



Nordic Council
of Ministers

Market concentration and the scope for more M&A in the Nordic region

Impacts of cross-border mergers on
competition, growth and innovation



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Foreword

We are pleased to present this report on the role of cross-border mergers and acquisitions (M&A) and increased market concentration, commissioned by the Nordic Council of Ministers. The report represents a significant effort to increase our understanding of the current landscape and role of cross-border mergers and acquisitions in Europe and the Nordics.

The report underscores that increasing competition and lowering barriers to entry into concentrated markets should continue to be *the* central priority of competition policy in both the Nordics and the EU. While we document evidence of rising market concentration, we also show that mergers and acquisitions account for only a limited share of this development. Against this backdrop, we argue that a small number of targeted adjustments to the EU's merger review guidelines could deliver significant value, and that these changes can be implemented within the existing framework through administrative measures.

Finally, although the Nordic countries perform well on a range of economic indicators, further efforts beyond the scope of competition policy are needed to stimulate investment and productivity if the region is to narrow the productivity gap with the United States.

To ensure a thorough and well-rounded analysis, we employed a variety of research techniques. Our methodology included an extensive review of the existing literature, in-depth interviews with experts from each of the Nordic countries, and a detailed examination of the rules and guidelines for merger reviews, with a particular focus on the EU level. This multi-faceted approach has allowed us to gather perspectives and insights, ensuring that our findings are both robust and relevant.

We would like to extend our gratitude to all the experts and stakeholders who contributed their time and knowledge to this project. Their insights have been invaluable in shaping the content and conclusions of this report. A special thanks goes to Professor Philipp Schröder from Aarhus University, who served as an external reviewer throughout the project. Professor Schröder is a recognized expert and researcher in the field of competition policy, and his guidance has been instrumental in refining both the analysis presented, and the recommendations put forward in this report.

We hope that this report will serve as a valuable resource for policymakers and industry professionals and that it will contribute to the ongoing dialogue and development in this important area.

HBS Economics,
Copenhagen, 2025

Introduction

The report addresses conflicting competition/industrial-policy views and recent increases in market concentration in advanced economies, presenting evidence to inform Nordic policymakers about welfare impacts of rising market concentration.

The project is motivated by the need to understand how cross-border mergers and acquisitions (M&A) can potentially strengthen productivity, competitiveness, and capacity for investment in the Nordic economies. As Europe faces mounting challenges—ranging from technological lag to geopolitical uncertainty, there is growing interest in whether strategic consolidation in key sectors can help unlock economic potential.

The Nordic Council of Ministers has commissioned this analysis to explore the conditions under which M&A can deliver broad societal benefits, while also identifying the risks to competition and consumer welfare. While advanced economies have experienced steadily increasing concentration and profitability, the underlying drivers are contested. Part of the explanation lies in structural changes such as globalisation and the rise of intangible assets, while only a modest share can be directly attributed to M&A. This distinction matters for policy: concentration itself is not necessarily harmful, but it may become problematic when high profits are combined with persistent barriers to entry.

For the Nordic region, these issues are particularly relevant. The Nordics are small, open economies that perform strongly compared to most EU peers, yet they remain vulnerable to structural challenges. They face a widening digital investment gap vis-à-vis the US, a limited presence among the world's largest technology firms, and less developed capital markets. At the same time, the region hosts globally competitive pharmaceutical companies and highly digitalized SMEs, underscoring both strengths and weaknesses. The central policy challenge is therefore not only how to safeguard competition at home, but also how to ensure that Nordic firms remain able to scale and compete internationally.

The project aims to provide a structured framework and evidence base to inform policy decisions that balance economic efficiency with strategic resilience in a rapidly evolving European industrial landscape. A recurring theme throughout the analysis is the dual nature of mergers. On the one hand, they can deliver efficiency gains, knowledge transfer, and stronger international competitiveness. On the other hand, in concentrated sectors they risk entrenching market power, raising

consumer prices, and reducing innovation. The balance between these outcomes—the so-called Williamson trade-off—is at the heart of current debates on competition and industrial policy.

The aim of this report is therefore to provide Nordic policymakers with:

- Evidence on the relationship between M&A, competition, innovation, and productivity.
- Analytical tools to distinguish between cases where M&A may benefit society as a whole, and cases where the risks to competition and consumer welfare are more significant.
- Policy recommendations on how Nordic governments can support growth, productivity, and resilience without undermining competition.

The findings presented here build on a combination of literature review, quantitative analysis, and expert interviews across the Nordic countries. This approach provides both empirical robustness and sector-specific insights. The results are summarised below in an extended analysis box, structured according to the report's three research questions. Each set of findings highlights not only the state of evidence, but also the implications for policymakers in the Nordic countries and in the wider EU.

The report is structured around a set of guiding questions that frame the analysis across chapters. These questions capture both the drivers of cross-border M&A, their economic effects, and the broader policy implications for the Nordic region.

Chapter 1 revisits the literature on cross-border M&A to assess the correlation between increased market concentration (fewer and larger firms) and the ability of these firms to compete in international markets. The chapter also explores the relationship between market concentration and economic outcomes such as investment, innovation, and productivity.

Chapter 2 explores the desirability of enabling more mergers in EU and the Nordic region based on the conclusions drawn from chapter 1. It discusses how the EU competition authority (DG COMP) currently reviews mergers, and we analyse the rejected merger proposals by the commission. The chapter further explores what economic and structural barriers might prevent more M&A deals within EU and the Nordic region.

Chapter 3 discusses the implications of the results and how Nordic policy makers may choose to respond both in terms of domestic policies in Nordic countries and in the broader EU discussions.

Exhibit 1

Main analysis questions

Chapter 1: Do large cross-border merger and acquisition deals in internationally competitive sectors enhance firms' ability to compete and are they associated with positive firm outcomes (e.g., investment, innovation, and productivity)?

Chapter 2: Is more cross-border M&A activity desirable in sectors important for the green and digital transition from an economic and/or Nordic perspective? What is preventing more cross-border mergers from taking place?

Chapter 3: How can the Nordic governments promote productivity, competition, and investment in technologically advanced sectors.

The analysis concentrates on the types of transactions and sectors that are most relevant to current policy debates in the Nordics and the EU. This focus reflects the fact that industrial policy discussions are primarily concerned with large, internationally active firms operating in sectors that are central to Europe's technological capabilities and strategic resilience. The scope of our analysis is illustrated in exhibit 2 and focused along three key dimensions:

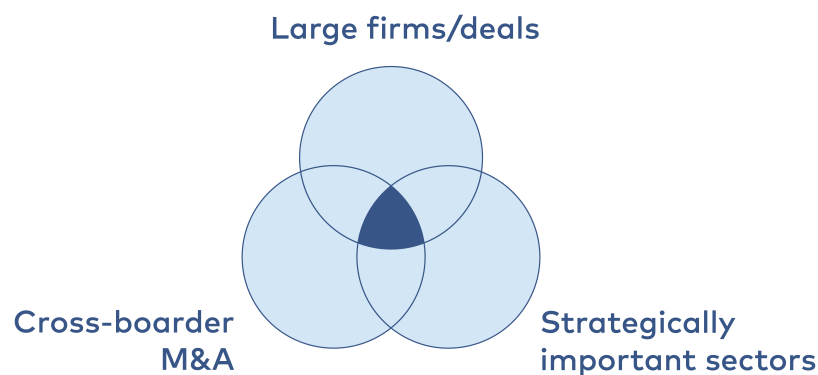


Exhibit 2

Illustration of overall scope of the report

Source: HBS Economics

1. **Focus on large-scale M&A transactions**

The report concentrates on large M&A deals involving major corporate actors. While numerous smaller mergers take place across the EU and Nordic countries—typically handled by national competition authorities, these are of secondary interest to this analysis. This focus reflects the fact that current policy debates centre on industrial policy considerations that are primarily relevant for large, internationally active corporations.

2. **Emphasis on cross-border M&A**

Cross-border M&A transactions are of main interest and domestic M&A activity is mainly included in the analysis as a baseline comparison. Cross-border deals are defined as deals where the merging firms are headquartered in different countries.

3. **Strategically important sectors**

The analysis is limited to sectors considered strategically important in a European and Nordic context. Based on the framing presented in the introduction, we define strategically important sectors as those that meet one or more of the following criteria:

- They are technologically advanced
- They function in internationally competitive markets
- They are critical to the green transition, or
- They are essential to digital transformation.

To guide the analysis, the report applies several key concepts and definitions that clarify what is meant by cross-border mergers and acquisitions and how they are assessed in competition policy debates. These concepts are presented in exhibit 3.

Exhibit 3

Key concepts

Cross-border mergers and acquisitions

A cross-border merger and acquisition (M&A) refers to a transaction in which the acquiring firm and the target firm are headquartered in different countries. This type of M&A involves the transfer of ownership or control of assets across national borders and can take various forms, including:

- Mergers, where two companies combine to form a new legal entity
- Acquisitions, where one company purchases a controlling stake in another.

Types of M&A

- Horizontal mergers occur between competitors in the same industry. These often raise competition concerns, as they may reduce rivalry and enable price increases or reduced output.
- Vertical mergers involve firms at different stages of the supply chain. They are typically associated with efficiency gains such as lower transaction costs and better coordination, though risks such as foreclosure of rivals may arise.

The Williamson trade-off

- A classic framework highlighting the tension between efficiency gains (e.g., economies of scale, lower costs, improved coordination) and increased market power (e.g., higher prices, reduced output). This trade-off remains central to the assessment of whether mergers deliver overall welfare benefits.

Tangible vs. intangible assets

- Intangible assets (such as patents, data, know-how, and brands) are highly mobile and strategically sensitive. They are particularly relevant in technology- and knowledge-intensive sectors, where their transfer can reshape competitive dynamics across borders.
- Tangible assets (such as factories, infrastructure, or land) are location-bound and generally less sensitive from a competition or sovereignty perspective since they cannot be relocated.

The findings further rest on a structured methodology that combines literature review, data analysis, expert interviews, and case-based evidence, ensuring both breadth and depth in the assessment. An overview of the methodological approach is presented in exhibit 4.

Exhibit 4

Methodology

The analysis presented in this report builds on a combination of complementary methods designed to ensure both breadth and depth:

1. **Literature review**

A systematic review of existing international and European research on cross-border mergers and acquisitions was conducted. The review covered empirical studies on the effects of M&A on competition, investment, innovation, and productivity, as well as theoretical frameworks such as the Williamson trade-off and the inverted U-curve relationship between competition and innovation. This step provided the conceptual foundation for the report and ensured that the analysis was grounded in the most relevant academic and policy debates.

2. **Quantitative analysis of market trends**

The report draws on data from international sources such as the IMF, OECD, Eurostat, and Mergermarket. These data are used to track long-term developments in market concentration, markups, and productivity across the EU, the US, and the Nordic region. Special attention is given to sectors of strategic importance for the green and digital transitions. Exhibits on markups, investment gaps, and cross-border M&A deal flows illustrate these dynamics.

3. **Expert interviews**

To complement desk research, a series of semi-structured interviews was conducted with national experts across all Nordic countries. Interviewees were selected based on their industry knowledge and broad experience with M&A regulation and practice. Each interview lasted 45–60 minutes and was conducted virtually. To ensure openness and confidentiality, no individual names, affiliations, or roles are disclosed. Instead, insights have been anonymised and synthesised at an aggregated level. The interviews provided valuable context on barriers to M&A, enforcement practices, and the broader industrial-policy debate.

