

Contemporary Issues Related to the development of Economic Competition and Improvement of Antitrust Policies in Armenia

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ABSTRACT

The study is devoted to the theoretical, methodological, legislative, organizational and institutional problems of competition development in Armenia and the development of conceptual and specific mechanisms and measures for their solution. It pays special attention to the theoretical-methodological and scientific-practical issues related to the improvement of the state antimonopoly policy and increasing the level of favorable competitive environment in Armenia.

Keywords: economic competition, antitrust regulations, competitiveness, economic reforms, transformation, emerging markets.

INTRODUCTION:

Competition is the basis of the existence and functioning of the market, the main mechanism of the development of the modern economy. In the conditions of the transition economy and the formation of market relations in Armenia, the problems related to competition are brought to the fore and require comprehensive scientific analysis. The complex and contradictory process of transformations that took place in the transition from an administrative system to a market economy, the instability of the emerging economic system, the reformist nature of the development of economic entities and the establishment of market relations between them, in fact, hinder the full understanding of competition as a regularity of a market economy[1].

Currently, the main mistakes of the economic transformations carried out in recent years have become obvious in Armenia, among them – ignoring the role of competition as a driving force of the economic system, the underestimation of its role in the formation of a competitive environment, the failure to consider the development of competitive relations as a primary task of transformations, and the almost complete absence of state regulation of competition. At the current stage of development, there is a need to search for new incentives for economic development, to rethink the concept of competitive struggle, its in terms of forms, methods and principles, to identify and solve the problems of forming a healthy competitive environment in the republic, as well as to develop its own path of economic development, taking into account the national peculiarities of the Republic of Armenia in the period of

transition economy and the current trends in the globalization of the world economy[2].

The necessity and importance of studying the mentioned problems, trends and features determined the choice of the topic, the structure of the work, the depth of research of the problems put forward, and ultimately, the relevance and urgency of the topic.

METHODOLOGY

The theoretical and methodological basis for the research is the outcome of the studies by prominent scholars on the theory of economics, competition and competitiveness, regulation of competitive relations, the transition economy and various issues related to its transformations, and the information base was provided by official data and materials published by statistical structures, various state and non-governmental structures, laws regulating competitive relations, research published by scientific organizations and individual scientists[3].

During the research, the methods of comparative, factorial, historical, logical, systemic and dialectical analysis, scientific abstraction and statistical groupings were used.

LITERATURE REVIEW

Only the first representatives of economic theory characterized competition as the main mechanism of market operation in the conditions of the formation of capitalism as a complex system of a commodity economy, formulated the scientific principles of competition and revealed its essence as a stimulus for the progressive socio-economic development of society, and

also revealed other aspects of this phenomenon, including the concentration of production and the concentration of capital leading to the monopolization of the economy, forms of competitive struggle and, as a consequence, inevitable bankruptcies, the differentiation of both producers and buyers, etc. In this regard, economic theory has accumulated a rather rich capital, the main provisions of which are presented in the works of the classical school of economics and their followers¹, as well as the works of contemporary economists, which relate to the study of the theoretical foundations of economic competition[4-5]. A number of scientists still believe that in the modern interpretation of the concept of "competition" the key moment is not the struggle in setting prices, but the absence of influence on prices. Currently, the inconsistency of the new classical theory of competition with modern realities and its inability to solve many problems that arise during the application of this theory are becoming increasingly obvious. The experience accumulated during the transition to market relations in many post-soviet countries, allows to revealing the inconsistency and contradiction of this theory of competition in its application with the laws and realities of the transition economy.

First, the theory of market equilibrium of A. Marshall and L. Walras actually turns into market inequality. The problems of competition relate to the framework of the study of unbalanced processes, and the possibility of its research is the dynamic section of the theory of economics.

Second, the changes in the structure of demand led to the transition from mass consumption of standard goods to the formation of individualized consumer demand.

