
Watching the Market : Rises in commodity prices spark discussions

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The transition from politics to economy in society happens when red lights warning about price increases start to blink in the economic field. Consumers begin to leave stores with heavy bags, analysts are searching for reasons, politicians lash out at authorities saying it is the result of their wrong policy and economic agents assert they have nothing to do with this inflation.

Nevertheless, a political process hides behind every economic process. According to economist Eduard Aghajanov, despite the fact that prices are growing on the international market, which immediately impacts the country's domestic market, there are other dangerous phenomena in Armenia. "These are the monopolistic position of certain producers and the clan-based system of the economy. The external factor added to these two increases the brunt on our economy," he says. "For this reason, prices in Russia increase by 20 percent and in Armenia they double."

According to the data of the State Commission for the Protection of Economic Competition (SCPEC), the growth of prices is conditioned by the growth of prices on the European market. However, Commission Chairman Ashot Shahnazaryan says that while prices at the European market grow twice then in Armenia they grow six times.

"Economic agents say in their explanations that they raised prices because in November they are to get commodities with raised prices," Shahnazaryan says. "It means that even before this commodity has entered the republic, they raise the price today in anticipation of its getting more expensive. It is always so, expectations raise market prices, economically it is a totally explicable phenomenon."

Member of the Heritage faction in parliament, Armen Martirosyan, says that while the growth of price for butter in Europe made 18 percent, then in Armenia an 80 percent rise is observed.

"Prices for many goods have risen by 100 percent. The rise in bread prices was previously connected with the rise in wheat prices on the international market, but today a fall in wheat prices is observed on the international market, and prices here do not go down," he says.

The state anti-trust body, SCPEC, fined all economic agents that it found had made anti-competition deals in the amount of two percent of their annual revenue for 2006. However, it shouldn't be less than 300 million drams (about \$940,000).

Nevertheless, the talks about price increases became hotter on Sunday when granulated sugar prices hit a record high in three years. The price for granulated sugar rose from 270 to 400 drams (\$0.85 to \$1.25) per kilo. On Monday, it became cheaper in the same rapid way this time down to 220 drams (\$0.70). According to the SCPEC, 8-9 companies are engaged in the import of sugar, however a lion's share of the sugar market, about 84 percent, is controlled by Salex Group owned by MP Samvel Alexanyan. About 60,000 tons of granulated sugar is consumed in Armenia every year.

Alexanyan stated that the price for granulated sugar has not increased and will not increase still for a year.

Ashot Shahnazaryan suspects small shops, vendors and unknown forces in creating the turmoil.

"Who else?" Shahnazaryan says. "I see no political motive behind this turmoil."

Meanwhile, many politicians link all this with political developments and processes.

"Displaying a defiant and unscrupulous attitude, separate economic agents took advantage of their predominant position, dictate the volumes and prices of consumer goods. It is obvious that from being a social-economic problem it has turned into a purely political one," says Armenian Revolutionary Federation secretary Artsvik Minasyan.

Aghajanov thinks that from this point of view the country has found itself in a state of "neglect".

"Everyone says what they can. Don't be surprised if the prices for these goods will increase tomorrow," he says.

Parliament Speaker Tigran Torosyan has declared that first it has to be cleared up whether it is done by shops or importers. Second, the importer, be he a member of parliament or not, must act within the framework of the law. According to him, the SCPEC has all powers to take action against such phenomena.

Hermine Naghdalyan, a member of parliament representing the ruling Republican Party of Armenia, says that in the SCPEC processes they would like to see not only penalties and fines that will eventually again be a burden on the consumer, but first of all preventive activities that will provide drastic solutions in the event of such problems in the country.

Aghajanov explains that any civilized state has its strategic foodstuff reserves and when on the international market a price growth takes place a given country makes commodity intervention.

"That is it throws its reserves into the domestic market in order to regulate internal prices. Armenia's domestic market is not protected and it receives the impact straightaway, which leads to the jump in price increase. As I predict, this year we will have a 10 percent inflation," he says.

MP Victor Dallakyan shares this standpoint and thinks that Armenia's authorities should show an adequate attitude to this issue which unfortunately is not so. Certain increases of pensions and allowances envisaged in the budget, in fact, will not solve the problem, because prices have grown several times. Dallakyan proposes that corresponding commissions of the National Assembly, the government, all structures concerned should organize parliamentary hearings to discuss the problems of inflation and for finding ways to end this situation.

According to Artsvik Minasyan, from the passive position of the dynamics of growth of prices the Central Bank should return to the fulfillment of its main duties set by the Constitution (Article 83, point 4), to become an active participant of restraining inflation.

"The government should introduce a system to check inflation the main tools of which should be the minimum life-sustaining budget, a flexible income policy. The SCPEC does not have long arms. It should have factual independence, be given more influential instruments to reveal, prevent and strictly punish circumstances hindering competition," Minasyan explains. Lawmakers think that this system needs legislative regulation, which will make it possible to coordinate the work of all competent bodies that will ensure stability of prices in the country.

