

*WELCOME ADDRESS INTERNATIONAL COMPETITION NETWORK INTERNATIONAL COMPETITION NETWORK*

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Ladies and Gentlemen,

On behalf of the Russian Competition Authority let me extend a warm and sincere welcome to all the participants of the Sixth Annual Conference of the International Competition Network in Moscow. I am deeply honored to address so wide and representative audience of the distinguished leaders in the field of competition policy from all over the world gathered here to discuss the issues of competition policy development. Today among us there are the chair persons and leading experts from more than 80 competition authorities from both developed and developing countries, representatives of largest international organizations (OECD, UNCTAD, the World Bank, the Interstate Council on Antimonopoly Policy of CIS member-states), Russian governmental bodies as well as practitioners in antitrust law and members of academic and business community - that is all those who has the direct relation to competition policy.

I would like to extend a special welcome to Mrs. Sheridan Scott, the Commissioner of Competition, Competition Bureau of Canada, to whom this Conference is the first one in her position of the Chairman of ICN and also to thank Mrs. Neelie Kroes, Member of the European Commission on competition, that she found the time in her tied working schedule to come to Moscow to participate in the opening ceremony of our Conference.

Besides, I would like to emphasize that the first persons of the State and the Government of the Russian Federation participate in our Conference' opening ceremony. This testifies the obvious recognition by Russian high level politicians of the role of competition policy in economic development.

It is a great honor to Russia to host the Annual ICN Conference. Today, the ICN is an influential international association of the state antimonopoly authorities of the different countries of the world targeted at the elaboration of proposals on the real convergence of competition policies for the achievement of the best practical results.

Under the conditions of the globalization of economic relations and internationalization of the markets the interest of the states towards the liberalization of world trade and investment regimes strengthens. The given processes, in general rendering positive influence towards economic efficiency and consumers' welfare at national levels, obviously affect the nature of competition: it becomes sharper and gains international character.

The existing system of the norms, regulating international trade, obviously requests updating directed at the reduction of barriers to trade and investments. These barriers are arising, *inter alia*, due to existence of various approaches of different countries to the regulation of competition relations.

Complexity of the designated problems demands the association of the efforts of Competition Authorities. In this connection, the real need in expansion of cooperation among the states on competition policy issues, involving in this process the possible majority of the countries, is evident. And the ICN itself creates the real opportunities for solving these problems.

The issues, that are supposed to be discussed during this event, including the development of competition policy and enforcement as well as strengthening of interaction between competition authorities in the globalization era, are extremely actual and really global.

As the Chairman of the Government of the Russian Federation Mr. Michael Fradkov underlined in his statement, the significant steps on introduction into the national competition policy of advanced practices, elaborated in the frameworks of the ICN as well, have been undertaken lately in the Russian Federation.

I would like to inform the audience that the new Federal Law "On Protection of Competition", elaborated by the Federal Antimonopoly Service, came into force on October 26, 2006. This law incorporated two laws existed before – the Federal Law "On Protection of Competition in Financial Services Markets" and the Law of the RSFSR "On Competition and Limitation of Monopolistic Activity in Commodities Markets". At that, the provisions of two laws were not formally included into the Federal Law "On Protection of Competition" but a lot of principally new for the Russian antimonopoly legislation tools were introduced, the approaches to some key notions, judicial and procedure instruments that existed before were conceptually changed.

The law modified the provisions that deal with the prohibition of the abuse of dominant position in the market. In particular, the share of a company dominating in the market is reduced from 65 to 50 %; the concept of collective dominance is introduced; the dominance of a subject of natural monopoly is presumed; and the opportunity to adjudicate the dominance of a company possessing the share less than 35% by the Federal Laws is stipulated.

One of the essential innovations of the law is the introduction of the rule of reason, i.e. criteria which form the ground for the antimonopoly authority to acknowledge some type of monopolistic activity restricting competition (for example, concerted practices) to be admissible.

For the first time, the responsibility of the antimonopoly authority to submit to the Government and publish the annual report on the state of competition in the Russian Federation is fixed in the legislation. Thus, the analytical activity, being conducted by the FAS Russia on the regular basis, will gain the new assignment – the results of this activity will form the ground for the annual report of the Government of the Russian Federation on the competition environment.

Due to adoption of the new law the administrative burden on economic entities is essentially reduced - if before FAS Russia controlled 90 % of enterprises, at present it supervises only 10 %. This result is achieved by substantial growth of threshold values for the pre-merger and post-merger notifications. Also, the approval of each transaction on acquisition of shares is cancelled – the preliminary approval is necessary only for the acquisition of share holdings: blocking (25% + 1), controlling (50% + 1) and excluding the opportunity to block shareholder' decisions by third parties (75% + 1).