In addition, the model of perfect competition is an abstraction or an abstract description of the essence of competition, and in reality competition is highly imperfect[6]. The oligopolistic type of market is characteristic of the modern economy: relations between large corporations tend to various types of agreements, which in turn modify the nature of competition.

In modern conditions, complete market freedom is unacceptable, since it leads to chaos and complete unpredictability of the actions of economic entities, which determines the need for state regulation of competition[7].

Today competition is expressed not only in the form of a struggle for maximum profit, but also in the desire to establish cooperation and partnership with potential competitors in order to operate stably in the market.

Finally, one of the tenets of the new classical theory asserts the fact that all economic entities are fully informed about the market situation. In modern conditions, only large corporations can obtain complete information about the market situation and competitors,

which spend huge amounts of money on market research and forecasts, while for small firms, the implementation of this function becomes essentially impossible.

While some experts examine the level and factors of competitiveness on micro level [Kanke, 2018, 182-185; Abaeva, 2018, 23-78; Altikhova, 2017, 35-38] and specific branches of economy [Blank, 2018, 451-472; Castel, 2018, 153-162], others pay more attention on complex economic analysis, including relevant competitiveness issues [Frank, 2018, 197-204; Furtsenko, 2016]. Among various issues related to this topic, outsourcing is also examined by some experts in search of competitive advantage of particular nation, branch or an enterprise [Heywood, 2017, 155-182]. Finally, some experts present a relatively different approach of increasing the level of competitiveness through involving the nations in economic cooperation, namely – through identifying and utilizing cooperative advantages of nations [Manaseryan, 2021, 31-39].

However, none of the examined sources focus on today's challenges related to the development of economic competition and improvement of antitrust policies, particularly in the Armenian economy.

Scientific novelty

By summarizing the conducted research, conclusions and recommendations developed on their basis, certain scientific results were obtained. In particular, a complex theoretical and methodological generalization of competition analysis was carried out and on its basis a new approach to the study of modern competition is proposed: competition is considered as a key self-regulating power of a market economy and a set of various mutual relations of general and partial economic laws[8].

In addition, based on the systematization of the results of theoretical studies and developments of domestic and foreign scientists, the content of competition as a concept of political economy has been clarified, its systemic characteristics of competition have been analyzed, its elements and the structure of mutual relations have been determined[9]. Taking into account the peculiarities of the modern stage of development of productive forces and the tendencies of expansion of the scientific and technical revolution, a classification of the main forms of competition in the reproduction process has been given.

In the context of the transformations of the local economy and based on the analysis of the implemented reforms, the factors and problems affecting the development of competition and the formation of a competitive environment in Armenia have been identified, approaches and mechanisms for their solution have been developed.

In the context of the globalization of the world economy, new trends in the development of competition, its forms

and methods have been identified and analyzed, the problems of competition in the commodity markets of the transition period of the Armenian economy have been highlighted. The main issues related to the policy of development of competition and state regulation of the competitive environment have been identified and analyzed, on the basis of which ways and measures for improving this policy have been developed.

Analysis

This study is aimed to present the evolution of the theoretical foundations of competition, the essence of competition has been considered and critically analyzed as a category of political economy and as a regularity of a market economy, as well as a number of theoretical and methodological issues of competition and the competitive environment have been discussed[10].

The main goal of the study is to examine the institution of competition as a regularity of a market economy, to identify its theoretical and practical issues, the regularities of competition development, the peculiarities of the operation of methods and mechanisms, as well as to describe the problems of establishing and developing a system of state regulation of the competitive environment and to develop appropriate solutions, in order to achieve which the following main tasks were set and an attempt was made to solve them:

- to identify the essence of competition in different historical stages of the socio-economic development of society, to reveal new trends in the development of competition, its forms and methods in the modern stage, in the conditions of the transition to the post-industrial development model of society and the globalization of the world economy,
- based on the summary and systematization of theoretical developments, their results and principles, formulate the main approaches to the study of competition at different theoretical levels as a process, concept, law and regularity,
- analyze the conditions and factors that influence the formation of a competitive environment in a transitional economy, as well as the legislative framework for the formation of this environment in Armenia and the peculiarities of state regulation of competitive relations,
- identify the peculiarities of the development of competition in Armenian commodity markets, determine the trends in the development of forms and methods of competition in the conditions of a transitional economy,
- determine the main ways of forming and improving the state policy for the development of competition and develop appropriate measures.

