), Civil Code of the Republic of Armenia (Article 12), the RA Law on “Protection of Economic Competition”, and other legal acts serve as a basis for the Program development.

Analysis of competitive environment conducted on product markets, detection of existing problems, identification of measures for economic competition protection as well as their implementation mechanisms and schedule derive from the objective of the Program.

Measures and mechanisms related with ensuring publicity of the Commission activity, collaboration with international structures and NGO-s, improvement of the Commission administration system, staff training and increase of their qualification comprise a constituent part of the Program.

I. Analysis of Economic Competition Environment and Detection of Current Problems

Protection and encouragement of economic competition as a factor of fostering entrepreneurship development and protection of consumers’ rights is the essence of market economy. Therefore, the existence of competition policy institutions and mechanisms is important in particular to enforce clearly operating market mechanism.

From the prospective of a country that is shifting from the centralized planned economy to a market economy system, the assurance and development of competition is an important phase for productive market reforms since only through these mechanisms the centralized, monopolistic economy inherited from the former political system could be eliminated.

Program of the concrete measures targeted at the improvement of competition policy and Law incorporates adoption of relevant legal acts in the sphere of competition policy as well as introduction of amendments and supplements in them.

The Republic has established a certain system for the economic policy implementation, which includes relevant laws and sub-laws, authorized body securing their enforcement as well as mechanisms for protection of consumers' rights and enforcement of competition policy. However, on-going economic changes demand further improvement of competition policy methods in the following directions: drafting and introducing mechanisms for application of competitive policy and legislation, and development of competitive environment.

Accurate assessment of the economic competition environment is possible only through regular studies of product markets as well as analyzing more product markets and monitoring previously investigated markets.

Selection criteria of markets subject to study for assessment of competitive situation include social-economic significance of markets, extent of demand coverage, level of market concentration, and level of overcoming impediments existing on market, abuse of dominance by dominant economic entities and manifestation of unfair competition.

State assistance provided to small and medium enterprises ensuring stable reproduction and competition development in economy plays a major role in mitigating negative impact of high concentration on product markets.

During the first semiannual of the present year, Commission conducted studies in two spheres having important social significance: milk and dairy, and meat and meat-food product markets, which in their turn incorporate seven discrete product markets. Studies were conducted to define structures of product market and positions of market participants based on the data submitted by economic entities operating in these spheres; the indices of separate product markets and per capita sales volumes in the country were calculated.

“Butter”, “Cheese”, “Sour Cream”, and “Ice-Cream” product markets were identified in milk and dairy industry.

Thirty-three (33) economic entities were operating on “Butter” product market in 2004, of which 13 were producers, and 20 importers. According to the data presented by them the

volumes of produced, imported and sold butter were 15,6 tons, 5 036,2 tons and 4 143,3 tons, respectively. In 2004 per capita annual sales volume was 1,3 kg as compared to 10,1 kg of 1985. The largest sold volume had “Fleet Food” Ltd, which share in sales volume of product market was 36.2% (more than 1/3), i.e. the company had a dominant position according to 2004 data. Joint share of the current top three economic entities having the largest sales volumes on product market totaled to 72.5%.

Eighty-two (82) economic entities were operating on “Cheese” product market in 2004, of which 74 were producers, and eight importing economic entities. Cheese production volume, according to the data submitted by economic entities, was 1474,2 tons, import volume 392,3 tons, sold volume 1030,5 tons. The greater part of cheese produced in the territory of the Republic of Armenia – 67% comprised cheese in salted water, whereas solid cheese had the largest share in the sales volume - 46%. In 2004, per capita annual sales volume was 0.3kg, and produced cheese 0.5 kg as compared to 7.8kg in 1985. The volumes sold by farmers are not included in these figures. According to the analysis of data submitted by economic entities operating on product market in 2004 the volume of cheese production was decreased 18 times as compared to 1985, and if considering the volumes of farmers (based on the estimations of the RA National Statistics Service (NSS)) - 5 times. According 2004 data, the industry had no dominant company and shares of market participants did not exceed 1/3 of the sales volume and market was not concentrated by several economic entities.

Thirty-nine (39) economic entities were operating on “Sour Cream” product market in 2004, of which 38 were producers, and one importer. Sour cream production volume, according to the data submitted by them, was 609,3 tons, import volume 2.7 tons, sales volume 607,1 tons in 2004. Per capita annual sales volume was 0.2 kg. “Ashtarak-Milk” cjsc had the largest sales volume on market – 40.2% (more than 1/3), therefore, the latter had a dominant position on market. Joint share of the current top three economic entities having the largest sales volumes in product market totaled to 60.4 %.