4. **Event studies and case-based evidence**

The report reviews 14 recent event studies covering Nordic merger cases, as well as sector-specific analyses of healthcare, technology, ICT, and manufacturing. Event studies provide evidence on shareholder value effects of mergers by analysing abnormal stock market returns before and after M&A announcements. These are supplemented by case evidence from sectors such as telecommunications and pharmaceuticals, where M&A has been linked to price effects, innovation impacts, and competition outcomes.

Executive summary

The key findings draw on literature, data, and expert interviews, highlighting both potential efficiency gains and risks of entrenched market power.

Chapter 1 – Cross-border M&A and firm outcomes

- **Market concentration is rising, but M&A is only part of the story.** Concentration has increased steadily across advanced economies over the last two decades. Evidence shows that mergers and acquisitions explain roughly 10 percent of this development. Globalisation, the scalability of intangible assets (such as patents, software, and data), and the emergence of “superstar firms” are more important drivers. This means that concentration itself should not automatically be viewed as harmful. The main concern is whether high profits are accompanied by barriers to entry that prevent new firms from challenging incumbents.
- **Cross-border M&A can strengthen firms’ competitiveness, but effects vary widely.** Theoretical frameworks suggest that M&A can provide efficiency gains, knowledge transfer, and market access. Empirical studies confirm that European plants acquired by foreign firms often see higher productivity. At the same time, horizontal mergers in concentrated sectors such as ICT, telecoms, healthcare, and pharmaceuticals are consistently linked with higher consumer prices and weaker competitive pressure.
- **Investment impacts are nuanced.** Greater scale from cross-border M&A should, in theory, encourage more investment. Yet data shows that rising market concentration is generally associated with lower investment, particularly in ICT. This suggests that concentration can dampen incentives to expand capacity unless firms are subject to strong international competition.
- **Innovation follows a “sweet spot” relationship with competition.** Evidence supports the inverted U-shaped curve: innovation peaks under moderate competitive pressure but falls when markets are either too fragmented or too concentrated. While some mergers foster knowledge transfer, concerns about “killer acquisitions” – particularly in pharmaceuticals – are growing. Overall, cross-border M&A tends to boost innovation in acquiring countries but reduce it in targets.
- **Productivity gains are most visible in acquired firms.** Manufacturing targets often see higher productivity, survival, and employment growth after acquisition, typically linked to managerial spillovers. However, this can coincide with reduced R&D in the target, which may limit long-term productivity growth.

- **Nordic evidence shows a nuanced picture.** Event studies covering Nordic deals consistently find positive abnormal returns for targets, while effects for acquirers are mixed. Danish micro-level evidence suggests that acquisitions can raise firm survival and employment growth. At the same time, ICT-sector consolidation in Europe (including the Nordics) is associated with higher consumer prices.
- **Survey evidence contradicts the "national champion" narrative.** EU exporting firms report that domestic competition strengthens their performance abroad, undercutting arguments for protecting large national firms from domestic rivals.

Chapter 2 – Is more cross-border M&A desirable?

- **The efficiency – competition trade-off remains central.** Consistent with Williamson's framework, mergers reduce rivalry but can also deliver efficiency gains. Whether society benefits depends on whether cost savings outweigh price increases. This trade-off is especially important in digital and green transition sectors, where scale can deliver benefits, but market power can quickly become entrenched.
- **EU merger policy is broadly balanced, but innovation needs more weight.** DG COMP's toolkit includes market definition, concentration measures, critical loss analysis, upward pricing pressure, and merger simulations. These are well-established, but long-term effects on innovation are not systematically considered. Evidence shows that approved mergers have in some cases reduced investment and innovation. Remedies are rare (2–3% of cases), but the deterrent effect is significant: for every blocked merger, at least five are abandoned or modified. This suggests policy is not overly strict.
- **EU policy is under active review.** Driven by the Draghi report, digitalisation, and geopolitical risk, the EU is reconsidering its merger guidelines. While these debates emphasise scale and resilience, rising concentration and markups across advanced economies remain an important counterargument: competition concerns should continue to carry significant weight.
- **Barriers to M&A in the Nordics are mainly structural.** Beyond EU competition rules, factors such as limited capital market depth, fragmented regulatory frameworks, and national "goldplating" of EU legislation deter deals. Nordic firms often face more administrative hurdles than their US peers when scaling through acquisitions. Differences in merger thresholds and review processes across Nordic countries further increase transaction costs for cross-border deals within the region.

Chapter 3 – Policy recommendations for the Nordics

- **Do not treat concentration as a policy problem in itself.** The priority should be addressing entry barriers, secure contestability and supporting long-term productivity and innovation, rather than focusing narrowly on concentration levels.
- **Strengthen innovation in merger reviews.** Nordic governments should push for DG COMP to integrate long-term innovation effects into assessments, for example through patent and pipeline analysis, systematic expert panels, and innovation-focused simulations. Current practice assesses consumer harm over a long horizon but requires innovation benefits to materialise in the short run to be considered – an asymmetry that should be corrected.
- **Harmonise Nordic merger rules and processes.** Similar merger notification thresholds could make the region a more integrated and attractive market for cross-border transactions. Governments should review and scale back goldplating of EU directives e.g., notification thresholds and make assessments of the number of authorities consulted in merger reviews.
- **Avoid protectionism.** While foreign acquisitions can reduce local innovation in the short run, imposing defensive restrictions would likely invite reciprocal measures that harm Nordic competitiveness.
- **Balance digital concentration with strong data protection.** Governments should counterbalance network effects and data dominance by ensuring data portability, interoperability, and access to key datasets. This safeguards both innovation and consumer welfare in digital markets.

Key facts and analytical results

Across advanced economies market concentration and corporate markups have increased steadily since 2000, with particularly strong growth in the technology and pharmaceutical sectors. In the United States the rise in concentration has been more pronounced than in Europe, but European markets have also experienced higher profitability and lower business dynamism. Estimates suggest that if concentration had remained at the level of 2000, EU GDP would have been almost 4 percent higher in 2020.

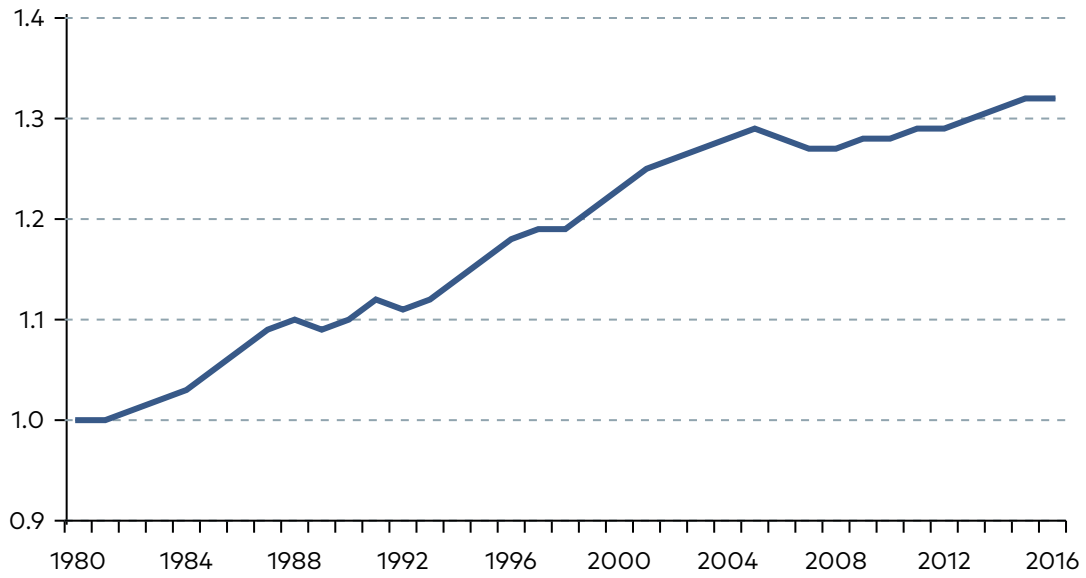


Exhibit 5 Evolution of global markups
Index 1980 = 1

Source: IMF (2021)

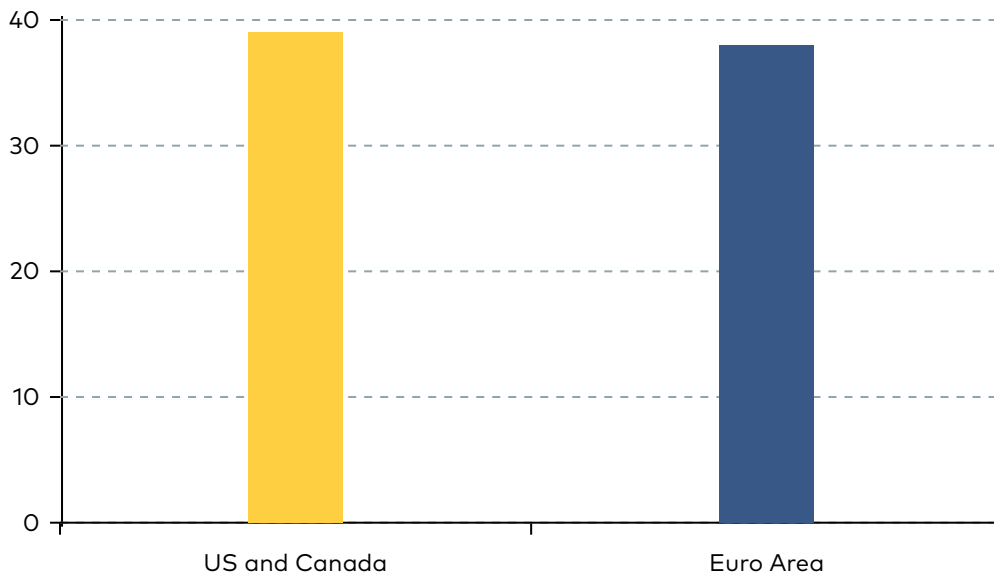


Exhibit 6 Markup increase by region
Aggregate percent change 1980–2016

Source: IMF (2021)

The role of mergers and acquisitions in driving this trend is relatively modest. More important are e.g., structural factors such as globalisation, the scalability of intangible assets including patents, software and data, and the dynamics of "superstar" firms that achieve dominant market positions. Evidence from the Danish Economic Council confirms this pattern, showing that M&A has played only a secondary role in explaining higher concentration levels (roughly 10 percent of the increase in market concentration).

In the Nordic region, the volume of cross-border M&A transactions has generally risen, reflecting growth in the overall number of deals. Exhibit 7 and 8 show developments in the number and share of Nordic cross-border deals.