Besides, the special order of the control over transactions inside the group of persons, facilitating processes of reorganization, is introduced. Publicity forms the basis for this process – a group of persons is permitted to make transactions inside itself without the preliminary approval of the antimonopoly authority if the information about this group of persons is available for its publishing in Internet. It is very simple for business, the practice has already confirmed a demand for such decision – at present about hundred companies have taken advantage of the given opportunity, the information about them is available at the official web-site of the FAS Russia.

These are, in brief, the basic innovations of the new law. However, to increase the efficiency of the antimonopoly legislation we needed the adequate sanctions.

Traditionally, the responsibility for infringement of the antimonopoly legislation in the Russian Federation is fixed in the Code on Administrative Violations. For a long period of time, the maximal penalty for infringement of

competition constituted to 500 thousand roubles (it about 15 thousand euro). A large company is able to include such a fine into its own budget for which this sum is not sensitive.

Therefore, the Federal Antimonopoly Service has elaborated the draft Federal Law "On introducing Amendments into the Code of Administrative Violations" that came into force on May 12, 2007.

Now, the unfair companies should pay for the infringement of the antimonopoly legislation from 1 up to 15 % from the annual proceeds of the sale of goods in the market where the violation occurred. Besides, "turnover" penalties for unfair competition connected with the introduction into the circulation of commodities with illegal use of the results of the intellectual activity are introduced into the law.

Also, for the first time in the Russian legislation the provisions envisaging the cancellation of punishment for the companies which voluntary terminate its participation in agreements restricting competition and concerted practices and cooperate with the antimonopoly authority in investigation of such offences are set by the law. These provisions are the embryo of so called "leniency program".

Thus, in Russia the system of effective sanctions which will be the tools of restraint and prevention of infringements of the antimonopoly legislation is created, and the Federal Antimonopoly Service is ready to apply these sanctions.

The active work on the reforming natural monopoly sectors of the economy is continuing in the Russian Federation. The Federal Antimonopoly Authority takes an active part in this work. The conducted reforms are aimed at securing the transformation from non-effective and low-transparent system of the state regulation of price setting and financial policy in this sphere. They will lead to the creation of the markets mechanisms of the provision of competition among the given enterprises and reaching the balance between the interests of manufacturers and consumers.

At the moment, the ground for functioning of the economic entities working in spheres of natural monopolies under new economic conditions has been already created. The actions targeted at securing non-discriminatory access to the network infrastructure and establishing conditions for the development of entrepreneurship in these spheres on market principles have been determined and are being realized successfully.

The reforms in such sectors of the Russian economy as electric power industry, telecommunications and a railway transportation have been most developed. My statement' time restraints do not allow me to describe in deep these issues now but I am confident that during the Conference I will have the opportunity to talk in detail about the reform of natural monopoly sectors in the Russian Federation.

Besides, joining the system of global economic relations by Russia, characterized by reduction of trade and economic trans-boundary barriers, has predetermined the active participation of the Russian Antimonopoly Authority in the elaboration of trade and economic policy of the State. Under the conditions when it is impossible to be guided extremely by national borders at defining the relevant geographic markets because the markets have began to get trans-boundary or international character, the external economic trade measures are the important factor of influence on the competition environment in the markets of the Russian Federation. Effective participation of the Russian Competition Authority in the sphere of the external economic regulation, directed at prevention of the groundless protectionism at application of trade restrictions, promotes the pro-competitive development of the Russian economy.

Thus, the realization of the antimonopoly policy and development of competition are subordinated to global tasks of social and economic transformations and directed at reaching these goals.

Besides, I would like to note that in 2006 for the first time the FAS Russia was included into the Survey – "Rating Enforcement", published by the international edition "Global Competition Review" that represents an independent estimation of the efficiency and effectiveness of the activity of various competition authorities of the world. At present, 38 leading competition authorities are included into the Rating and we consider the inclusion of the

Russian competition authority into it to be the objective evaluation of the FAS Russia' activity on promotion and protection of competition in the markets of the Russian Federation.

Finally, I would like to attract your attention to the fact that the Conference takes place in one of the most beautiful cities in the world and I hope you will have the time and opportunity to enjoy your staying in Moscow. We will do our best to create the brilliant conditions for your work and recreation.

Thank you very much for your attention. I would like to wish you all very successful and fruitful activity.