Thirteen (13) economic entities were operating on “Ice Cream” product market in 2004, of which 12 were producers, and one importer. The volume of the produced ice cream was 1466,7 tons, the import volume 11,4 tons, the sales volume - 1356,3 tons. Per capita annual sales volume of ice cream in 2004 was 0,4 kg as compared to 2.8 kg in 1985. The largest sales volume had “Shant Plus” Ltd, which share on the product market sales volume was 36.1% (more than 1/3), i.e. it had a dominant position on market. Joint share of the current

top three economic entities having the largest sales volumes in product market totaled to 85,6%.

Efficiency of production and distribution capacity utilization of the four major economic entities was also studied on "Ice Cream" product market. As a result, it turned out that ice cream producing economic entities failed to use effectively capacities of their machine-refrigerators in 2004, and exploited 2-8 times more machine-refrigerators than necessary for ensuring the sales of the ice cream produced. Production capacities were used only at 20-50%. Here the fact of carrying out additional expenses (as compared to the previous years) to obtain new machines is unclear, given the circumstance that the load of machine-refrigerators was 13-56% during only 4-18 days in a month. The refrigerators provided by ice cream producers to ice cream selling economic entities were not used productively as well. They were used only at 2-7% of their capacities.

In the sphere of meat and sausages "Meat food", "Sausages" and "Hotdogs and Frankfurter" product market were identified.

Thirty-two (32) economic entities were operating on "Meat Food" product market in 2004, of which 24 were producers, and eight importers. According to the data submitted by them, in 2004 188,8 tons of meat food was produced, of which 27,3 tons was imported, and 209,7 tons was sold. Per capita annual sales volume was 0,1 kg meat food. The largest volume had "Geghard Meat Food Combinat" Ltd, the share of which was 46,2 tons, more than 1/3, i.e. the latter had a dominant position on market. Joint share of the current top three economic entities having the largest sales volumes in product market totaled to 68,6%.

Forty-nine (49) economic entities were operating on "Sausages" product market in 2004, of which 35 were producers, and 14 importers. According to the data submitted by them, the volume of the sausage production in 2004 was 622,0 tons, and the import volume - 118,4 tons, sales volume - 728,3 tons. In 2004 the annual production and sales volume in 2004 was 0,2 kg sausages compared to per capita 6 kg of 1985. "Sausages" product market had no dominant economic entity, the shares of market participants did not exceed 1/3 of the market sales volume, and joint share of the top three economic entities was 45% of the market sales volume.

Forty-three (43) economic entities were operating on "Hotdogs and Frankfurter" product market in 2004, of which 27 were producers, and 16 importers. In 2004 the production volume of frankfurter and hotdogs was 192,5 tons, the import volume 2342,7 tons, the sales volume 2449,3 tons. In 2004 per capita annual sales volume of frankfurter and hotdogs was

0,8 kg. “Fleet Food” Ltd had the largest sales volume, the share of which in the market sales volume was 60,0% (more than 1/3), i.e. it had a dominant position on market. Joint share of the current top three economic entities having the largest sales volumes on product market totaled to 82.3%. The ratio of local production and import volumes on market is suspicious.

Table 1

Number of Participants, Import, Production and Sales Volumes and Per Capita Annual Sales Volume on Numerous Milk and Dairy, Meat and Meat Food Product Markets in 2004

| | Product Market Name | Q of Operating Economic Entities | Import Volume (kg) | Production Volume (kg) | Sales Volume (kg) | Per Capita Annual Sales Volume (kg) |
|----|-----------------------|----------------------------------|--------------------|------------------------|-------------------|-------------------------------------|
| 1. | Butter | 33 | 5 036 230,0 | 15 586,8 | 4 143 334,9 | 1,3 |
| 2. | Cheese | 82 | 392 263,5 | 1 474 204,4 | 1 030 528,4 | 0,3 |
| 3. | Sour Cream | 39 | 2 688,0 | 609 258,8 | 607 083,1 | 0,2 |
| 4. | Ice Cream | 13 | 11 421,0 | 1 466 633,8 | 1 356 257,3 | 0,4 |
| 5. | Meat food | 32 | 27 324,7 | 188 828,2 | 209 668,3 | 0,1 |
| 6. | Sausages | 49 | 118 445,7 | 621 967,5 | 728 320,8 | 0,2 |
| 7. | Hotdogs & Frankfurter | 43 | 2 342 697,3 | 192 520,8 | 2 449 289,5 | 0,8 |

The presented volumes do not demonstrate the real picture of milk and dairy, and meat food and sausages industry. Even under the decreased purchasing power of population the per capita calculations can not be realistic and cannot differ that much from the indices of previous years.