The emergence of competition is historically attributed to commodity production, when small commodity producers, conducting their isolated subsistence economy, sought to create the best possible conditions

for production and sale for themselves, to the detriment of other participants in market commodity exchange. Competition arose as a result of the clash of interests of commodity producers in order to achieve the same goal, namely, to obtain income. Such a clash is inevitable, since it is conditioned by the objective conditions of economic reality, in particular, by the large number of small commodity producers, the limitation of production resources and purchasing power demand, etc.

The socio-economic conditions of the economy have a significant impact on competition: determining the features of its expression. In our opinion, competition, the main element of the mechanism of the market system, is also its environment. The competitive environment is formed by both existing and potential entities in the market, which can enter into a competitive struggle at any time. It is formed in a certain market under the influence of various, including supply, demand, pricing mechanisms and other factors.

In our opinion, the competitive environment is a dialectical set of economic entities, the relations between which are regulated by the market on the one hand or elemental regulation occurs, and on the other hand, the state, establishing certain "rules of the game".

At the modern stage, the goals, methods and behavior of economic entities have changed, which was aimed at adapting to the changing conditions of the competitive environment. Each participant in the competitive struggle strives to occupy a dominant position in the market, but as a result of the mutual relations of the participants in the competitive struggle, this position is not absolute is not monopolistic. Competitive relations are formed to capture and maintain a certain segment of the market, as well as to expand it at the expense of capturing other segments, relatively fully satisfying the growing needs of each person. Price competition is no longer a dominant strategy, but an integral part of the overall competitive strategy of the subject. Therefore, along with price methods of competitive struggle monopoly high or low prices, price discrimination, dumping, etc., enterprises also use non-price methods, which can be divided into two groups: competition by result of product diversification and quality improvement while maintaining approximately the same price and competition by sales conditions brand advertising, after-sales service services, a system of discounts and privileges, credit sales, leasing, etc.

At the modern stage, competition may also be considered as an economic interaction between economic entities in order to maintain and stabilize their positions in a selected market niche relations through the relatively complete satisfaction of the needs of each person. The desire to ensure a stable existence in the chosen market niche transforms the economic relations of economic entities. In the struggle to satisfy the consumers and their needs, economic entities change the strategy and tactics of their behavior in the market. From a fierce competitive struggle, they move to close cooperation with competitors. Thus, the peculiarity of

modern competition is its contradictory unity as a struggle and cooperation. Generalizing the views of economists on competition as an economic law, we propose to consider competition as a regularity of the development of a market economic system. The content of an economic law is in many ways similar to the content of an economic regularity, but is not identical. They differ from each other in the levels of abstraction and depth, the degree of truthfulness and scientificity of knowledge. Although the concept of "law" is close to the concept of "regularity", nevertheless, the latter represents a set of interconnected laws that ensures a stable trend or direction of changes in an economic system. The main difference between a law and a regularity is the multidirectionality of the mutual relations of a regularity. Regularity, in our opinion, is the result of the complex action of a number of economic laws and the forms of their disclosure and expression. Moreover, as a rule, one of the laws expressed in a regularity acts as the main law, determining or characterizing the essence of a given regularity. The law and regularity reflect different levels of scientific knowledge of economic reality. If the law reflects relatively deep and general connections of phenomena and processes, then the regularity reflects, although essential, but relatively shallow and specific connections. In other words, the regularity is relatively high in the hierarchy of disclosure or presentation of the essence of a phenomenon and is located in the surface part of economic life. Thus, competition, as a regularity, is a complex of simultaneous emergence and operation of general and private, partial economic laws.