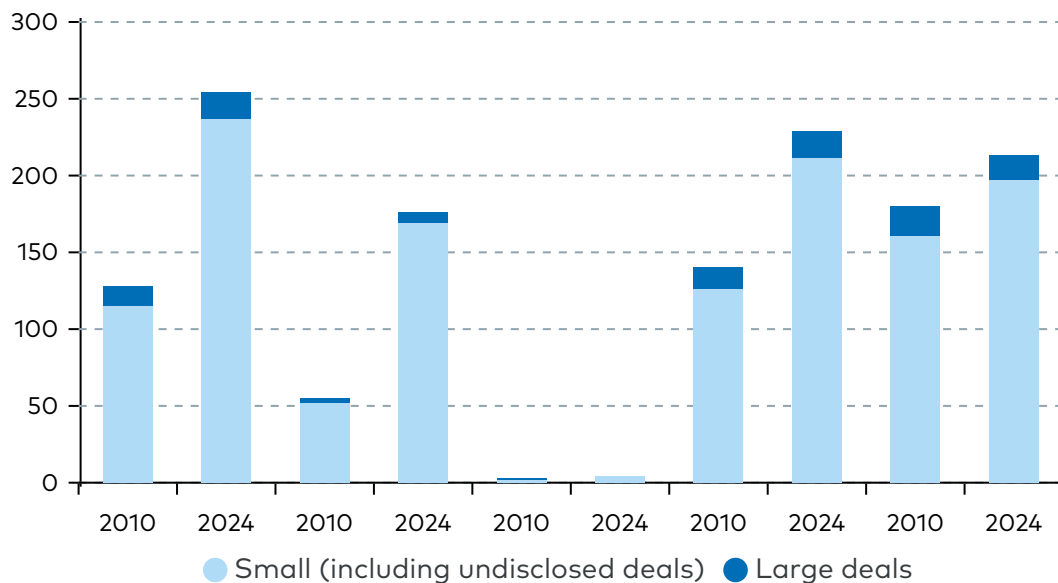


Exhibit 7 Cross-border deals in Nordics

Number of cross-border deals in 2010 and 2024

Source: Mergermarket – large deals include above \$100 million transactions (megadeals, large and upper-mid-market deals). Note that publicly listed companies are required to announce M&A transactions and that they will typically disclose the deal volume (amount). Undisclosed deals are typically small and are therefore classified as such.

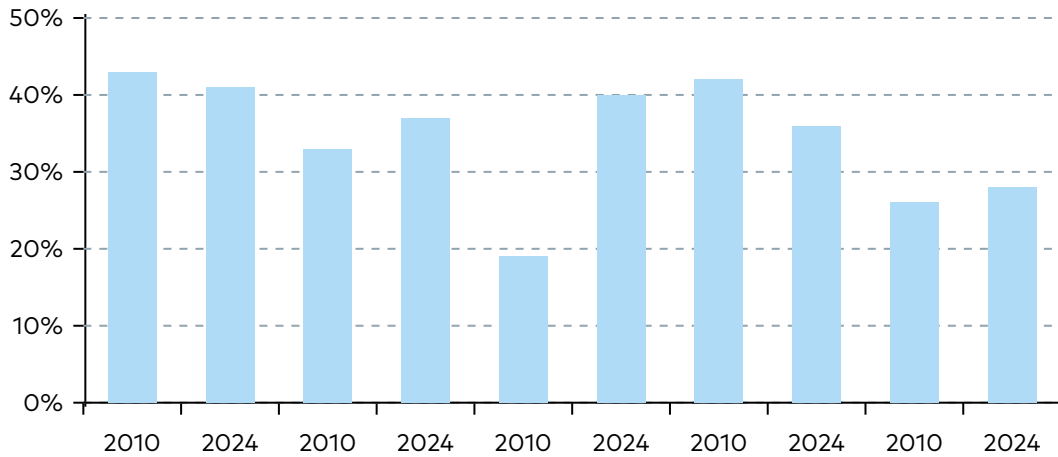


Exhibit 8 Share of cross-border deals

Cross-border deals as a share of total deals

Source: Mergermarket. The figure shows all cross-border deals (large/small) as a percentage of total deals.

When comparing the Nordics with the United States, a gap emerges particularly in investments in ICT and digital infrastructure. Although the Nordic countries generally perform better than most EU peers on measures of competitiveness and innovation, they lag significantly behind the US in digital investment intensity. This gap has implications for productivity growth as highlighted by Draghi and others.

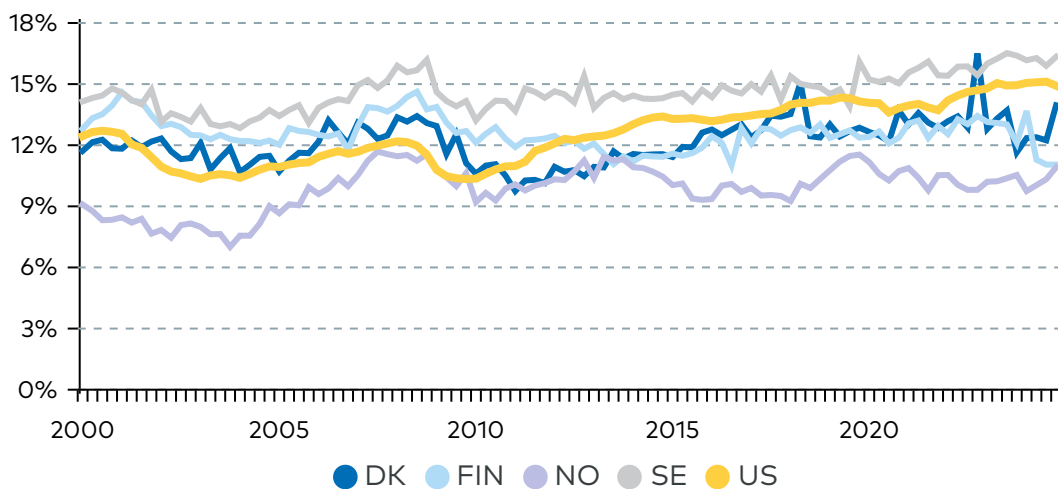


Exhibit 9 Private investments

Real gross capital formation, percentage of GDP

Note: Private investments expressed in real terms excluding residential investment. Source: [OECD](#) Gross fixed capital formation and chained GDP.

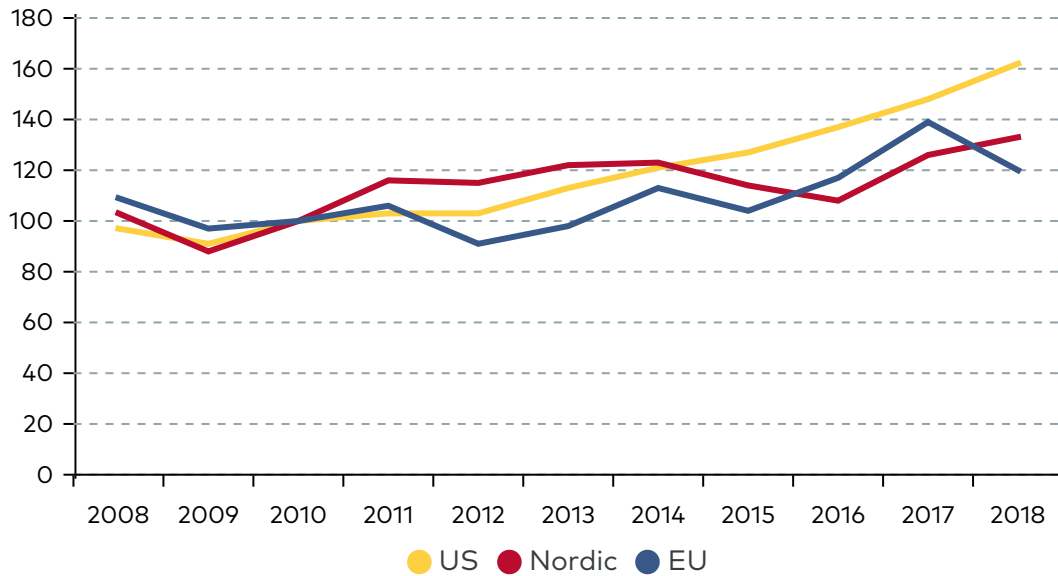


Exhibit 10 Investment in ICT
Gross capital formation, (2010 = 100)

Note: Index, 2010 = 100. The graph of EU includes all member states except Cyprus, Malta, Bulgaria, Rumania, and Croatia. Source: [STAN OECD](#).

The Nordic economies display relative strength in pharmaceuticals, with several globally competitive companies headquartered in the region. In contrast, they are largely absent from the world's largest technology firms, with only one Nordic company among the top 100 by market capitalisation.

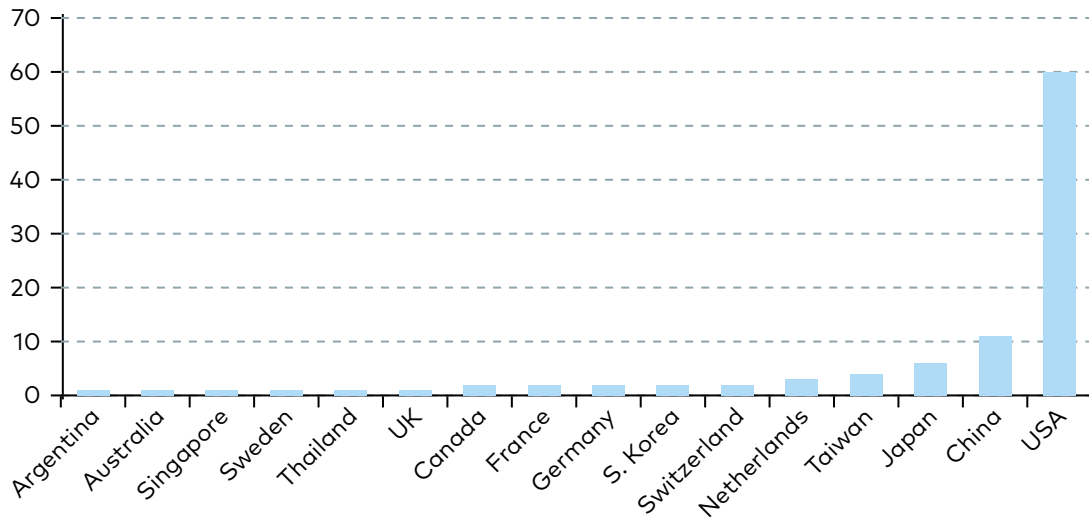


Exhibit 11 Nordic countries are not well represented in technology
 Number of top 100 largest tech companies in the world by country

Size is measured by the companies' market cap as of August 2025.

Empirical evidence on Nordic mergers shows a complex picture. Event studies consistently indicate that target companies experience positive abnormal returns when acquired, whereas the effects for acquiring firms are mixed. The largest gains are typically found in horizontal deals in healthcare and technology, sectors where concentration and markups are already relatively high. At the same time micro-level evidence from Denmark suggests that acquisitions can improve firm survival and employment growth, particularly in manufacturing. On the consumer side, however, higher concentration in ICT and telecoms is strongly associated with higher prices.

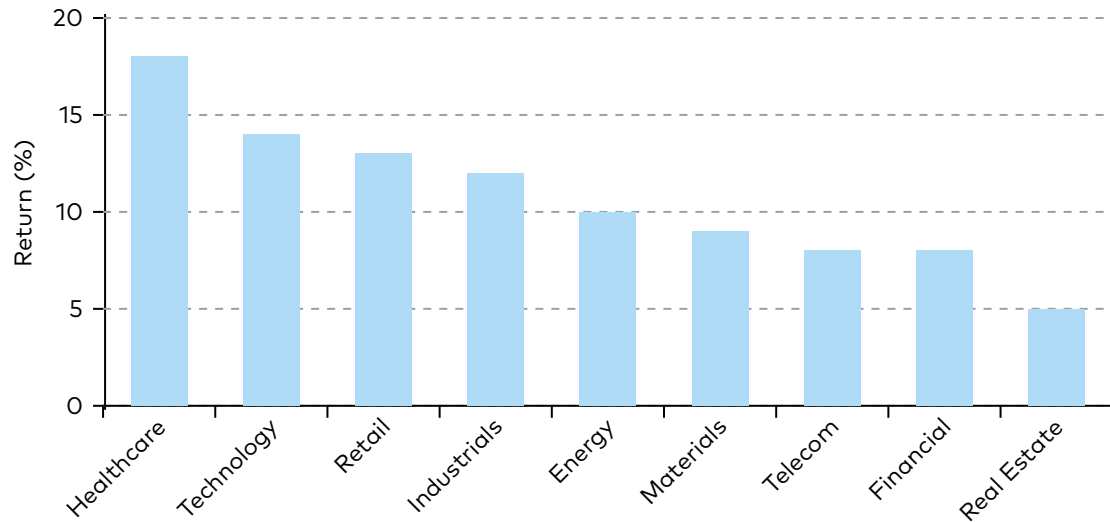


Exhibit 12 High returns on target firms in technology and healthcare (Nordics)
Returns to shareholders of acquired firms

Source: Opsahl (2022). Return is measured as the cumulative abnormal return (CAR) for target firms. Data from 2001-2019.