Unreliable data causes complications and impedes calculation of product market volumes, investigation and assessment of economic entities activities, in the result of which measures targeted at the protection of economic competition became less productive. Selection of proper modes of regulating competitive environment on product markets becomes difficult.

During the current year, Commission conducted its first study on several consumer-chemistry product markets, which are, actually, import markets.

Table 2

Number and Sales Volumes of Participants, Shares of Leading Economic Entities and Concentration Level on Numerous Consumer-Chemistry Product Markets in 2004

| Product Market Name | Q of Current E/Es on Market | Sales Volume (tons) | Existence/absence of Dominant E/E-s (+/-) | Shares of Market Leader E/E-s (tons) | Market Concentration Level (%) |
|-----------------------------|-----------------------------|---------------------|--|--------------------------------------|--------------------------------|
| “Washing Powder”(automated) | 44 | 1135,0 | + | 25,8 | 59,8 |
| “Washing Powder”(hand-wash) | 44 | 4595,0 | - | 47,0 | 68,8 |
| “Dish Washing” means | 39 | 1045,2 | + | 23,1 | 51,3 |

| | | | | | |
|------------------|----|--------|---|-------|-------|
| “Household Soap” | 26 | 1513,4 | - | 35,45 | 56,03 |
| “Beauty Soap” | 80 | 1590,4 | - | 17,19 | 38,47 |
| “Shampoo” | 92 | 903,0 | - | 11,3 | 23,4 |
| “Bathing Means” | 27 | 39,4 | + | 39,8 | 74,3 |

Two of the stated product markets of consumer chemistry have low concentration level, four of them have moderate concentration, one of which is on the threshold of moderate and high concentration level, and one has high concentration. It should be mentioned that there are many economic entities (total number 352) on these small-scale product markets. Local producers demonstrate explicit tendency of market entry, which will strengthen the competition.

To assess the competition environment, Commission conducted studies on “Metal” and “Glass” product markets based on the first semiannual data of 2004.

Table 3

Number and Sales Volumes of Participants, Shares of Leading Economic Entities and Concentration Level on “Metal” and “Glass” Product Markets in 2004

| Product Market Name | Q of Current E/Es on Market | Sales Volume (tons) | Existence/absence of Dominant E/E-s (+/-) | Shares of Market Leader E/E-s (tons) | Market Concentration Level (%) |
|--------------------------------------|-----------------------------|---------------------|---|--------------------------------------|--------------------------------|
| “Plain Rolling Press” | 52 | Tons | 3310,8 | - | 23,01 |
| “Clamping Wire” | 5 | Tons | 1502,7 | + | 63,81 |
| “Clamp” | 18 | Tons | 11366,8 | + | 39,83 |
| “Angled, Patterned & Plain Profiles” | 56 | Tons | 2303,6 | - | 22,14 |
| “Glass” | 27 | m ² | 282156,7 | ++ | 37,92 - 35,25 |

“Plain Rolling Press” product market had no dominant economic entity according to the data of the first semiannual of 2004. “Plain Rolling Press” product market had moderate concentration and joint share of the three top economic entities totaled to 49.12%.

Joint share of the top three economic entities having the largest sales volumes on “Clamping Wire” product market totaled to 99,94% according to the data of the first semiannual of 2004. “Clamping Wire” product market had high level of concentration during the stated period with one dominant economic entity operating on the market.

Joint share of the top three economic entities having the largest sales volumes on “Clamp” product market totaled to 70.17% according to the data of the first semiannual of 2004. “Clamp” product market was moderately concentrated according to the data of the first semiannual of 2004. “Clamp” product market had one dominant economic entity according to the same data.

“Angled, Patterned & Plain Profiles” product market had no dominant economic according to the data of the first semiannual of 2004. “Angled, Patterned & Plain Profiles” product market had low concentration, and joint share of the top three economic entities with the largest sales volumes totaled to 51,9% on product market.

