

Ministry Wants to Protect Small Businesses From Anti-Monopoly Service

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January 23, 2014

The  Moscow Times

An Economic Development Ministry proposal to free small and mid-sized business from prosecution by anti-monopoly regulators has met with strong support in parts of the business community and skepticism from economists.

In its latest plan to spur economic growth, the ministry said that small and mid-sized businesses have been affected by pressure from regulators, which has even pushed some enterprises into the shadow economy, Vedomosti reported, citing a copy of the proposal.

Furthermore, the Federal Anti-Monopoly Service, or FAS, is far too large and has too broad a spectrum of activities, the ministry says.

The FAS has a staff larger than any of its counterparts abroad and yet one of the smallest budgets.

It also opens an inordinate number of cases. There are 161 times more companies in Russia charged with "abusing a dominant position" than in the U.S., and 74 times more such cases in Russia than in Germany, the proposal says.

"From our perspective the Federal Anti-Monopoly Service is overburdened by a great number of cases and processes, which it carries on in very different branches of the economy," Economic Development Minister Alexei Ulyukayev told television channel Russia-24 on Thursday.

"We believe it would be right to free them from this kind of active involvement in small and mid-sized business," he concluded.

The anti-monopoly service regularly prosecutes and even harasses small and mid-sized businesses, said Sergei Gabestro, general director of the online trade portal Fabrikant.ru and head of business association Delovaya Rossia's committee on competition.

He offered as one of "a million" examples a recent incident in Magadan, in which the service fined a local car wash for charging monopolistic prices for its services.

The "monopoly," meanwhile, had earned little more than 100,000 rubles (\$2,900) over five months, Gabestro said.

The main problem with the Anti-Monopoly Service is that it has total autonomy — as one body, it devises monopoly laws, submits them to the State Duma and answers for carrying them out, he added.

"The Anti-Monopoly Service in Russia is now a service for the creation of monopolies and a service that prosecutes small and medium-sized business, which is not done in Europe or in the U.S. Even in China small business has immunity from prosecution for violations of anti-monopoly laws," Gabestro said.

The Russian workforce has similar views. In a survey conducted last week by job-search website Superjob, only 9 percent of respondents said that the FAS defended the rights of small and medium-sized businesses.

Meanwhile, 32 percent believed that the service protected oligarchs and big business, 32 percent thought that they defended officials, 16 percent said that they supported siloviki and 17 percent said that they defended their own interests.

The survey was conducted in 184 cities and towns among 1,200 working citizens over the age of 18. No margin of error was given.

Not all agree that the anti-monopoly service is to blame for small and mid-sized businesses' retreat into the shade, however.

"In my opinion, the growth in the fiscal burden on businessmen in the context of a negative economic environment has an incomparably greater impact," said Timur Nigmatullin, an analyst from Investcafe.

Nigmatullin also disagreed with the contention that the scale of the anti-monopoly service's

activities retards economic growth.

"In the Russian economy, the share of monopolies and government monopolies is very high. They form about 50 percent of the GDP. If we cut back regulating, it would diminish the competitiveness of the economy. Keeping in mind our entrance to the WTO a year ago, this could be a fatal mistake," Nigmatullin said.

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Original url:

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