In sum, the factual evidence shows that while cross-border M&A is not the main driver of rising concentration, it plays a significant role in shaping firm-level outcomes, particularly in strategically important sectors. The Nordic position is characterised by strong performance in pharmaceuticals, weaker capacity in technology, and a structural investment gap relative to the United States.

While the aggregate impact of rising concentration is complex, the evidence indicates that mergers and acquisitions can generate broad welfare gains under certain conditions. These gains typically arise when transactions enhance efficiency and scale without significantly weakening competitive pressure.

Exhibit 13 summarises the circumstances under which cross-border M&A is most likely to benefit society as a whole and are based on our review of the literature in [chapter 1](#).

Exhibit 13

When are mergers and acquisitions most likely to benefit society as a whole?

Cross-border M&A can deliver substantial efficiency gains and economies of scale. Successful transactions are often linked to lower consumer prices despite reduced market competition, thereby increasing overall welfare. Evidence shown in the report shows that these overall welfare gains are most likely when firms:

- are not close competitors,
- operate in internationally competitive markets,
- acquire comparatively smaller target companies,
- are active in different industries, and
- can realize economies of scale.

Policy insights and Nordic implications

At the European level, the evidence suggests that DG COMP's merger control framework is broadly effective. The available tools, including concentration measures, critical loss analysis, and merger simulations, are well developed and flexible. Enforcement is not overly strict. However, long-term effects on innovation are not systematically assessed in merger reviews. A stronger emphasis on innovation, supported by methods such as patent and pipeline analysis, structured expert panels, or dynamic competition models, would make merger control more forward-looking and aligned with Europe's broader industrial and technological challenges.

For the Nordic region, policy implications are twofold. On the one hand, governments should continue to support a competitive environment and avoid the temptation to treat rising concentration as a problem in itself. On the other hand, Nordic policymakers should recognise the structural barriers that limit cross-border deal activity within the region. These barriers include fragmented regulation, inconsistent enforcement practices, and over-implementation of EU directives that add administrative burdens. Harmonising notification thresholds and procedures across Nordic countries could reduce transaction costs and make the region more attractive for investors.

At the national level, governments should focus on the broader investment and innovation environment. Deepening capital markets, strengthening access to venture capital, and improving the regulatory environment for scaling are critical to

ensuring that Nordic firms can compete internationally. Particular attention should be given to digital markets, where network effects and control of data create risks of entrenched market power. Stronger data protection, combined with measures to ensure portability and interoperability, would help safeguard competition and innovation in these sectors.

Looking ahead, Nordic governments could play a more proactive role in shaping the European debate on competition and industrial policy. Joint initiatives on capital market integration and regulatory cooperation could strengthen the region's ability to attract investment and support firm growth. Finally, active Nordic participation in the ongoing review of EU merger guidelines would help ensure that issues central to the region – such as innovation, the green transition, and digital transformation – are fully reflected in the future framework for merger control.

Nordic governments should place the strongest emphasis on scaling and productivity, by strengthening capital markets and implementing structural reforms that go beyond competition policy. While M&A plays a role in enhancing competitiveness, it cannot by itself close the productivity gap with the United States. At the same time, procedural streamlining – through harmonised merger review processes, reduced goldplating of EU rules, and stronger focus on long-term innovation – can make the region more integrated and attractive for investment. Finally, only a limited degree of strategic flexibility should be pursued, where competition policy takes account of exceptional cases of systemic or geopolitical importance.

What should Nordic governments prioritize to enhance growth and resilience?

A LITTLE ... STRATEGIC FLEXIBILITY

Nordic countries can participate in discussions about broadening the scope of competition policy beyond consumer welfare and maximized competition. However, we argue this should be highly limited and reserved only for firms and assets with clear society-wide strategic importance, such as those related to supply security or systemic dependencies. Extending the traditional scope of competition policy to include e.g. geopolitical concerns comes at a societal cost.

FURTHER ... PROCEDURAL STREAMLINING

Nordic governments can reduce the risk of over-implementation of EU regulation (e.g. merger review thresholds) and advocate for merger reviews to consider long-term innovation effects. Nordic countries should also continue harmonizing merger review processes, as well as tax and compliance requirements, to make the region more economically integrated and thus more attractive for foreign investors.

A LOT MORE ... SCALING AND PRODUCTIVITY

Productivity growth can be supported by stronger capital markets and structural reforms beyond competition policy. While Nordic countries are active in M&A, cross-border deals alone will not close the productivity gap with the United States. National-level reforms to strengthen innovation, skills, and investment are therefore essential.

The role of cross-border mergers in a global economy

The chapter describes how market concentration has been rising and the implications for policy makers.

Why competition matters to the economy

Competition plays an essential role in maintaining a robust economy by motivating firms to achieve superior outcomes for customers, such as lower prices, improved product quality, and greater diversity of products.

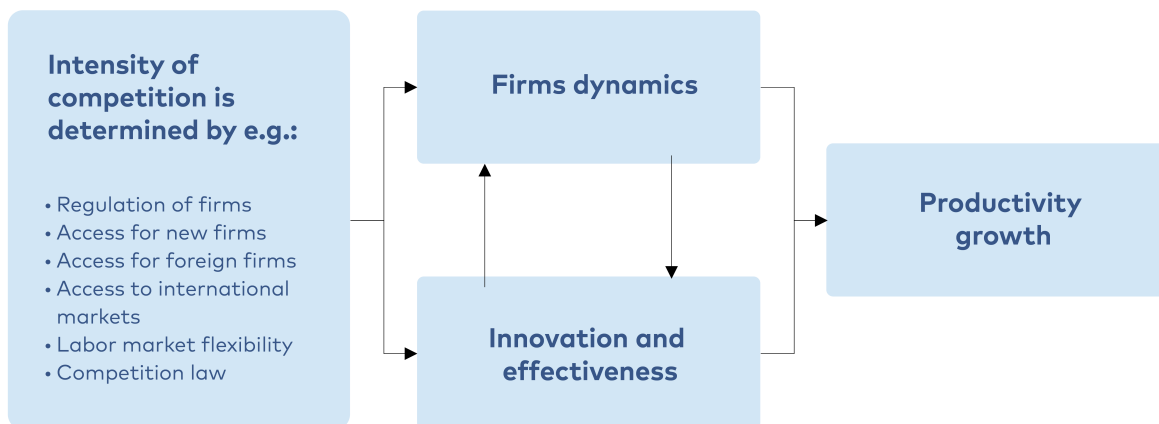
The literature typically points out three primary microeconomic mechanisms:

1. **Productive/X-efficiency** incentivizes firms to minimize "within-firm" inefficiencies
2. **Allocative efficiency** promotes the optimal allocation of resources between firms
3. **Dynamic efficiency** encourages firms to engage in innovation (R&D).

Together, these mechanisms create a selection effect, shifting market share toward more productive firms and encouraging the exit of less efficient competitors, thereby raising overall economic efficiency. Extensive research demonstrates that strong competition enhances productivity, investment, innovation, and economic growth. Firm dynamics (the exit/entry of firms) accounts for a significant portion of aggregate productivity growth (Lear et al., 2024). Furthermore, it strengthens the export competitiveness of domestic enterprises. In contrast, diminished competition is associated with lower investment, declining productivity, increasing inequality and potentially decreased effectiveness of macroeconomic policies (IMF, 2021).

Exhibit 14 Competition is driving productivity growth

Illustration of firm dynamics (external) and internal effects on productivity



Source: HBS Economics.

In the context of mergers, this dynamic introduces a dual effect:

- Mergers reduce external competition, potentially weakening the selection process that reallocates resources to the most productive firms.
- Mergers can facilitate efficiency gains (e.g., capital reallocation, knowledge synergies, more effective production etc.) as stronger firms acquire weaker firms and optimize their resources.

As briefly outlined above there is a large body of evidence and consensus among economists implying that competition (for the whole of the economy) is highly beneficial. There are, however, exceptions both theoretical and empirical to this trend. While keeping in mind the overall conclusion here, these exceptions will be integral in this report and for understanding how (and in what markets) more can be done to enable productivity growth and investment by means of M&A in the EU and more specifically in the Nordics.

The tension between competition- and industrial policy aims

From a competition policy point of view there has been increasing worries about the risk of negative effects of mergers on innovation. Evidence shows that acquisitions made by tech firms have likely reduced innovation which implies that competition policy has been too lenient – as opposed to “too strict”.

On the other hand – from an industrial policy perspective, European politicians

and the Draghi and Letta reports seems to point out that merger policy has been in some ways too strict (Stiebale, 2025).

Exhibit 15

Draghi report raises questions about EU competition policy

Last year, Mario Draghi warned that the EU faces an "existential threat" if it fails to reverse economic stagnation. He identified factors hampering competitiveness, especially in how the EU supports technological innovation. In response, Ursula von der Leyen's Commission has introduced initiatives to lower regulatory barriers and boost private investment, including reforms to EU merger guidelines (see below).

Reform to EU merger guidelines

The EU is actively reviewing its merger guidelines to ensure they align with today's shifting markets and business models. This comprehensive review takes into account major changes in geopolitics, international trade, and technology, seeking input from various stakeholders.

Key considerations include the role of scale for global competitiveness and the possible benefits of mergers for small and medium-sized enterprises (SMEs), such as greater access to capital and resources for innovation. However, the EU is also wary of increased market power stifling innovation and harming competition.

The review pays special attention to innovation, especially the risks of "killer acquisitions" and the loss of emerging competitors in sectors like pharmaceuticals and digital markets. Sustainability is another priority, with a focus on how mergers may support or hinder the EU's climate goals.

Digitalisation introduces complex challenges, as traditional merger distinctions blur amid network effects and data-driven competition. The EU is also re-examining how to weigh efficiencies, both price and non-price, against potential harms.

Finally, the review explores broader societal impacts, such as defence, media plurality, and labour markets – acknowledging that mergers can affect more than just competition, but also public interest and democratic safeguards.

Exhibit 16

Geopolitical risk and digitalization has boosted industrial policy arguments

National security concerns

- Telecommunications: Nordic telecom mergers could boost 5G, reduce reliance on rivals, and secure digital sovereignty
- Cybersecurity: Consolidating cybersecurity could improve resilience to cyber threats and protect critical infrastructure
- Defence Tech: Mergers in AI-driven cybersecurity and defence tech could reduce EU reliance on non-European providers.

Supply chain sovereignty

- Cloud & IT Services: Nordic cloud mergers could reduce dependence on Microsoft and AWS, securing data sovereignty.
- Semiconductors & Manufacturing: European chip mergers could decrease reliance on Asian suppliers in digital industries.

Energy & green transition

- Renewables: Renewable energy mergers could accelerate the green shift, reducing Nordic reliance on Russian gas.
- EV & Battery Tech: Consolidation in battery and EV production could strengthen Europe's clean energy innovation.

Consumer protection

- Fintech & Banking: Nordic fintech mergers could enhance fraud detection, consumer authentication etc.
- E-commerce & Payments: Mergers in digital payments could align protection but also risk lowering market transparency.
- Smart Devices & IoT: Consolidation in IoT security could improve consumer protection against hacking and data breaches.

