



Research on competition on the market of agro-food products in the Republic of Moldova

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ABSTRACT

In the Republic of Moldova, the competitive culture is not sufficiently developed. In order to raise this aspect to a higher level, it is fundamental that the competition policy is promoted, known and understood by society. The competitive culture is built over time, through a series of actions and measures undertaken with the aim of creating an environment favorable to the development of competition. In this sense, the role of the Competition Council intervenes, which must carry out its activity in this direction.

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1. Introduction

Economic agents must be informed and know both the ways in which they can be protected by the legislation in case they could be victims of anti-competitive practices, as well as the risks they expose themselves to in case they break the rules. Everyone must understand that only a thorough study of the legislation can offer them protection before the law: firstly, to know what are the prohibited practices and not to apply them, thus avoiding fines and sanctions; secondly, if they feel threatened on the market by the illegalities of some companies, they can file a complaint in order to stop these practices that harm their activity (Irani et al., 2024; Yaremchuk, 2022; Zhevnyak, 2021). Although these rules apply in any field, in the case of competition, transparency is essential, because the legislation must be seen as a basic framework from which the competition authority benefits. The primary aspect is the awareness of the fact that without transparent competition and a way of continuous information, there is no functional market. Respecting the rules of free, open and fair competition requires knowledge of the regulations in this field, and more than that, the existence of a civic conscience, a spirit of democracy and freedom of enterprise (Enakireru & Ekakitie, 2021; Le Roy et al., 2017; Sumit Agarwala & Namita Jain, 2022).

For these reasons, it is crucial that the general public, the business environment, but also all public authorities understand the importance of the Competition Council in maintaining the market economy at a high level, to know the ways in which it acts and the purpose of putting the competition rules into practice : the formation and development of a healthy competition that increases the well-being of consumers, the quality of products and stimulates technical-scientific progress, so that the population benefits from the advantages of competition (Koç et al., 2010; Mandrescu, 2021; Qaqaya & Lipimile, 2008; Vidican, 2022).

Even if the growth of the agri-food sector and trade in agri-food products is one of the primary priorities of the economy of the Republic of Moldova, this sector remains underdeveloped and an enormous joint effort is to be made to bring it to a higher level.

2. Literature review

Authorized state aid measures were also granted in the agri-food sector, in the form of price reductions for goods and services provided, subsidies, subsidies, free transmission of fixed assets, tax and lease payment exemptions, guarantees under preferential conditions, waiver to income etc (Burger, 2020b; Kociubiński, 2024; Paternò, 2023).

In order to comply with the commitment assumed by art. 342 of the RM-EU Association Agreement and the need to increase transparency in state aid granting operations, SIA RAS (Automated Information System Registry of State Aid of the Republic of Moldova) was established.

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So that in 2021, similar to previous years, all suppliers reported aid measures through SIA RAS. At the same time, in the reference year, the new online system for reporting and notifying state aid was designed and implemented (Kluzek & Schmidt-Jessa, 2022; Mazūre, 2022; Valério, 2023).

The Competition Council also provided access to 160 state aid users, so that in 2021, 1330 state aid users were connected to the SIA RAS system. As a result, state aid and de minimis providers reported support measures through SIA RAS, 26 of which were to be examined by the Competition Council and subsequently included (Agnolucci, 2022; Biondi, 2020; Burger, 2020a).

In the year 2021, thanks to the proactive policy of propagating the competitive culture in the regions, all state aid providers notified the support measures through the SIA RAS. In order to assess the regulatory effect on the competitive environment, the Competition Council, during 2021, issued 60 opinions on draft normative acts, of which 21 opinions were presented with proposals and recommendations for compliance with the regulatory framework (Kociubiński, 2023), the following are specified:

- ✧ The draft Government decision regarding the approval of the Regulation on the job subsidy mechanism (48/MF/2021);
- ✧ The draft law aimed at amending the Law on internal trade no. 231/2010 and the Criminal Code no. 218/2008, submitted as legislative initiative no. 18, from 29.01.2021; 283/2003, regarding the private detective and security activity and Law no.
- ✧ The draft law for the amendment of some normative acts - Law no. 845/1992, regarding entrepreneurship and enterprises, submitted under the title of legislative initiative no. 126 of 21.04.2021;
- ✧ The draft decision of the Board of Directors of the National Agency for Energy Regulation, regarding the approval of the Methodology for calculating and applying prices to petroleum products, developed pursuant to Law no. 54 of 09.04.2021;
- ✧ The draft law on advertising, submitted under the title of legislative initiative no. 269 of 07.10.2021.