Joint share of the three economic entities having the largest sales volume on “Glass” product market totaled to 88,95% according to the data of the first semiannual of 2004. “Glass” product market was highly concentrated during the first semiannual of 2004, and the market had 2 dominant economic entities according to the sales volumes of the first semiannual of 2004.

Commission is conducting on-going monitoring on markets, which have major social-economic importance and high concentration level, as well as those markets, which may face violations and manifestations of unfair competition by dominant economic entities.

Table 4
Number, Sales (Import) Volumes of Participants, Names, Shares and Concentration Level of Leader Economic Entities on Several Product Markets in 2004*

| ## | Product Market Name | M/U | P/M Sales (Import*) Volume | P/M Concentration Level*** (CR-3) | Product Market Leading Economic Entities | | Q of P/ Participants |
|----|--|----------------|----------------------------|-----------------------------------|---|---------|----------------------|
| | | | | | Name | Share % | |
| 1 | “Butter” | tons | 4143.3 | 72.5 | “Fleet Food” Ltd | 36.2 | 33 |
| 2 | “Cheese in Salted Water” | tons | 202.0 | 26.2 | “Astotsk Cheese Factory” Ltd | 10.0 | 46 |
| 3 | “Solid Cheese” | tons | 475.6 | 55.2 | “Fleet Food” Ltd | 26.3 | 36 |
| 4 | “Sour Cream” | tons | 607.1 | 60.4 | “Ashtarak Milk” cjsc | 40.2 | 39 |
| 5 | “Ice Cream” | tons | 1356.3 | 85.6 | “Shant Plus” Ltd | 36.1 | 13 |
| 6 | “Meat Food” | tons | 209.7 | 68.6 | “Geghard Meat Factory” Ltd | 46.2 | 32 |
| 7 | “Sausages” | tons | 728.3 | 45.4 | “Mush” Ltd | 20.5 | 49 |
| 8 | “Hotdogs frankfurter & ” | tons | 2449.3 | 82.3 | “Fleet Food” Ltd | 60.0 | 43 |
| 9 | “Washing Powder”(automated) | tons | 1135.0 | 59.8 | “Shohre” Ltd | 25.8 | 44 |
| 10 | “Washing powder”(manual) | tons | 4595.0 | 68.8 | “Mona Group” Ltd | 47.0 | 44 |
| 11 | “Dish Washing Means” | tons | 1045.2 | 51.3 | “Zafar” Ltd | 23.1 | 39 |
| 12 | “Household Soap” | tons | 1513.4 | 56.0 | “Mona Group” Ltd | 35.4 | 26 |
| 13 | “Beauty Soap” | tons | 1590.4 | 38.5 | “Ruslan Khudaverdyan” Ltd | 17.2 | 80 |
| 14 | “Shampoo” | tons | 903.0 | 23.4 | “K. Gevorgyan & Co” Ltd | 11.3 | 92 |
| 15 | “Bathing Means” | tons | 39.4 | 74.3 | “Oriflamme Cosmetise” Ltd | 39.8 | 27 |
| 16 | “Plain Rolling Press”*** | tons | 3310.8 | 49.1 | “Armen Gagao” Ltd | 23.0 | 52 |
| 17 | “Clamping wire”*** | tons | 1502.7 | 99.9 | “Metexs” Ltd | 63.8 | 5 |
| 18 | “Clamp”** | tons | 11366.8 | 70.2 | “Metexs” Ltd | 39.8 | 18 |
| 19 | “Angled, Patterned & Plain Profiles”** | tons | 2303.6 | 51.9 | “Metropol” Reconstruction-Mechanical cjsc | 22.1 | 56 |
| 20 | “Glass”** | m ² | 282156.7 | 88.9 | “Constructor” Production Cooperative | 37.9 | 27 |
| | | | | | “Gapexs” Ltd | 35.2 | |
| 21 | “Vodka” | thous.l | 16042.9 | 48.6 | “Avshar Winery” Ltd | 22.9 | 55 |
| 22 | “Ethyl Spirituous” | thous.l | 1189.6 | 95.8 | “Fleet Food” Ltd | 86.7 | 9 |
| 23 | “Champagne & Sprinkling Wines” | thous.l | 599.6 | 97.6 | “Yerevan Champagne Factory” ojsc | 94.4 | 11 |
| 24 | “Beer” | thous.l | 6211.8 | 100.0 | “Yerevan Beer” cjsc | 54.9 | 14 |
| | | | | | “Kotayk Brewery” Ltd | 38.0 | |
| 25 | “Sugar” | tons | 62228.9 | 100.0 | “Fleet Food” Ltd | 99.4 | 23 |
| 26 | “Vegetable oil” | tons | 21783.4* | 51.3 | “Turna” Ltd | 35.0 | 68 |
| 27 | “Table Salt” | tons | 15896.1 | 100.0 | “Avan Salt Combinat” Ltd | 95.1 | 2 |
| 28 | “Rock Salt” | tons | 7663.2 | 100.0 | “Avan Salt Combinat” Ltd | 100.0 | 1 |
| 29 | “Grinded (technical) Salt” | tons | 6450.6 | 100.0 | “Avan Salt Combinat” Ltd | 100.0 | 1 |
| 30 | “Grain Flour” | tons | 135475.5 | 72.2 | “Fleet Food” Ltd | 33.1 | 63 |
| 31 | “Cash Grain” | tons | 171217.8 | 71.0 | “Victoria Trade JV” Ltd | 27.8 | 10 |
| 32 | “Gasoline” | tons | 202235.0* | 79.9 | “Exime Petrol Group” Ltd | 30.4 | 11 |