From a public policy perspective, mergers must be evaluated in terms of their broader effects on economic welfare. At the core lies the Williamson trade-off, which highlights the tension between efficiency gains (e.g., lower costs, innovation) and market power (e.g., higher prices, reduced output).

The key question is whether mergers lead to overall welfare gains – total surplus – by passing efficiency benefits on to consumers, or whether they primarily raise firm profits at the expense of consumers and competitive pressure.

However, in today's context of geopolitical risks, climate urgency, and digital transformation, traditional economic surplus measures are somewhat inadequate. We therefore introduce broader concepts that regulators may consider:

- Strategic surplus: when mergers enhance national or regional resilience and sovereignty (e.g., in telecom or clean tech).
- Transition surplus: when mergers accelerate green or digital transformation.
- Consumer protection surplus: when consolidation improves safety, trust, or cybersecurity, even if not directly lowering prices.

While these extended surplus notions do not override the need for efficiency, they may justify more flexible merger assessment thresholds in critical sectors. In sum, mergers should be judged not just on short-term consumer price effects but on their long-term contributions to societal objectives.

A notable distinction is that between tangible and intangible assets. Policymakers should be particularly attentive when mergers or acquisitions involve strategically important intangible assets, such as technology, patents, or specialized know-how, as control over these can affect long-term competitiveness and innovation. By contrast, the ownership of location-bound tangible assets, such as ports, factories, or other infrastructure, is generally less concerning from a competition or strategic perspective since the asset itself cannot be relocated and its economic impact is largely local. Recognizing this distinction allows for a more nuanced assessment of mergers in critical sectors, balancing efficiency considerations with broader societal objectives.

Exhibit 17

Tangible and intangible assets

In the context of mergers and acquisitions, it is crucial to distinguish between mobile (intangible) assets and location-bound (tangible) assets.

- **Intangible assets are mobile** including technology, patents, managerial know-how, and brands. These can be transferred across borders and generate value when combined with new markets or complementary resources. Foreign ownership of such assets may raise concerns about knowledge transfer, competitiveness, or the relocation of key functions.
- **Tangible assets are location-bound assets** including infrastructure, land, natural resources, and facilities such as ports or utilities. These remain tied to their geographic location regardless of ownership. When foreign investors acquire such assets, the asset itself cannot be relocated, which often makes ownership less sensitive from a policy perspective.

This distinction is central in industrial organization and international business theory, as it shapes both the economic rationale for cross-border acquisitions and the policy considerations linked to foreign ownership.

Source: OLI/Dunning.

The following section highlights how competition has weakened for most advanced economies in past decades.

Increasing market concentration in the EU and US

In advanced economies, corporate market power – as measured by firms' price markups over marginal costs – has risen by nearly 8 pct. since 2000, accompanied by escalating profits and increased market concentration (IMF, 2019).

This surge has been most pronounced in the technology and pharmaceutical sectors, with markups exceeding threefold those found in industrials and consumer goods. Conversely, markups have remained relatively stable in emerging markets (IMF, 2021a).

Within the European Union, data indicates a weakening competitive landscape, highlighted by greater industry concentration, higher markups, widening disparities between market leaders and followers, and reduced business dynamism. Nonetheless, some evidence suggests that increases in concentration and markups have been less significant in the EU compared to the United States (Bajgar et al., 2019 & 2021).

From 2002 to 2017, industry concentration generally intensified across the United States, Japan, and eleven European nations, particularly in sectors such as Retail, ICT, Transportation and Storage and Manufacturing (IMF, 2021b).

The overall trend (exhibit 18 and 19) shows a rise in corporate market power in advanced economies, indicated by increased markups/profitability. While this rise is broad-based, it is concentrated among a small fraction of dynamic, more productive, and innovative firms.

In 2021 the IMF noted that the rise in M&As by dominant firms has contributed to increased market power and reduced business dynamism – its effect is described as "chilling, albeit moderate". Since then, further increases in market concentration have taken place: More recently, results on the concentration trends have been documented by Calligaris et al. (2025) showing large increases at the industry level in both EU and US in the post-pandemic era. Increased competition is associated with improved Total Factor Productivity (TFP), whereas heightened market power and markups align with TFP decreases (Lear 2024).

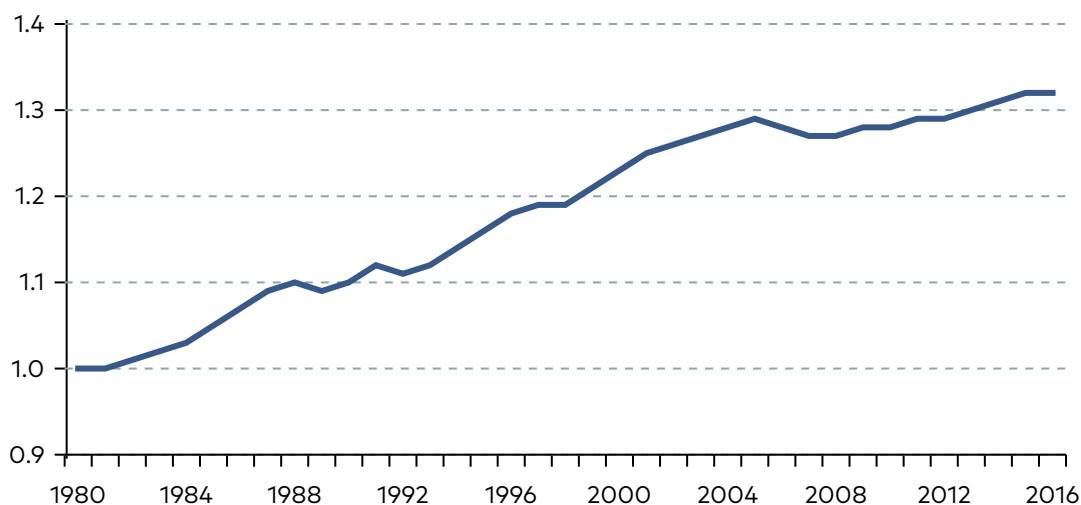


Exhibit 18 Evolution of global markups

Index 1980 = 1

Source: IMF (2021)

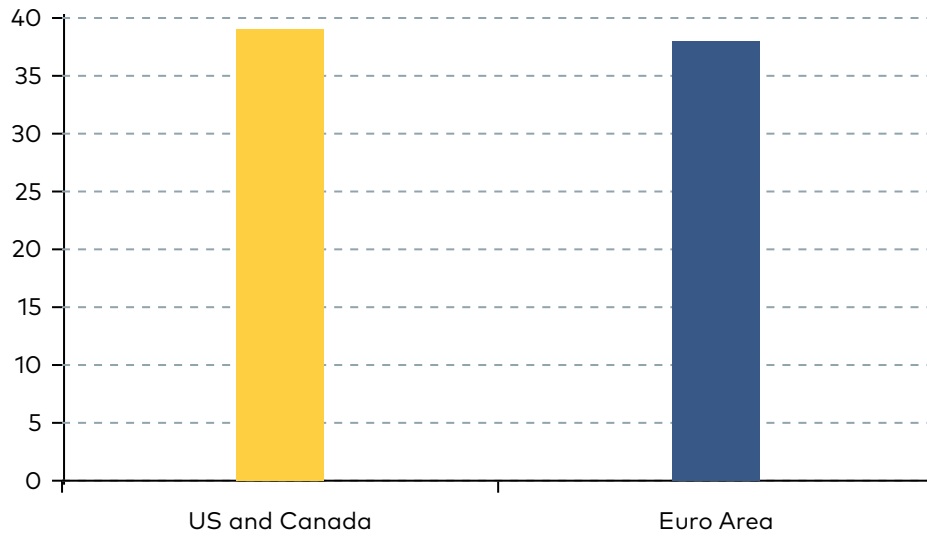


Exhibit 19 Markup increase by region
Aggregate percent change 1980–2016

Source: IMF (2021)

Exhibit 20

The welfare cost of the secular decline in business dynamism is large

Based on three scenarios Lear et al. (2024) estimate that the price increase that resulted from increasing market concentration in EU during the period between 2000 and 2020 (nearly 8 pct. increase in markups) had the following impact:

- GDP would have been 3.7 pct. higher in 2020
- Firm investments would have been 1.6 pct. higher in 2020
- Household consumption would have been 3.9 pct. higher in 2020
- Employment would have been 3.0 pct. higher in 2020.

Source: Lear et al. 2024 – Exploring the state of competition in the EU.

It is relevant to consider the extent to which M&A is a driver of increased markups. Recent evidence in a Nordic context indicates that only around 10 pct. of the increases in markups can be attributed to M&A (Danish Economic Council, 2025). This indicates that many other factors come into play, e.g., the rising concentration is for example also strongly associated with intensive investment in intangibles, especially innovative assets, software, and data. This relationship is magnified in more globalized and digital-intensive industries, as firms are better able to scale intangibles when they have access to larger foreign and digital markets (Bajgar, 2024).

Recent studies have identified the decline in competition, offering several possible explanations for this pattern. One commonly referenced hypothesis is the "superstar story" (Autor et al., 2020), which proposes that structural changes in the economy – including globalisation and the increasing role of intangible assets – have benefited large firms. According to this perspective, increased market concentration and markups may result from efficient firms gaining dominance (Shapiro and Yurukoglu, 2024). Several others contest this view.

Ranking analyses show that top firms increasingly "stay on top" implying lower business dynamism. Besides considering the potential harmful effects on innovation (e.g., in pharmaceuticals and big tech) competition authorities must consider the possibility that with increasing market concentration leading firms can reduce competitive pressure through M&As, particularly in digital-intensive industries, raising concerns about "killer acquisitions" where established firms buy startups with competitive potential (Stiebale, 2025).

The economics of superstars

So far, we have seen that 1) competition is highly beneficial and a driver of desirable economic outcomes like growth, investment, and innovation and 2) that competition (measured by the degree of market concentration) is in decline in most advanced economies. So why would we allow more mergers in this situation?

Besides increasing geopolitical tension digitalisation has altered competitive dynamics in the economy by generating new markets and changing existing ones. This development introduces various challenges for competition authorities and policymakers, who must manage uncertainty in rapidly shifting markets, identify new forms of potential misconduct – such as those associated with digital ecosystems or platforms' data practices – and assess markets with unclear boundaries. Additionally, attention to conduct in digital markets and signs of increasing market concentration have prompted consideration of both new and existing competition policy measures.

Exhibit 21

Key considerations in the (digital) superstar economy

Network externalities

When the value of a product or service increases as more people use it, early leaders can gain a self-reinforcing advantage. In digital markets, this often allows one or a few firms to dominate globally (e.g., social media platforms, payment systems). Network effects make it harder for new entrants to compete, reinforcing the market position of superstar firms. Over time, this can create "winner-takes-most" dynamics.

Technological standard-setting

Superstars can influence or set industry standards (e.g., file formats, protocols), locking in users and partners to their ecosystems.

Winner-take-most dynamics

In markets with strong economies of scale, high fixed costs, and low marginal costs, firms that achieve an early lead can expand rapidly at lower average cost than their competitors. Combined with brand recognition and access to data, this often allows one or a few firms to capture the majority of the market. Such dynamics tend to concentrate market power among a few dominant players. Over time, this reinforces barriers to entry and creates "winner-takes-most" outcomes.