Thus, competition is nothing more than a regularity of a market economy, its objective necessity. However, it is accompanied by various contradictions and negative phenomena, in particular, competition, striving for the rational use and economy of natural resources, does not contribute to the preservation of non-renewable resources, negatively affects the preservation of the surrounding environment, does not ensure the development of the production of goods and services intended for collective consumption, does not create conditions for the development of fundamental science and the general educational system, does not contain mechanisms that would inhibit the emergence of social injustice and social stratification of the population. Competition is also associated with such forms of its expression as instability, social injustice, inflation, bankruptcy, unemployment and impoverishment of certain segments of the population. Therefore, in the current period, the question has arisen about the formation of a new ideal of the modern economic system, a socially oriented economy or an economy with a human face.

For this purpose, the factors, conditions and features of the formation of the competitive environment in Armenia, the level of concentration of the local commodity markets, the quantitative and qualitative characteristics of the competitive environment are based on a thorough analysis, which allows to identify the main issues of the development of competition and the main issues of state regulation of this process.

Based on continuous observations and analysis of surrounding conditions, two major areas might be identified with particular impact on the level of competitiveness of the company presented in the figure below:

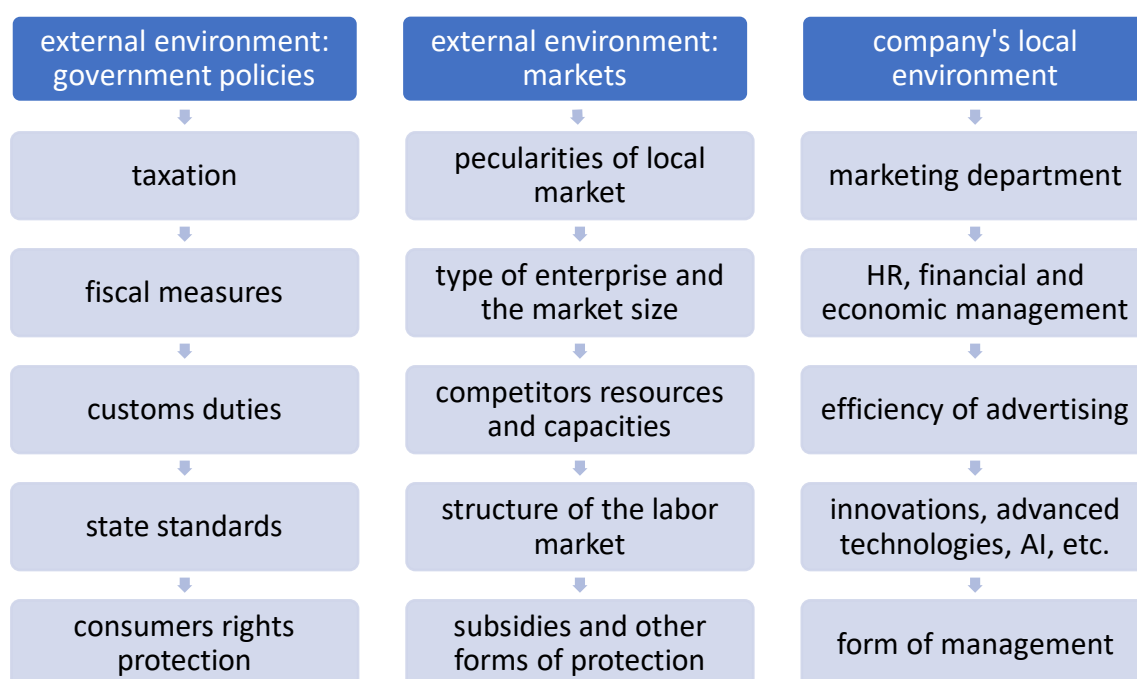


Figure 1. Major factors impacting the level of competitiveness

It should be noted that there are two major groups of factors impacting on the level of competitiveness of the

company. As it is presented in Figure 1, external environment may also be described as a group of

uncontrollable factors on one hand and the local environment that might be managed by the particular company or enterprise. In any given market the state intervention to change or modify existing laws and regulations may often play significant role in economic processes and even lead to a completely different business environment. Also, the company is influenced by such factors as labor markets, taxes, non-tariff regulations, and other factors from the local and external environment. This, all of the above mentioned and other related competitiveness factors may be categorized as local or external.

