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# Rise In Prices For Essential Goods Arouses Discontent

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YEREVAN, October 26. /ARKA/. The rise in prices for a number of essential products in Armenia has not only aroused natural discontent on the part of population, but also cause criticism of the government policy.

Against the background of the rise in prices for grain, which caused a rise in the price for baked goods, vegetable and animal fats in many countries, phenomena going beyond the laws of market economy are occurring in Armenia.

The uptrend in the prices for essential products observed late in the summer was caused by external factors. A survey of internal and external influence on the food market conducted by the ARKA News Agency in September, as well as experts' comments, suggested a conclusion that the rise of prices for a number of food products was mainly accounted for by external factors.

Since Armenia has no high-level food self-sufficiency, it cannot rule out the influence of external factors on influence with large imports of essential food and agricultural products recorded.

This September, 102.7% consumer price index was recorded in Armenia compared to last September, with the index of prices for food products (alcohol and tobacco inclusive) being 103.8%. In January-September 2007, 3.8% inflation was recorded compared to the corresponding period last year. The index of prices for food products was 104.8%.

However, negative phenomena were recorded in September, when, taking advantage of the global trends, Armenia's economic entities entered into an anticompetitive collusion, which caused an unnatural 60% rise in the prices for vegetable oil and butter.

The RA State Commission for protection of Economic Competition, also called antimonopoly commission, guided by the results of monitoring conducted in August-October, revealed the fact of indirect agreements on an unjustified rise in prices between 20% of legal entities operating on the market of butter and vegetable oil.

As a result, about 50 Armenian businessmen were fined, fines imposed on them being 2% of the proceeds from the products in question in 2006, but not more than 300mln AMD.

Despite the rise in prices on the world market, the prices were at least doubled in Armenia. Specifically, the average purchasing price of one liter of sunflower oil was 556 AMD in August and 950 AMD in October, while the customs value remained the same, said Head of the Commission's Analytical Department Armine Hakobyan.

The opposition immediately responded to the situation and expressed its concern at the next four-day session of the RA Parliament on October 22-25. "The price rise has become a social disaster for all the sections of population. The companies getting super-profits from the monopoly on the import of some products to Armenia are worsening the situation for hundreds of thousands of our compatriots," said Mher Shahgueldyan of the opposition parliamentary faction Country of Law.

According to him, the authorities are not taking any measures. "Of course, the rise in prices is global, but, for example, Russia, Ukraine and Georgia are taking measures to protect their citizens.

The Government must bear responsibility to the population and wage a more active struggle against negative processes," Shahgueldyan said.

He proposed the abolition of monopolies and creation of competition, especially on the food market.

The member of the opposition faction "Heritage" Armen Martirosyan proposed the adoption of a special law to regulate the behavior of economic entities and government bodies in case of price rise. "Under the country's Constitution, the Central Bank is supposed to ensure price stability. Everybody must deal with this important problem and take strict preventive measures," he said.

The Members of Parliament representing the pro-governmental Republican Party of Armenia (RPA) addressed the subject as well.

Eduard Sharmazanov said that the major task is to reform the mechanisms of responsibility applied to unprincipled economic entities.

He added that the fines imposed on them are too small to "put them off repeating such scenarios".

In this context, talks about increasing fines imposed on economic entities have been heard in Armenia. Chairman of the Protection of Consumers' Rights NGO Abgar Yegoyan proposed raiding the fine for anticompetitive agreements from 2% to 5% of annual turnover and reducing the payment terms to 15 days.

In the second ten-day period of October the problem of rise in prices for food products reached its climax in the form of excitement on the sugar market.

Rumors about a rise in price for sugar made the population purchase large amounts of this product. Retailers took advantage of the situation and raised the price 2-3 times. Some shops sold sugar at 600-700 AMD (\$1.84-\$2.15) for a kilo.

This market is monopolized in Armenia. The Salex Group company, owned by the member of the Armenian Parliament Samvel Alexanyan, covers 84% of the country's sugar market. Many experts immediately pointed out the problem of monopoly on the food markets, but after the importer reduced the price down to 220 AMD in his supermarkets, everybody accused retailers.

Commission Chairman Ashot Shahnazaryan convened a special sitting of the Commission on October 23 and stated that the rise in sugar price was artificial.

"The excitement over the allegedly expected deficit of sugar and the resultant rise in the price was created artificially," he said.

According to Shahnazaryan, the excitement played into the hand of the owners of small shops as ten-day amount was sold within a day.

The Commission continues monitoring the market, but stable prices have been set on the sugar market - 230-240 AMS for a kilo.

The market study showed that Armenia is provided with sugar for the next six months, and no changes in the price policy are expected during one year.

RA Minister of Territorial Administration Hovik Abrahamyan said that the Government will carry out consistent work to prevent a price rise.

He pointed out that artificial excitement on the food market affects the authorities first of all as it causes public discontent on the threshold of presidential election.

At present, the Central Bank of Armenia (CBA), by means of its monetary policy and interest rates, is maintaining stable prices on the consumer market in conformity with law.

In his earlier interview to ARKA, CBA Chairman Tigran Sargsyan stated that the CBA is concerned the world prices for imported wheat, grains and sugar.

He expressed the confidence that, despite the unfavorable situation on the world markets, the CBA will manage to maintain inflation within the planned 4% ( $\pm 1,5\%$ ) in 2007.

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