It is important to note that having fewer, larger firms is not inherently problematic (see exhibit 22). *Contestability* is a central concept in competition law, as it ensures that large companies can be challenged by new market entrants. The welfare risks does not necessarily arise from the presence of a few large companies, but rather when these companies cannot be challenged. If contestability is ensured, mergers of large companies will not pose a problem, as access for large international players to the EU market will ensure continued contestability. This is crucial to ensure that mergers do not hinder competition but instead promote a dynamic and open market structure.

Exhibit 22

Fewer firms do not have to imply lower competition

The previously highlighted increase in market concentration is, to some extent, a natural outcome of an increasingly globalised economy. Measures of concentration are defined within a given industry and geographic area, focusing on the number and relative size of firms. This means that a rise in concentration – such as fewer, larger pharmaceutical companies operating in Sweden – does not necessarily indicate weaker competition.

If these firms compete with foreign suppliers and Swedish consumers can readily purchase pharmaceutical products from abroad, competition can remain strong despite higher domestic concentration. In such cases, consolidation may even result in lower consumer prices, improved efficiency, or enhanced innovation due to stronger competition in the broader international market.

The rise of superstar companies is driven by a combination of structural and technological factors. For instance, economies of scale typically allow large firms to operate efficiently across products and markets, while network externalities (in the case of tech) reinforce their dominance as the value of their services grows with the number of users. Global brand power and technological standard-setting can potentially lock in customers and partners.

Superstar firms illustrate the evolving trends and highlight new considerations for policymakers. While they are few, they are highly relevant to the discussion on market dynamics. Even outside of these exceptional cases, ordinary mergers should be assessed individually, with competition authorities carefully balancing potential efficiency gains against possible harm to competition and consumers.

How Nordic countries compare with the EU

Europe's competitiveness challenge has moved to the forefront of the policy agenda. As highlighted in the 2024 Draghi Report, the widening transatlantic gap in productivity, innovation, and investment underscores a structural divergence between the European and U.S. economies. This gap reflects deeper differences in market structure, capital allocation, and the capacity to translate technological progress into economic growth. The Nordic countries, while often outperforming other EU Member States on various economic and innovation indicators, are not immune to these trends.

While the United States has seen sustained and robust investment in productive assets, investment levels in the Nordic region have (with the exception of Sweden) not kept up with the US, see exhibit 23. The divergence signals underlying differences in the enabling environment for private and public investment, including regulatory frameworks, access to risk capital, and market incentives.

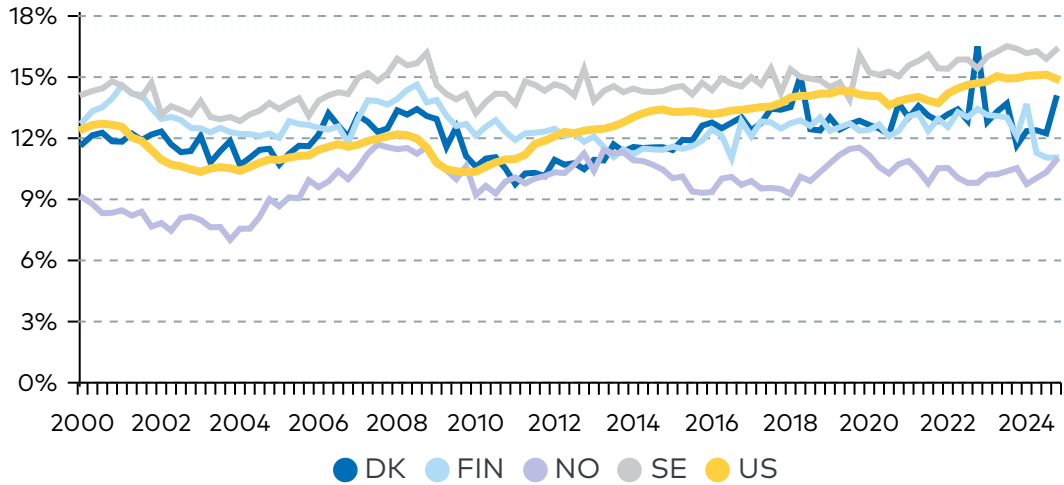


Exhibit 23 Private investments
Real gross capital formation, percentage of GDP

Note: Private investments expressed in real terms excluding residential investment.
Source: [OECD](#) Gross fixed capital formation and chained GDP.

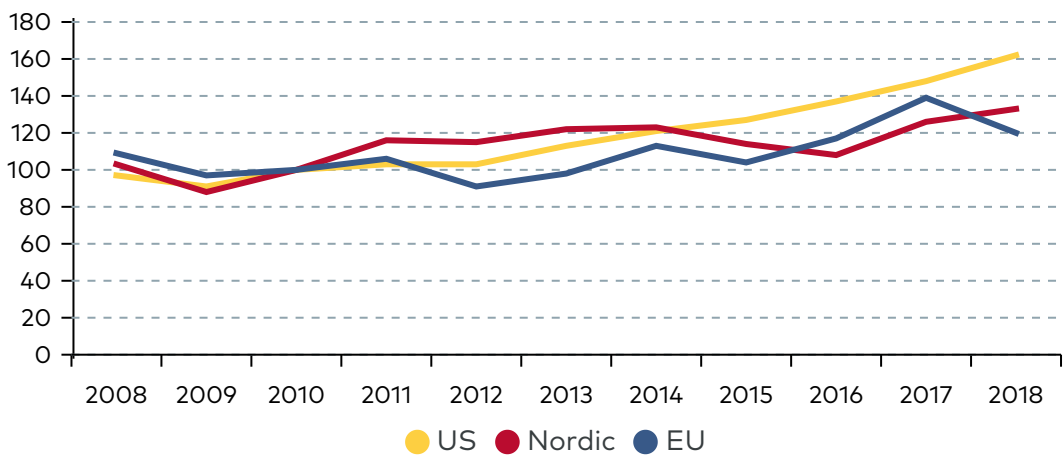


Exhibit 24 Investment in ICT
Gross capital formation, (2010 = 100)

Note: Index, 2010 = 100. The graph of EU includes all member states except Cyprus, Malta, Bulgaria, Rumania, and Croatia. Source: [STAN OECD](#).

An essential driver of future productivity growth is our digital capital. The Nordic region lags considerably behind the U.S. in investments in information and communication (ICT), see exhibit 24, reflecting weaker investment in digital infrastructure and technologies that are critical to the next phase of industrial transformation. This gap is further underscored by the findings that, between 2014 and 2019, European companies' revenues increased 40 pct. slower than their U.S. counterparts, with ICT and pharmaceuticals accounting for 80 pct. of the investment gap and 75 pct. of the R&D gap (McKinsey, 2022).

Nordic investment levels lag behind the US in digital technologies AND ICT

While the Nordic countries often outperform other EU member states on various economic and innovation indicators, they still face a notable investment gap compared to the US. This shortfall hampers competitiveness and limits the emergence of new superstar firms in the region.

Innovation capacity plays a central role in shaping firms' ability to attain and maintain global market positions. The distributions of the world's largest pharmaceutical and technology companies by country reveals a clear asymmetry (exhibit 25 and 27) while the Nordic region plays a disproportionately strong role in the global pharmaceutical sector – home to several globally competitive firms – it is largely absent from the top tier of global ICT companies, with only a single Nordic firm (from Sweden) represented among the 100 largest. This reflects the region's long-standing strength in life sciences but also points to a structural weakness in scaling digital enterprises and capturing value in technology-intensive sectors. In general, countries gain from specialization and thus Nordic countries should not aim to "lead" all sectors. However, with the recent focus on strategic autonomy countries may meaningfully choose to give up some specialization gains.

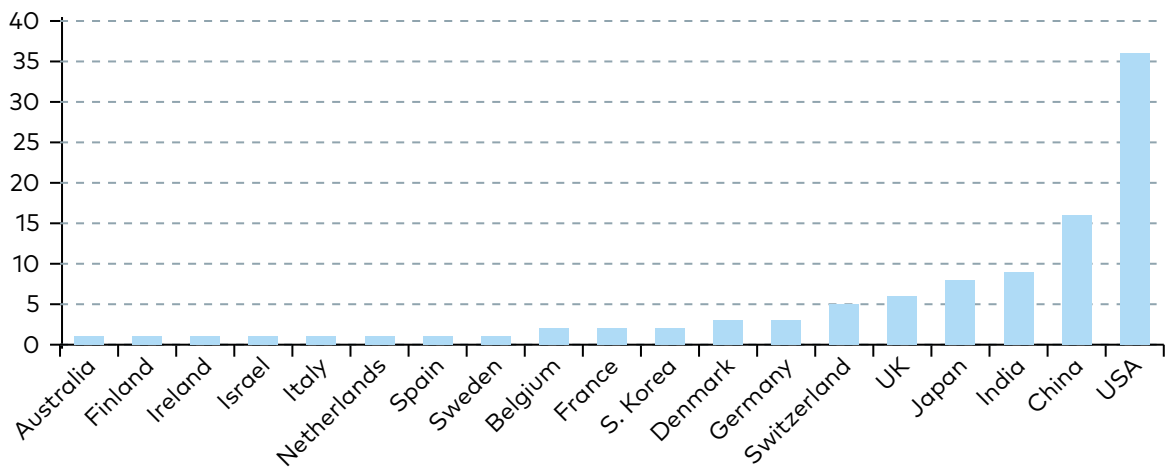


Exhibit 25 Nordics have a strong pharmaceutical sector
 Number of Top 100 largest pharmaceutical companies in the world by country

Size of the company is measured by its market cap as of August 2025.

Exhibit 26

Cross-border M&A in the Nordic Life Science sector (interview highlights)

M&A as a scaling tool: M&A is primarily viewed as a mechanism for scaling operations and gaining access to larger markets. In the Nordic context, national markets are relatively small and fragmented, which increases the importance of cross-border deals. Compared to the United States, where companies benefit from one integrated market, Nordic firms face more structural barriers.

Regulatory environment: The regulatory process for pharmaceuticals and medical devices in Europe is centralised to some extent (e.g., EU-level approvals), making it easier to access multiple markets simultaneously. However, local differences in pricing negotiations, language, and regulatory specifics still represent significant barriers. These factors can increase transaction complexity and reduce the attractiveness of cross-border consolidation within Europe compared to the United States.

Market structures and competition: The Nordic countries host both large multinational pharmaceutical companies and a wide range of smaller, specialised firms. This creates an ecosystem where cross-border M&A can be a pathway for smaller Nordic firms to access global markets, while larger players use acquisitions to strengthen their positions in specific areas. The strong presence of European competitors means Nordic firms often face competitive pressure both within the region and from U.S. firms.

Alternative growth models: While M&A plays a role, licensing agreements are highlighted as an even more established growth model in parts of the Nordic life science sector. This suggests that while cross-border M&A is important, it may be complemented – or in some cases substituted – by strategic partnerships and licensing, particularly for mid-sized Nordic firms.

Access to capital: Access to venture capital is more developed in the United States than in Europe. This structural difference may limit the ability of Nordic firms to expand organically or to pursue outbound M&A at the same scale as U.S. firms. Cross-border deals are therefore often driven by the need to attract capital and strategic partners beyond the region.

Global considerations: Regulatory regimes in other major markets (e.g., U.S., China, Brazil) also shape Nordic M&A strategy in life science. While EU and U.S. regulations are relatively harmonised, unique national rules in emerging markets can act as deal-breakers for truly global transactions. Nordic companies, therefore, often approach cross-border deals with a staged strategy: first Europe, then the U.S., and only later selected other markets.

The Nordics are not major players in global technology industries, as illustrated in exhibit 27. Here, the relative footprint is modest with just one firm among the top 100 largest global tech firms.

