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Moldova****- Session III -****6 December 2019**

This contribution is submitted by Moldova under Session III of the Global Forum on Competition to be held on 5-6 December 2019.

More documentation related to this discussion can be found at: oe.mcdym.

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Merger Control in Dynamic Markets

- Contribution from Moldova –

1. The last decade has seen a growing need for innovation in many industries worldwide. Innovation certainly makes economies more dynamic and competitive, but it can pose challenges for legislative and regulatory bodies trying to keep pace with rapidly evolving businesses. This could be a short description of the current status of dynamic competition in dynamic markets.
2. High technology market and services market are the sectors where competition dynamics is mostly observed, as also described by your organization. Experience of Competition Council of Republic of Moldova is focused mostly on mergers in retail sector, being one of the most competitive industries in the country, with players acquiring companies or shares in order to develop the business and to fortify their position on the relevant markets. A rough estimation is that over 50% of the mergers take place in this sector. Even if not included in the shortlist as being a dynamic market, we consider retail sector as being a dynamic market, as well, taking into consideration the need of continuous improvement and adjustment to the market demands. Also, there are low entry barriers on the market. Recently, a new retail chain (Kaufland) entered on the market of Republic of Moldova.
3. In the ICT sector, Competition Council of Republic of Moldova assessed few mergers during the last year, showing us that it is a market with high investment and development interest. About 25% of transactions take place on this field. This being taken into consideration, also, taking into account the current development of the Moldova IT Park in Chisinau, which provide economic advantages to the residents from the tax's perspective (only 7% tax fees), the experience of other authorities in assessing mergers on the sector is high appreciated to be reviewed and shared inside our authority, as a focal point for further assessments.
4. The dynamism of the sector, beside the entry interest and low barriers is proved also by the figures showing the industries positive contribution for GDP. For the last year, retail sector contributed with more then 12% at forming the GDP. ICT sector is also an important stakeholder, contributing with more then 5% at GDP total value. Almost one fifth of the total GDP is the impact value of these 2 dynamic and investment attractive industries.
5. Bellow, a short interpretation of assessing the mergers on the above-mentioned markets, showing our vision and strategies.
6. Retail market, as mentioned, is a competitive one, with low entry barriers. The structure is made up from local retail chains and international ones, like Metro Cash and Carry and newly opened one, Kaufland. The assessment of the mergers on this market is done based on the market shares calculations, effects on the market and potential future effects, based on the regional conditions the merger takes place. Also, in order to make sure the merge is not affecting the market structure in future time, our authority is analyzing the potential competitive pressure posed from potential competitors. Having the transparent process of announcing the notified transaction on our website and waiting for the feed from the market gives us a general vision regarding the competition on the market. Also, market shares of the competitors are taken into consideration and analyzed while assessing the

transaction. Once a competitor has more than 40% market shares, the assumption is that it is able to put competition pressure on the other competitors. The competitive effects of the merger on the market is considered to be assessed after 2 years the transaction is put in place, as being a dynamic market, the conditions change based on the demands from the consumers and the need to permanently bring innovative concepts in order to uphold the passion on the marketplace.

7. The ICT industry in Republic of Moldova is rapidly evolving, being one of the most dynamic markets, with players from the country and external companies as well. Competition is high; nevertheless, development opportunities are present on the market, as well. The mergers on the IT sector had a different character, but the challenges were similar. One was focused on changing the organizational chart, by acquiring shares internally, stepping forward from a joint control to unique control. Another transaction on the sector resulted in company acquisition on the market. The interest was shown by an IT company from abroad to buy a local one. That is one of the strongest indicators of the dynamic character of the market and the need to optimize assessment procedures for the best impact on the market. When assessing the merger the market shares were taking into consideration and the structure on the market, namely, market shares of the competitors.

8. Also, the communication sector, part of the ICT industry is to be taken into consideration as being a dynamic market. Transactions on this sector were done by acquiring companies and strengthening the position on the market. Nowadays, smartphones being component part of our daily routine, the need to provide innovative and qualitative services and products to the costumers is the main challenge. One of the main challenge's authority has while assessing transaction on the markets is to determine the future impact of the merger on the market and the evolution of the business. Also, the market on which the merger is planned to produce effects was challenging to visualize, as customer demands are evolving, and the real need of the market is not very predictable. Also, the outsourcing services provided on the markets have a considerable impact on the structure of the industry.

9. Concluding, our assumption is that ex-post analysis of the mergers are one of the best solutions to monitor the impact on the market and the post-merger effects, while the assessment process is yet challenging, compared with traditional industries.