| | | | | | | | |
|----|---------------|------|-----------|-------|----------------------|------|----|
| 33 | “Diesel Fuel” | tons | 107550.0* | 72.4 | “Flesh” Ltd | 39.5 | 18 |
| 34 | “Cement” | tons | 340795.0 | 100.0 | “Ararat Cement” cjsc | 57.5 | 2 |
| | | | | | “Miksa- cement” cjsc | 42.4 | |

** Calculated based on the data of the first semiannual of 2004.

*** Expressed by concentration coefficient (CR), which is the sum of shares of the largest economic entities in general sales volume of the given market. Market has: High concentration level, if: $70\% \leq CR-3 \leq 100\%$, moderate level, if $45\% \leq CR-3 < 70\%$ and low level, if $CR-3 < 5\%$.

Commission is conducting continuous monitoring on numerous ethyl spirit product markets since 2002; in the current year the studies were carried out to assess the competitive environment. Alcohol drinks is one of the sphere, which is regulated by the state (licensing and excise tax).

“Beer”, “Champagne and Sparkling Wines”, and “Ethyl Spirit” product markets continue to remain highly concentrated (the shares of the top three economic entities (CR-3) vary within the range of 90%). Such situation is conditioned with the presence of recognized economic entities that have been operating on these markets for many years. “Vodka” product market has another picture: at present, “Vodka” product market has moderate concentration with numerous (55) economic entities and their competition is conditioned with the price factor as well as expansion of assortment. It seems the latter should have had a positive trend, however, the violations of the RA Law on “Protection of Economic Competition” mainly refer to manifestations of unfair competition which are reflected in illegal use of recognized trade marks (labels, brand names, patented bottles) which causes confusion or misleads consumers.

“Sugar” and “Salt” product markets each have one economic entity with 95% and higher share or they have no competitors. “Sugar” product market envisages no licensing, i.e. administrative obstacles for the market entry are lacking. “Cement” product market where two economic entities operate also has high concentration level.

“Diesel Fuel” and “Petrol” product markets maintain almost the same import levels within the last two years, and the trend of concentration level increase is observed.

Results of monitoring illustrate that concentration levels of “Grain Flour” and “Cash Grain” product markets are significantly decreased, which states about the strengthening of competition. “Vegetable Oil” and “Butter” product markets have moderate concentration levels and the increase in the number of market participants is observed.

One of the Commission methods to monitor dominant economic entities monitors is to record the economic entities in the Centralized Register (Log).

Economic entities which operations are based upon the licenses issued by competent body- “Hayrusgarard” cjsc, natural gas industry, and “Armenian Electrical Networks” cjsc, electrical power distribution industry – were registered in the Centralized Register (Log) during the current year.

This year Commission registered “Nork” Information-Analytical Center” cjsc in the Centralized Register as well. The Center has dominant position (has no competitor) on “Acquisition of O&M Services for Database of Disabled within the Frames of Project on Services Delivered to Disabled”, “Acquisition of O&M Services for Family Subsidy Database within the Frames of Social Assistance Services Project”, “Acquisition of O&M Services for Unemployed Database – “Job” System - within the Frames of Employment Services Project” product markets. The client of these activities is the RA Ministry of Social Security. The stated Company applied to Commission for getting a reference from the Centralized Log for the single source purchase (without tender). Economic entities often submit such inquiries, however the relevant studies consume a time of time from Commission, and it would be more appropriate to solve this issue by introducing relevant changes in “Single Source Purchase” rule, providing legislative solution to problems of economic entities.