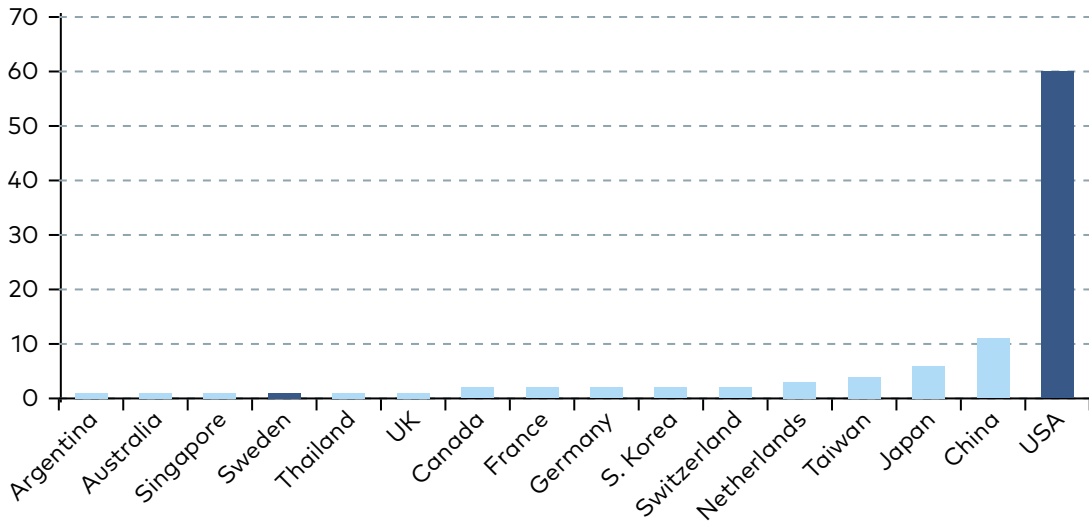


Exhibit 27 Nordic countries are not well represented in technology
 Number of Top 100 largest tech companies in the world by country
 Size is measured by the companies' market cap as of August 2025.

Export dependence further characterizes the asymmetry between the transatlantic economic models. Exports as a share of GDP in the Nordic region remain substantially higher than in the U.S., see exhibit 28, where a large domestic market provides a buffer against external shocks. While openness has historically been a strength, it also increases exposure to global trade disruptions, geopolitical uncertainty, and rising protectionism. Excluding intra-EU trade, the EU trade-to-GDP-ratio is 51 pct. compared with 28 pct. in the US.

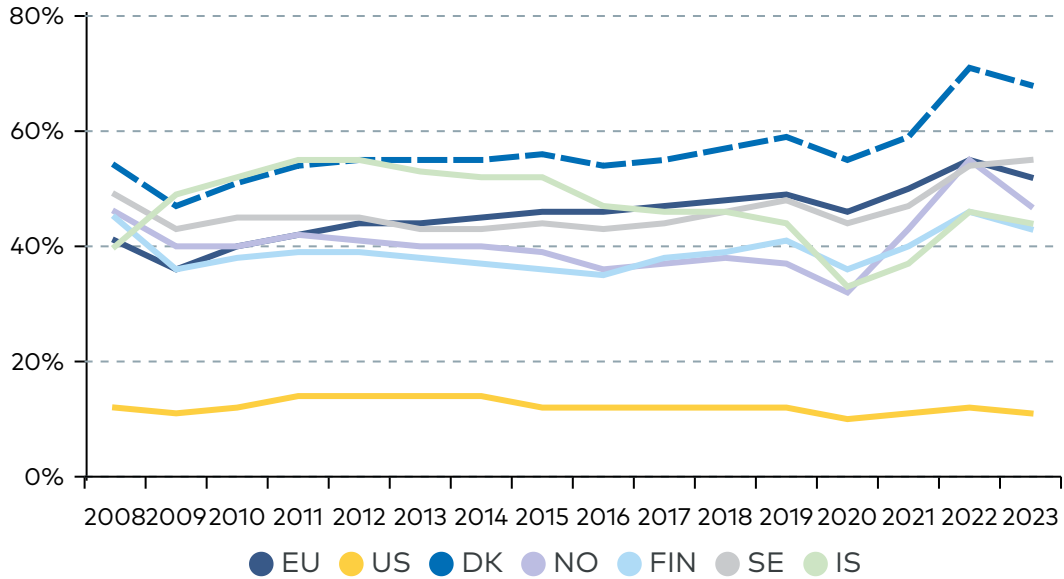


Exhibit 28 Exports

Goods and services, percent of GDP

Source: World Bank Group & Eurostat. Note that exports/GDP-ratio is a biased openness-indicator. E.g., larger countries will have lower exports to GDP and Nordic countries exports reflects trade within the EU.

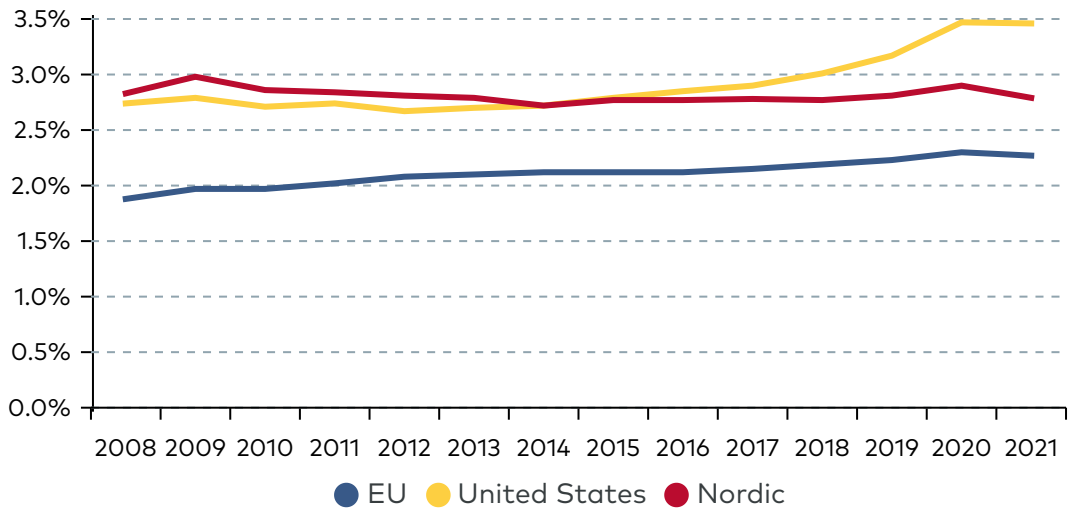


Exhibit 29 R&D investment

Pct. of GDP in EU, US, and Nordics

Note: The Nordics comprise in this graph of Norway, Sweden, Denmark, Iceland, and Finland.
Source: World Bank.

A growing gap in research and development is also evident, see exhibit 29. Post 2015, U.S. R&D intensity surged, reaching nearly 3.5 pct. of GDP by 2020, whereas both the EU and the Nordic countries have maintained stable but modest R&D spending. This divergence reflects not only differences in public funding levels but also the strength of private-sector R&D ecosystems, access to venture capital, and regulatory agility. However, the Nordics perform well compared to other EU countries in several aspects highlighted below.

It is important to note that the economies of the Nordics are performing well compared to other European countries and to keep this in mind when considering the current challenges facing the EU. Table 1 demonstrates that arguments presented by Draghi e.g., about the GDP developments of the EU do not hold true for the Nordic countries for the most part.

Table 1 Nordic countries are outperforming EU in a number of ways
Assessment of statements in the Draghi report

DRAGHI STATEMENTS:	TRUE FOR EU	TRUE FOR NORDICS?				
		DK	NO	FIN	SE	IS
Gap to US GDP has doubled between 2000 and 2023	✓	✗	✗	✓	✗	✗
Few STEM graduates compared with US	✓	✗	✓	✗	✓	✓

Source: HBS Economics based on GDP data (real growth 2004-2024 from Worldbank), STEM-graduates (Eurostat, educ_uoe_grad04).

In addition, the Nordics are performing better in a number of areas such as regulatory barriers to investments, market-entry, digitalisation, and the development of capital markets (see exhibit 30).

Exhibit 30

Facts: Nordic performance metrics that enable investment and growth

- According to the EIB investment Survey 2024 Nordic firms see regulatory barriers as smaller barrier for investment than their European counterparts (EIB, 2024).
- According to the Fraser Institute the Nordic countries are on par with the US in terms of clearing the way for new market entrants (Igan et al., 2024).
- Small and medium sized businesses in the Nordic countries are highly digitalized in comparison to other European countries (DESI, European Commission 2024).
- Based on data from New Financial the depth of the Nordic capital markets is shown to be somewhere in-between the US and EU27 average. Capital market depth measures the amount of capital market investments (pension savings etc.) and activity in financial markets (i.e., size of financial markets, stock market listings etc.)
- Based on OECD data on Entrepreneurship financing venture capital investment in the US is still far more impactful in the US compared to the Nordics and Europe (OECD EFD, 2024).

Why firms merge abroad (and how)

Ahern (2025) presents a structured decision-tree model that explains how firms approach international expansion. This model draws from both economic and financial theory and outlines three sequential decisions that guide the strategies of multinational enterprises (MNEs): whether to expand abroad, how to govern foreign operations, and what form of investment to pursue.

1. **Domestic vs. international activity**

The first decision is whether to remain domestic or enter foreign markets. Firms weigh trade-related costs – such as tariffs, transportation, and regulatory barriers – against potential scale economies and revenue growth through international market access.

2. **Contracting vs. integration**

If a firm chooses to operate internationally, the next question is how to structure foreign operations: via arm's length contracts (e.g., with suppliers or distributors) or through integration under common ownership (i.e., becoming an MNE through foreign direct investment). Empirical studies support that more productive firms with high knowledge capital tend to choose integration, while less productive firms opt for arm's length relationships (Helpman et al., 2004; Ahern, 2025).

3. **Greenfield investment vs. cross-border M&A**

Once firms decide to integrate, they choose between building new operations (greenfield FDI) and acquiring existing firms (cross-border M&A). In practice, M&As dominate: they account for 60–70 pct. of inward foreign direct investment flows in Europe and even more in the United States and Europe (UNCTAD, 2024; European Commission, 2023).

- Cross-border M&As are often preferred when quick market access is needed, especially in competitive sectors where pricing power and market position are critical (Ahern, 2025).
- M&As can also create value by enabling knowledge transfers. Firms can combine their own intangible assets (e.g., technology, brands, or managerial practices) with the acquired firm's local market know-how (e.g., customer relationships, regulatory understanding). This is harder in greenfield investments.

Finally, the role of M&A is particularly pronounced in digitally intensive and global sectors, where intangible assets like software, data, or platforms can be scaled across multiple markets. In such industries, M&A becomes a key tool for firms aiming to expand internationally and consolidate their market position. The association between intangibles and increased concentration is strongest in these contexts (Ahern, 2025; Bajgar et al., 2019).

While regulatory considerations significantly influence M&A decisions, geographical, cultural, and distance-related factors are also critical determinants of M&A success. Proximity often reduces transaction costs by simplifying communication, coordination, and logistics, enabling more seamless integration between merging firms.

Significant geographical distance can introduce complexity. Differences in time zones, language barriers, and varying management practices can impede efficient communication and operational integration, potentially undermining merger outcomes. For example, companies operating across disparate time zones may struggle to coordinate activities efficiently, leading to increased operational friction and costs. Firms in geographically distant locations may face challenges aligning operations and effectively integrating supply chains, particularly when significant infrastructural differences or logistical hurdles exist.