As it can be seen from the analysis of international experience, the formation of a competitive environment is possible in two main ways: through the creation of new enterprises based on the initial accumulation of capital and through the transformation of old state monopoly structures based on privatization. The experience of China, has shown that the formation of appropriate conditions and prerequisites in the first way is much more important for the development of competitive relations. State-owned enterprises, as a result of the process implemented within the framework of the privatization program, even formally becoming private firms, are unable to master the competitive model of economic behavior for a long time, while new private enterprises immediately begin to work on market principles.

This research allows to identifying the main features of competition in Armenia. In countries with developed market economies, the multi-state form of ownership forms a competitive environment of numerous entities and contributes to the development of competitive relations between them. The development of entrepreneurship and small business strengthens competition between economic entities and contributes to the establishment of new forms of cooperation between them. In Armenia, the establishment of a competitive environment during privatization led to the corruption of the economy, the growth of the wealth of a narrow circle of individuals, the deterioration of the economic condition of most privatized enterprises, the loss of competitive advantages of large-scale production and the disintegration of the economy. In the Armenian reality, the formal denationalization of enterprises without the emergence of real, effective owners and the weak development of small business did not contribute to the development of healthy competition and its forms. In this regard, it is necessary to note the following as characteristics characteristic of the competitive environment of Armenia.

In the Armenian administrative-constitutional system, state-owned monopoly developed without competition and was associated not with the market, but with the monopoly power of the state apparatus. Artificially created monopolies had an inhibitory role in the development of competitive relations and distorted the economic essence of competition.

The transitional economy of Armenia has inherited a lot from the previous system - an irrational structure of industrial production, technical and technological backwardness, monopoly as the dominant form of economic relations, weak development of small business and entrepreneurship, the almost complete absence of market infrastructure, etc., which slows down the process of developing competitive relations.

For successful economic development, it is necessary to develop and implement a well-justified strategy of institutional reforms that will create the necessary environment for effective competition. The peculiarity of Armenian competition is still expressed in its limitations. The institutional basis of the market system of economy take shape, the processes of establishing market entities, developing a competitive environment, and forming a class of effective owners continue.

In early stages of independence, one should document the dominance of informal norms and rules in the economic life of society, when competition could be replaced by connections "at the top" for the purpose of accessing the state budget and credit resources.

The formed market is characterized by serious distortions, the main of which are the naturalization of relations between economic entities, the weak development of small business, insufficient protection of property rights, and the absence of developed market infrastructure, which indicate that the transition processes are not yet complete.

CONCLUSIONS

Thus, it is essential to work out the main directions of improving antitrust policy, ways and conceptual approaches to solving the problems of developing competition and increasing the level of favorability of the competitive environment, as well as to develop measures and mechanisms for developing competition. One of the main directions of state regulation of competition is antitrust regulation of the economy, which should be considered as the implementation of a complex of economic, legislative and administrative measures by the state aimed at creating conditions for the development of competition, preventing excessive monopolization of the market and prohibiting the abuse of their monopoly or dominant positions by economic entities.