One of infringements of competition is abuse of dominance by economic entities. Commission is conducting ongoing monitoring of activities of dominant economic entities. Introduction of relevant change envisages that economic entities registered at the Centralized Register of Dominant Economic Entities shall be obliged to submit information regarding their sales (purchased) volumes on the given product market, composition of expenses and price flow (in case of price change - with the relevant justification) according to the order defined by Commission and the forms provided at a six-month periodicity. To this end, Commission required information from 49 dominant economic entities already registered at the Centralized Register of Dominant Economic Entities.

Commission constantly keeps an eye over the behavior of economic entities which for the maintenance of their market power and control over the market situation may initiate activities restricting competition, creating market entry artificial impediments, signing anticompetitive agreements as well as ignoring consumers’ rights. Thus, in addition to infringements of the RA legislation, in particular RA *Laws on Telecommunication* and

Protection of Consumers' Rights as well as mobile telecommunication service public contracts signed with consumers, and business traditions, "ArmenTel JV" cjsc which has a dominant position on "GSM Services" product market delivered improper quality GSM services (with gaps and interruptions). Notes submitted by the RA Ministry of Transport and Communication, ArmenTel statements as well as media publications also prove the poor quality of the delivered communication service.

Taking into account the aforementioned Commission decided to qualify "ArmenTel JV" cjsc behavior in "GSM Services" product market as abuse of dominance which has been reflected by indirect tying of trade conditions conflicting with RA legislation or business traditions, and impose sanction on Company at the rate of 1% of proceeds gained from delivering GSM services in 2004, instruct Company recover the infringement and exclude it in future. 158,6 million AMD was transferred to the state budget.

Commission research based on press publications as well as complaints of economic entities revealed facts proving that dominant economic entities are tying obligations on contract parties which in their nature or implementation aspect are not related with the subject matter of the contract.

Commission detected the stated behavior on "Carbonated and Sweetened Drinks" product market where "Coca-Cola Hellenic Bottling Company Armenia" cjsc has a dominant position. As revealed during the research, Company took back from a number of economic entities the refrigerators provided to them following the signed contracts merely because these economic entities placed in their selling outlet refrigerators owned by Company's competitor. This is an abuse of dominance manifested in tying of additional obligations on the contract party which in their nature or implementation aspect are not related with the subject matter of the contract.

Product markets also face administrative obstacles that impact on competition environment creating unequal competitive conditions. These obstacles arise in cases when activities of economic entities, their registration and licensing conditions are not identified by the legislation.

According to the application submitted by "Medication Import and Production" Union of juridical persons, Bulgarian "Balkanfarma" and "Sofarma" medication producing companies restricted competition through entering into agreements with some of importers. These agreements are reflected in putting identification signs or barcode on external packaging of

their product, whereas these signs are missing on the same produce produced by the same manufacturers offered by Russian wholesale mediators.

As stated in the application, these agreements turned into legal impediments since they are protected by the import state procedures and operations of the authorized bodies. Therefore, Commission conducted research to identify the limits of those implementing powers of state authorized body and excess of their authority. Authorized body exceeded the powers reserved by the RA legislation while implementing activities and created impediments for market entry in the sphere of medication circulation thereof, namely restricted competition since it opened opportunities to impact unilaterally on general conditions of a part of competitors (which collaborate with producers) operating on medication product market. Hence, adoption of legal acts regulating the aforementioned issues by relevant bodies becomes necessity.

Taking into account the results of competitive environment analysis on product markets as well as revealed issues subject to solution, for 2006 Commission plans to conduct the below mentioned activities to protect economic competition through economic competition regulation mechanisms.

II. Economic Competition Protection Activities and Their Implementation Timetable

Based on the analysis of economic competition environment and detected issues described in Chapter 1 of the present Program as well as taking into account the experience accumulated during the previous years in the sphere of economic competition protection, Commission is planning to conduct economic competition protection in 2006 in the following directions:

1. Expansion of information base necessary for the assessment of economic competition environment on product markets;
2. Detection of anticompetitive agreements restricting, preventing or prohibiting competition;
3. Studies of behavior of economic entities which have dominant positions on product markets and reveal of potential abuse of dominance;
4. Control over concentrations;
5. Detection of unfair competition manifestations;
6. Ensuring enforcement of decisions adopted by Commission;
7. Detection of market entry impediments and ensuring market accessibility;

8. Immediate response/feedback to mass media publications and economic entities complaints;
9. Supplements to economic competition protection legislation.

