

**INCORPORATING COMPETITION PRINCIPLES INTO REGULATORY REFORM  
PROGRAMS  
(Experience of Russia)**

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The national economy is currently growing at a rate of 5 to 6%, after 9% last year. I believe this high growth is due to the economic reforms now under way in Russia. One of the broad principles underpinning this reform is the development of competition. Establishing transparent, stable rules for economic activity to stimulate the business world is one of the main planks of Russian government policy. In practical terms, this determination is reflected in our Medium- and Long-term Government Programmes.

1. Government policy on institutional restructuring is aimed at creating an open economy and an environment in which every enterprise enjoys the same opportunities. This policy, with its strong pro-competition focus, gives the ministry in charge of competition policy ("MAP Russia") an active role in policy formation and delivery. In this new environment, the competition authority is no longer an institution that merely notes breaches of the law and takes action to prevent them. Increasingly, its task is to rid the business environment of conditions that are conducive to such breaches and have been generated by market or government policy failures in specific sectors of the economy. MAP Russia is also stepping up its involvement in economic policy formation.

2. MAP Russia is increasingly involved in protecting competition. Its activities are wide-ranging and cover, for instance, the application of the principles of competition to the reform of natural monopolies and the new mechanisms set up to regulate them, as well as work to amend the legislation so as to remove red tape and do away with administrative barriers to entrepreneurship.

3. In 2001, Russia has been making substantial headway on reform in the natural monopoly sectors. After heated discussions and intense preparation, the Government of the Russian Federation adopted the Programme of Railway Reform for the period up to 2010 (Decree No. 384 of 18 May 2001) and outline reforms of the energy sector in the Russian Federation (Decree No. 526 of 11 July 2001). MAP Russia has succeeded in ensuring that these reforms, as well as work to enhance regulation in this branch of the economy, are based on the rules of competition. The reform of the railway sector separates state management from commercial activities subject to competition (both currently in the hands of the Ministry for Railways), maintains the unified state railway infrastructure under centralised traffic control, promotes competition in the field of railway transport following the separation of commercial activities from the monopolistic structure, and creates independent transport and service companies. In the power sector, the main purpose of the reforms has been to promote competition in the field of power generation and transmission. Competition has been introduced by restructuring the natural monopoly (now the RAO "UES") and selling off subsidiaries in the power generation and transmission sector to independent investors. The reforms also separate natural monopoly sectors (grids and infrastructure) from commercial

operations, the separation occurring simultaneously with the reform and liberalisation of state regulation. We are currently drawing up proposals for the reform of the gas industry which we hope will be based on the same rules of competition.

4. The competition authority's role in the process of change affecting natural monopolies is not confined to drawing up programmes of reform. MAP Russia monitors the situation on an ongoing and even daily basis in branches of the economy deemed to be natural monopolies. The Ministry's aim is to ensure fair behaviour on the part of market operators, guarantee non-discriminatory access to supply infrastructure services and crack down on abuses of dominant positions on federal and local markets. When controlling economic concentration, the Ministry applies the principle that no enterprise may be set up to operate simultaneously in the natural monopoly and commercial sectors. We also try to limit the scope for individual companies or groups to achieve dominant positions. In order to fully implement these rules we are drawing up amendments to our legislation.

5. MAP Russia, in conjunction with the Ministry for Economic Development, has drawn up a raft of laws on de-bureaucratisation, aimed at liberalising economic life, facilitating market access for enterprises and re-organising state regulation. During its Spring 2001 session, the State Duma adopted Federal Acts "on the licensing regime for specific types of activity, "on government registration of legal entities", "on the protection of rights of legal entities and private entrepreneurs during state inspections". These three Acts were approved by President Vladimir Putin on 8 August 2001. They considerably facilitate and simplify enterprise registration and licence delivery. They lay down the principle of "one-stop shops", reduce the number of types of activity requiring licences, restrict scope for state intervention in business activities and establish a legal framework that protects enterprises from illegal action by executive bodies and state officials. At the same time (and always with the active involvement of MAP Russia), major amendments have been made to the Federal Act "on public companies". Other amendments under way are aimed at implementing general business management rules and the protection of shareholders' rights.

6. On 8 June last, a Governmental Decree of the Russian Federation (No. 452) established a State Commission to remove red tape and optimise federal budget expenditure on state management. The Commission has a broad advisory role in the above fields. Chaired by the Deputy Prime Minister, it includes two members from MAP Russia (the Minister and one of his deputies). The Ministry's involvement in the work of the Commission gives us the opportunity to contribute actively to the enhancement of state management and the process of regulatory reform. There is also the Enterprise Council reporting to the Government of the Russian Federation (established by Government Decree No. 581 of 5 July 2000), which provides an effective link between government and the business world. The Council is chaired by the Prime Minister of the Russian Federation, with the Minister for Antimonopoly Policy and Entrepreneurship Support as Deputy Chair. The Council brings together key figures from the Russian business world and government ministers with economic responsibilities. The Council now has a section on Small- and Medium-Sized Enterprises (Decree No. 523 of 9 July 2001). It is chaired by the MAP Minister of Russia, thereby enabling the interests not only of major enterprises but also of small- and medium-sized enterprises to be taken into consideration when conducting economic reform.

7. The process of enhancing the legislation regulating economic activities continues apace. However, Russian businessmen are still reporting cases of illegal conduct on the part of executive bodies. In such cases, these businessmen are given a rare opportunity to defend their interests and their rights, not only before the courts but also before the competition authority. This is because one of the features of Russian competition law is its application to both commercial enterprises and executive bodies. The law does not allow executive bodies, whether at federal, regional or local level, to vote any decisions, commit any act or draw up any agreement that might distort competition (such as restrictions on market access, unwarranted preference shown to individual enterprises, and barriers to the free movement of goods).

Upon finding evidence of such conduct, MAP Russia is authorised to demand that these anti-competitive acts and decisions be rendered null and void.

**Thus MAP Russia is helping to enhance all state regulations by enforcing compliance with the rules of competition throughout the economy.**

**We in the Russian Federation no longer say “noblesse oblige” but “competition oblige”.**