During 2021, several state aids were granted to companies to support beneficiaries that provide services of general interest and mostly to the public water supply service, the state aid offered in most cases was achieved by sending it into economic management free of charge of fixed means but financial resources were also allocated in some cases.

3. Methodology

The development of a healthy competitive environment depends, to a large extent, on society and its perception of the need for promotion and the importance of complying with competition rules. The competition authority is the foundation of the promotion of the competitive culture. In the period 2021-2023, the Competition Council proposed to achieve the general objective of protecting, maintaining and stimulating competition:

- ✧ Improving the legal framework in the field;
- ✧ Institutional development.

Therefore, according to the objectives proposed by the Competition Council, during 2021, it examined, by means of both useful market knowledge investigations and case-by-case investigations, including markets related to the agri-food sector (the market for the processing of agri-food products, the market marketing and processing of cereal and oil crops, the market of processing and marketing of meat and meat products, the import and export market).

4. Results

The aims to maintain and develop a fair competitive environment - a catalyst for economic efficiency, with direct benefits for consumers. For this purpose, the Competition Council investigates, detects and sanctions violations of competition legislation. According to the analysis developed over time, in 2021, compared to 2020, the number of cases under investigation remained the same, and the total number of initiated and completed cases decreased (Borrero & Zabalo, 2021; Huang & Bruda, 2020; Kwan, 2020).

Thus, during the reporting period, 19 investigations were completed (including 10 investigations with a finding of violation), as follows:

- ✧ 2 investigations regarding actions of unfair competition;
- ✧ 5 cases of anti-competitive.

The plenary session of the Competition Council by Decision no. DA-22/20-09 of 26.03.2021, detected the involvement in hard cartel-type horizontal agreements, manifested by continuous concerted practice aimed at the direct and indirect establishment of sales prices and other trading conditions for the sale of products to third parties for phytosanitary use and Bayer and Belchim branded fertilizers on the territory of the Republic of Moldova, in the period 2015-2020 and fined the companies CÎ Agrostoc, Diazchim SRL Bioprotect SRL and Fertilitatea-Chișinău SA cumulatively of approx. 91 million lei.

The most eloquent in the agri-food field is the case related to the violation of competition principles when releasing a batch of wheat from the state reserve in the first half of 2021. During the investigation, the restriction of competition was detected by the Material Reserves Agency, in the period 07.2020 - 04.2021, through: the unjustified disqualification of companies participating in the July 2020 competition; the selective

and unfounded application of distinct procedures for designating the beneficiaries to whom food wheat was to be released; the price favoring of Ancom Agro SRL, in other words, the offering of privileges for the activity on the wheat commercialization market.

At the same time, the Material Reserves Agency did not react immediately to the problems caused by the drought of the previous year, a fact confirmed by the delayed answers to the applicants, in the circumstances in which the purpose of creating state.

Through the admission by the Material Reserves Agency of the facts aimed at eliminating competition, the lack of wheat on the market at reasonable prices (in the first half of 2021) was caused. Thus, some producers - applicants for wheat from the state reserves, increased, as therefore, the selling price of bakery products.

By Decision no. DA-11/21-43 of 04.08.2021, by the Material Reserves Agency, namely the limitation of the purchasing rights of companies, the creation of discriminatory conditions and the granting of privileges not provided for by law for the activity of Ancom Agro SRL.