To ensure the stated directions Commission is planning to implement the following activities in 2006:

Expansion of Information Base

- Analysis of competitive environment on product markets which have greater weight in structure of population consumption (product markets which were not studied by Commission earlier);
- Monitoring and assessment of competition environment on product markets which Commission studied earlier.

Activities Targeted at Reveal of Anticompetitive Agreements

- Monitoring aimed at detection of price agreements on oligopolistic product markets;
- Study of product circulation restriction cases within the certain areas of the same product market, by certain volumes, assortment, consumer or supplier groups;
- Studies aimed at detection of facts of market entry impediments or ousting economic entities out from markets resulting from agreements between economic entities.

Study of Dominant Economic Entity Behavior and Measures Aimed at Detection of Their Violations

- Monitoring of prices imposed by dominant economic entities on market;
- Studies of legal relations (contracts and others) between economic entities to detect tiding of discriminatory prices, additional obligations on some of partners;
- Conduct of appropriate studies to exclude artificially created deficit in case of turnover reduction on product markets.

Control over Concentrations

- Obtain operative information about mergers of economic entities, defining control over stocks (shares), means of economic entity or one economic entity by another entity.

Detection of Unfair Competition Manifestations

- Ongoing control over commercials;
- Conducting of studies (cases/proceedings) based on applications of citizens and economic entities, mass media publications.

Detection of Market Entry Impediments and Ensuring Market Accessibility

- Monitoring of decisions related to the economic competition issues adopted by central government administration bodies;
- Monitoring of decisions related to the economic competition issues adopted by local government bodies;
- Studies of obstacles being created by state administration bodies in the course of exercising the powers reserved to them by Law.

Execution of Decisions Adopted by Commission

- Reveal of market entry obstacles and market accessibility assurance;
- Monitoring of decisions related to the economic competition issues adopted by state administration bodies;
- Monitoring of decisions related to the economic competition issues adopted by local government bodies;
- Studies of impediments created by state administration bodies in the course of implementation of the powers delegated to them by Law.

The aforementioned measures shall be conducted mainly based on the information available under the disposal of Commission and inquiries of the central and local government bodies, economic entities and mass media publications.

Supplements to Economic Competition Protection Legislation

- Improvement of relevant normative base ensuring enforcement of the Law provisions;
- Publication of clarifications connected with economic legislation enforcement;
- Measures connected with harmonizing RA economic competition protection legislation with European competition legislation.

Table below present the stated measures with their timetable:

Table 5

| ## | Activity | Timetable |
|----|--|---|
| 1 | <i>Expansion of Information Base</i> | |
| | Analysis of competitive environment in product markets which have greater weight in structure of population consumption (product markets that were not studied by Commission earlier). | During the year (according to the separate calendar plan) |
| | Monitoring and assessment of competition environment on product markets that were not studied by Commission earlier. | July |
| 2 | <i>Activities Targeted at Detection of Anticompetitive Agreements</i> | |
| | Monitoring aimed at agreed prices detection on oligopolistic product markets. | During the year |
| | Study of product turnover restriction cases within the certain areas of the same product market, by certain volumes, assortment, consumer or supplier groups. | |
| | Studies aimed at detection of facts of market entry impediments or ousting economic entities out from markets resulting from agreements between economic entities. | |
| 3 | <i>Study of Dominant Economic Entity Behavior and Measures Aimed at Detection of Their Violations</i> | |
| | Monitoring of prices applied by dominant economic entities on market. | During the year |
| | Studies of legal relations (contracts and others) between economic entities to detect tiding of discriminatory prices, additional obligations on some of partners. | |
| | Conduct of appropriate studies in case of turnover reduction on product markets to exclude artificially created deficit. | |
| 4 | <i>Control over Concentrations</i> | |
| | Immediately obtain of information referring to mergers of economic entities, defining control over stocks (shares), means of economic entity or one economic entity by another entity. | During the year |
| 5 | <i>Detection of Unfair Competition Manifestations</i> | |
| | Ongoing control over commercials. | During the year |
| | Conducting studies (cases/proceedings) based on applications of citizens and economic entities mass media publications. | |
| 6 | <i>Execution of Decisions Adopted by Commission</i> | During the year |
| 7 | <i>Detection of Market Entry Impediments and Ensuring Market Accessibility</i> | |
| | Monitoring of decisions related to the economic competition issues adopted by the state administration bodies. | During the year |
| | Monitoring of decisions related to the economic competition issues adopted by local government bodies. | |
| | Studies of obstacles created by state administration bodies in the course of implementing the powers reserved to them by Law. | |
| 8 | <i>Immediate response/ feedback to mass media publications and economic entities complaints</i> | During the year |
| 9 | <i>Supplements to legislation on economic competition protection</i> | |
| | Improvement of the relevant normative base to ensure enforcement of the Law provisions. | During the year |
| | Measures connected with harmonizing RA economic competition protection legislation with European competition legislation. | |