In Armenia, due to the low level of development of competitive relations and the fact that the dominant position is mainly occupied by administrative monopolies formed under the conditions of the administrative-constitutional system, monopolistic firms get the opportunity to dictate their conditions in the market of goods and services, proceeding from their own interests. The shortcomings of antitrust regulation, which are due to the imperfection of the legislative base, are relatively acutely expressed in the field of pricing, and the actions of the regulatory body in this regard are clearly insufficient. Formally, a register of entities occupying a dominant position is maintained, but

mechanisms for monitoring the establishment of monopoly prices in cases of a decline in the quality of production and manufactured products are not sufficiently provided. In practice, it is very difficult to prove the facts of abuse of a monopoly position, since there are no scientifically substantiated methodologies for regulating prices in both natural monopolies and industries with a high level of monopolization. As a result of price increases by enterprises with a dominant position in the market, which increases cost inflation and accelerates price disparities, the situation of economic entities in the processing industries and agriculture becomes financially unstable, which contributes to an even further decline in production. Therefore, in this regard, it is necessary to improve the mechanisms for implementing laws themselves. Furthermore, the antitrust regulatory system should be aimed not at the monopoly itself, but the prohibition of its abuse of its monopoly position in the domestic market. In this regard, the main condition for recognizing the "guilt" of monopolies should be considered not the size of the given monopoly or the size of its share in the market, but the amount of damage caused by the given entity to consumers, competitors and the process of developing a competitive environment.

Generalizing the analyses carried out, as well as taking into account the low level of effectiveness of the antitrust policy implemented at the current stage, it is necessary to implement the following measures in the direction of the formation of state competition policy and the elimination of restrictions on competition:

1. Improve antitrust legislation and more actively implement its targeted application:

- make amendments and additions to the relevant laws related to the regulation of mechanisms and specific forms of pricing and state regulation of prices, tightening liability for the use of unfair forms of price competition, as well as the regulation of regulated prices and pricing in this regard with the observance of norms,
- expand the practice of revealing monopoly prices, for which it is necessary to constantly monitor the dynamics of prices of enterprises with a dominant position,
- increase the size and scope of liability for anti-competitive actions and expand the practice of criminally prosecuting the heads of economic entities that maliciously violate anti-monopoly legislation setting as a criterion, for example, damage to the economy in the amount of 10,000 or more USD equivalent,
- prevent unfair competition and tighten sanctions for it, etc.

2. Create equal conditions for all economic entities at the level of the pan-Armenian market.

It is strongly recommended to exercise control over discriminatory actions of the executive authorities and local self-government bodies and prevent and eliminate them related to the creation of unequal conditions and the provision of privileges to individual entities, including at the level of local markets,

- Eliminate barriers and restrictions on the free flow of goods and capital between individual regions and industries that limit the geographical boundaries of the movement of goods,
- Strictly limit the practice of state procurement from a single source, implement state orders primarily on a competitive basis,
- Expand the practice of holding state and community officials accountable for violating antitrust legislation,
- Periodically conduct product market analyses, studies, etc. by region.

3. Regulate the process of monopolization of product markets:

- Control over mergers, acquisitions of large packages of securities, large companies bankruptcy and other related processes,
- strengthen control over horizontal integration that limits competition,
- encourage the process of creating small enterprises in the production and innovation sectors and ease restrictions on their entry into product markets,
- stimulate the inflow of foreign investments and the process of their effective placement, taking into account the level of market concentration, etc.

4. Regulate the activities of natural monopolies, including:

- restructure the industries that are natural monopolies and separate from the subjects of these industries those enterprises that produce competitive products and provide services that can work in competitive conditions,
- constantly monitor the level of prices of natural monopolies (tariffs) by preventing price agreements aimed at unjustified increases in production costs and prices, etc.

5. Regulate the sphere of foreign economic activity in

order to form an effective system of protection of the domestic market and create opportunities for domestic producers to compete in international markets, as well as to mitigate or completely eliminate customs duties on the import of innovative products, high-tech equipment and similar goods and high customs duties on the import of low-quality goods, etc.

In terms of the development of economic competition in Armenia and the increase in the level of favorableness of the competitive environment, it is expedient to classify the current problems into three main groups: methodological, organizational and legislative.

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