At the same time, he suggested changing the primary, secondary and/or departmental normative framework, regarding the method of releasing goods from state reserves and/or mobilization, in order to respect the principles of competition.

Throughout 2021, initiated a useful investigation to know the marketing and processing market of cereal and oilseed crops in relation to the significant increase in prices. As part of this investigation, significant increases in the retail prices of sunflower oil were found at the beginning of May 2022. In order to elucidate the aspects related to these increases, a control of the cereal and oil crops market was initiated, but at the moment we do not have a decision on the given case.

The strength of competitive pressures depends, to a large extent, on the degree of exposure a different branches at the international competition. Located at the crossroads of Western Europe, Switzerland it traditionally enjoys a liberal foreign trade system. Tariff barriers are lower than the OECD average and non-tariff barriers remained limited due to efforts to a reducing technical barriers to trade. External competitive pressure is also reinforced by the real appreciation trend of the Swiss franc, which in the 1990s constituted a strong incentive to increase the efficiency of the branches most exposed to trade international.

Indeed, the modeling adopted indicates that even if an age and income high seem to explain a higher trend of adoption, frequency The sequence of use conditional on adoption seems to us to depend more on this. A policy that promotes targeted adoption across age and income groups bare less seems big so interesting to make.

However, although the average import penetration rate for the manufacturing sector is similar to that of comparable economies, the degree of openness for the whole of goods and services is not particularly large if we consider the size of the economy, the living standards and transportation costs. Moreover, if the real exchange rate were to be maintained strong responsible for the high level of prices, the level of import penetration would appear even higher surprisingly low⁶. Since the 1980s, openness to international trade has progressed less faster than in the small EU countries, which undoubtedly partially explains the rejection by referendum in 1992 accession to the European Economic Area. On the other hand, the sectoral degree of openness to foreign trade is not more heterogeneous than in other countries, but certain branches are distinguishing itself by a particularly low rate of import penetration.

Imports do not always make it possible to stimulate competition in different sectors: agricultural support programs result in strong tariff protection⁸ and no tariff, making it possible to isolate domestic food products from international competition Price access conditions to certain services, such as life insurance, are more difficult than in EU countries; products covered by patents (such as pharmaceuticals) are protected against parallel imports. In addition, imports of many products are still made through exclusive networks, which have long been protected by vertical agreements, which limits direct imports and perpetuate price differences with foreign countries. In total, the degree of integration in The European market is limited by the existence of a significant border effect, resulting in significantly higher prices than in other European countries, including for tradable goods poorly protected by customs barriers.

With high labor costs, a highly skilled workforce and a trendily appreciating currency, the Swiss economy tends to specialize in high-value niches. Also added with moderate or low price elasticity, such as the pharmaceutical sector, precision instruments in your financial sector. A manufacturing sector is specialized This is the main financial activity of the company. This strategy allows to acquire new markets by establishing quality, which can be protected by patents without high entry barrier, limiting price competition. The number of patents per capita is by far the highest among OECD countries and R&D spending as a proportion of GDP is also strong, especially in the industrial sector exposed to international competition.

Competition legislation does not include general exemption regulations sectoral (such as the European Union) and applies to both private and commercial companies. public law and for factual situations that have their effects in Switzerland, even if they took place in foreignness However, many areas subject to regulations, which impose, for example a state price regime or the granting of special rights to certain companies the execution of public tasks. Included in particular among these sectors that escape at least partially from competition law: agriculture, healthcare, including pharmaceuticals, as well as network industries that are

subject specific regulations. In addition, the law does not apply to effects on competition which derive exclusively from intellectual property legislation.

5. Conclusions

According to the Competition Law, anti-competitive practice means any anti-competitive agreement, decision of the business association, concentrated practice, abuse of a dominant position.

Some of the companies involved even resorted to violating their own marketing pricing rules and engaged in coordinated behavior covered by the anti-competitive agreement. At the same time, it was found that the prices of similar products sold on the territory of neighboring countries are at least 20% lower, a fact that also conditions the existence of smuggling with phytosanitary products.

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