III. Economic Competition Regulatory Mechanisms

In addition to the mechanisms fixed by the Law, to secure implementation of activities for economic competition protection, the following competition regulatory mechanisms shall be applied in the course of Program implementation:

1. Formation of favorable conditions and environment of trust for economic entities to apply to Commission in case of Law violations on product markets by providing immediate response/feedback to the submitted applications, warnings, and publications in mass media.
2. Formation of environment where economic entities shall inevitably bear responsibility for Law violation;
3. Presentation of conclusions referring legal acts adopted by the state and local government bodies.
4. Collaboration with:
 - State administration and local government bodies;
 - Relevant NGO-s which activities are aimed at the formation of favorable environment for economic competition;
 - Economic entities operating on product markets.
5. Ensuring transparency of Commission activities through bulletins, press conferences, collaboration with mass media, informing the society about the Law provisions, consequences of their violations, powers and functions of Commission, issues under discussion, adopted decisions, planned and operative studies and their results.

IV. Other Necessary Provisions Defined by Commission to Implement Tasks and Functions Defined by the Law

The RA State Commission for Protection of the Economic Competition shall actively cooperate with international organizations and similar structures of foreign states in 2006.

The cooperation shall be mainly directed at development and implementation of technical assistance projects which are deriving from the incentives of the Commission, increase qualification of specialists and introduce the experience of leading foreign countries, as well as implementation of international obligations within the Commission's jurisdiction and formation of "competition culture".

Simultaneously, Commission shall continue elucidate events and activities conducted in the sphere of economic competition protection through mass media means.

In particular, during the planned year the Commission shall:

- Participate in the current activities, annual sessions and meetings of the Antimonopoly Policy Interstate Council of the CIS member states, simultaneously presenting analysis and activities conducted in the sphere of economic competition in Armenia;
- In accord with the contract on competition policy signed between the Council of Ministers of Ukraine and Armenian Government, the cooperation with Ukrainian Antimonopoly Committee shall be expanded. Within the frame of the bilateral cooperation it is anticipated to design bilateral contract with Antitrust service of the Russian Federation;
- Exercise functions fixed in the Memorandum of Understanding signed between the US Government and Commission within the frames of the “Commercial Law and Economic Regulation” (CLERP) project funded by the USAID;
- Negotiations shall be held with the ABA/CEELI international organization to conduct a joint project;
- Cooperation with the EC mission Yerevan office to receive consultancy on ensuring quality management and appropriate legal powers through technical cooperation projects as well as to foster close collaboration between Armenia-European Union counterpart states within the frames of “New European Neighbors”, to increase productivity in designing common mechanisms for improving economic competition environment in Armenia and implement competition policy within the frames of the further comprehensive economic integration;
- Collaboration on the issues presenting mutual interests shall be continued with AEPLAC, in particular for the implementation of National Program of Partnership and Collaboration Treaty;
- Collaboration with OECD and OECD RRC with the purpose of enhancing the cooperation between the similar structures through participations in conferences, seminars and training courses on competition law and policy, and promoting improvement of employees’ capacities and exchange of experience;

- Together with ICN member states shall participate in current activities of Work Group promoting to develop a model for the solution of competition issues which is deigned according to the specific requirements of the country to expand the opportunities for enforcing competition legislation;
- Negotiations with the WB and FIAS within the frame of Poverty Reduction Strategic Program for preparatory activities to be launched for competition protection strengthening as fixed in the PRSP 3-rd annual trench;
- Design and implementation of technical assistance projects with OSCE and Swiss Collaboration and Development Agency (SDC), including activities directed at ensuring transparency and openness for the Commission's activities.