Moreover, cultural compatibility is essential for smooth post-merger integration. Differences in corporate culture, leadership styles, and governance structures can complicate collaboration, hinder knowledge transfer, and negatively impact organizational performance if not proactively managed. Recognizing these challenges and opportunities, we outline key factors that determine M&A activity.

It is exactly in this domain of the traditional barriers to M&A that the Nordic countries may have an edge given the proximity of the region in terms of culture, language, and geography.

Trends In M&A Activity (Global and Nordic)

Cross-border M&A peaked around 2020/21, then declined due to the pandemic, geopolitical tensions, tariffs, and rising interest rates. However, current estimates for 2025 point in the direction of improvements.

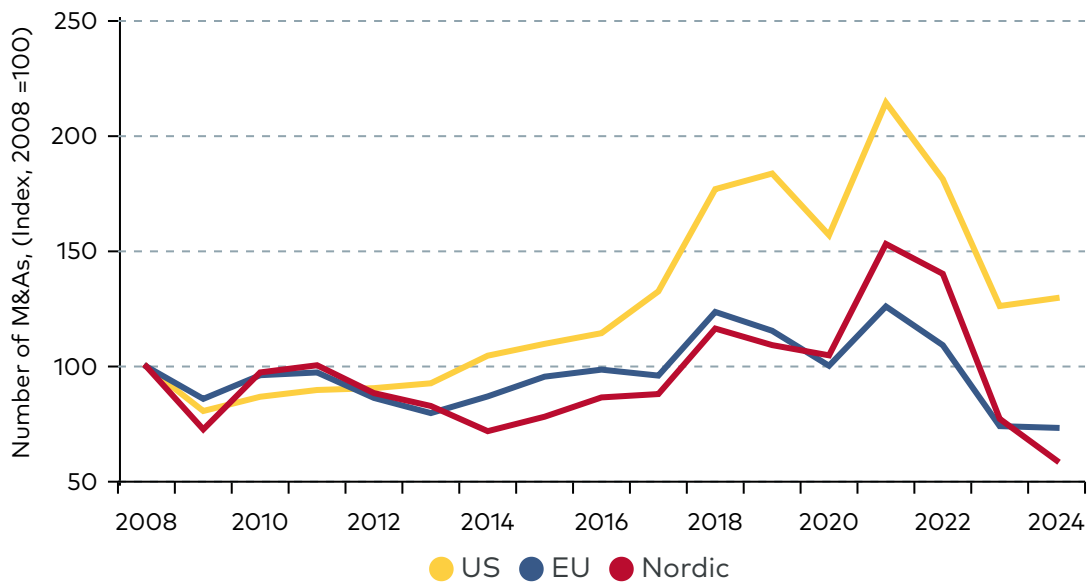


Exhibit 31 M&A across EU, US, and the Nordics
Number of M&As through 2008–2024

Sources: Statista & IMAA.

For the first half of 2025 the most volume (value of M&A deals) was in the Healthcare, Transportation and Technology sectors. The graph shows deal volumes in all the Nordic countries combined.

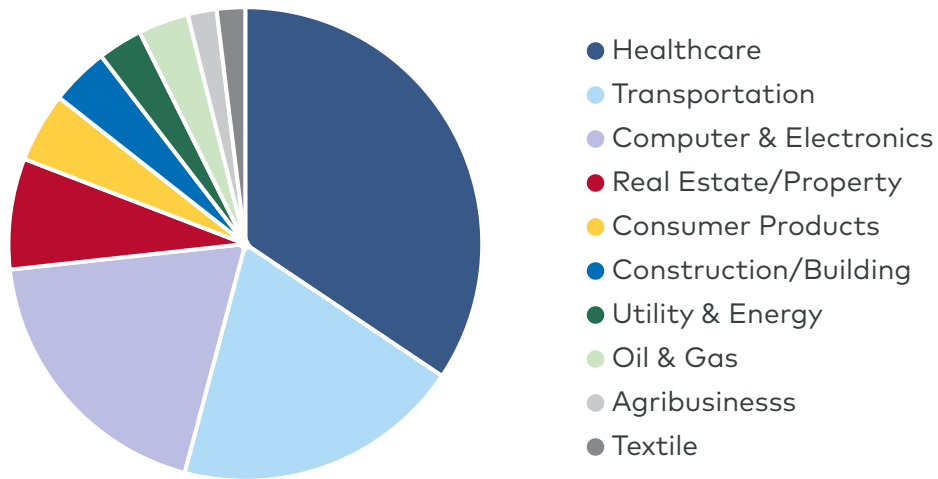


Exhibit 32 Healthcare, transportation and Computer & Electronics are top 3 sectors (2025)

Volume of M&A deals during the first and second quarters of 2025.

Source: Mergermarket.

Looking at the Nordics large deals have been made already in 2025. Even though fewer deals have been negotiated during the first half of 2025 the deals so far are large as can be seen below. Generally Swedish and Norwegian deals account for around two thirds of the volumes; however, the Danish deals also play significant role in 2025.

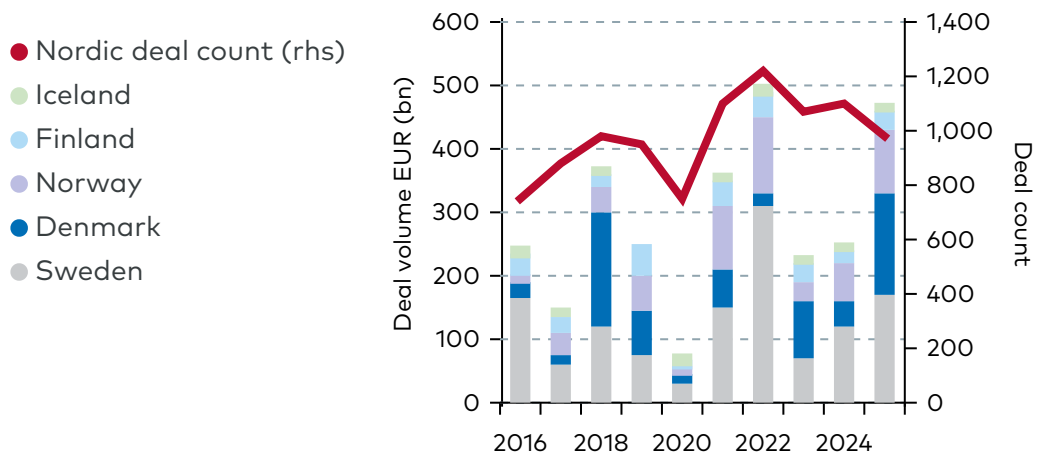


Exhibit 33 The deal volume in Nordic M&A is increasing in 2025 despite fewer deals Deal volumes and total deal count in Nordic countries (first and second quarters each year).

Source: Mergermarket.

Exhibit 34

Nordic M&A facts

- **Macro drivers:** High uncertainty and trade tensions, particularly from US tariffs, continue to influence Nordic M&A markets. Despite this, deal activity remained strong in H1 2025. Total deal value reached EUR 84.2bn across 1,858 transactions, nearly matching H1 2024 levels.
- **Cross-border share:** Cross-border and intra-Nordic deals increased significantly. In Q2 2025, there were 187 outbound deals, 134 inbound deals, and 593 intra-Nordic deals. Among the 20 largest deals, 11 involved foreign bidders (~55% of deal value). Country-specific cross-border shares: Sweden 63%, Denmark 62%, Norway 51%, Finland 43%.
- **Private equity (PE) involvement (midmarket):** PE investors accounted for 33% of total midmarket deal value and 26% of total deal volume in H1 2025. Compared to H1 2024, PE deal volume fell by 29% while deal value increased by 6%, indicating continued demand for larger PE transactions. Country-level PE deal volume in Q2 2025: Sweden 17%, Denmark 39%, Finland 28%, Norway 24%.
- **Deal distribution across the Nordics (Q1 2025):** Total deal volume was 914 deals. Country breakdown (proportional from EY data to match KPMG total): Sweden: 370 deals, Norway: 222 deals, Denmark: 177 deals and Finland: 139 deals.
- **Top 5 sectors (Q2 2025):** Technology, Media & Telecommunications (158 deals), Construction & Real Estate (124 deals), Services (117 deals), Manufacturing & Industrials (98 deals), Consumer & Leisure (71 deals) → These five sectors accounted for over 75% of all deals.

Notes: Midmarket – Transactions involving companies typically valued between \$10 million and \$500 million.

H1 – first half of the year. Sources: [BDO](#), [KPMG](#), [CBT-DK](#), [CBT-FI](#), [CBT-SE](#) and [CBT-NO](#).

1. The relationship between M&A, productivity, and investment

Exhibit 35

Research question in this chapter

Chapter 1

Do large cross-border merger and acquisition deals in internationally competitive sectors enhance firms' ability to compete and are they associated with positive firm outcomes (e.g., investment, innovation, and productivity)?

This chapter pursues three primary objectives related to firm-level impacts. First, it conducts a comprehensive review of the economic literature on cross-border M&A and examines how it affects the competitive capabilities of firms. Second, it evaluates existing research regarding cross-border M&A's relevance to key outcomes, such as productivity, investment, and innovation, while highlighting both the advantages and disadvantages of increased market concentration from a corporate/firm perspective. Finally, the chapter analyses academic studies on Nordic mergers, with particular attention to event study methodologies.

1.1 Cross-border M&A and the ability to compete

Q 1.1: Does theory and empirical evidence support that cross-border M&A increase firms' ability to compete internationally?

While theoretical frameworks suggest that cross-border M&A can enhance international competitiveness through various mechanisms like efficiency gains, knowledge transfer, and market access, empirical evidence presents a mixed picture. The success of cross-border M&A in boosting competitiveness is highly contingent on the specific characteristics of the firms involved (e.g., sector and horizontal/vertical mergers), the nature of the industry, and the broader economic, regulatory, and cultural environments of the countries implicated in the transaction. Table 2 shows highlights from the literature.

Exhibit 36

Definition of horizontal and vertical mergers

Horizontal M&As occur between competitors in the same industry. These deals often raise competition concerns, as they can reduce market rivalry and enable price increases or output restrictions. Although they may offer efficiency gains, these are sometimes outweighed by anti-competitive risks, making horizontal M&As a key focus for regulators.

Vertical M&As involve firms at different stages of the supply chain. They are typically associated with efficiency improvements – such as lower transaction costs, better coordination, and elimination of double marginalization (Williamson, 1971). Empirical studies (Chipty, 2001; Hortacsu & Syver-son, 2007) generally find that vertical M&As enhance efficiency, though risks like foreclosure - where rivals lose access to critical inputs - remain.

Table 2 Review of literature (cross-border M&A vs. competition)

Theory	Efficiency gains and synergies Mergers can create economies of scale, foster knowledge sharing, and enable patent-pooling, which may increase efficiency and ultimately benefit consumers. While they may potentially reduce consumer-welfare due to reduced competition, these efficiencies are critical to compensate for any increased market power. These gains can manifest as reduced marginal costs, allowing firms to expand (Affeldt, 2021; IMF 2019; Bajgar 2024).
	Market access Cross-border M&A can provide or ease access to new product markets by leveraging the target firm's existing customer base, marketing expertise, or local market-specific knowledge. This is considered a more important feature for cross-border M&A than for domestic M&A. The ability to scale intangible assets, like innovation and management practices, across borders can be amplified by access to larger global markets (Stiebale, 2025; Bajgar, 2021).
Empirical results	Productivity improvement: Numerous studies find that foreign ownership leads to increased total factor productivity of acquired plants over time, often linked to increased investment, employment, and integration into global trade. European establishments acquired by U.S. firms show productivity improvements, consistent with managerial practice spillovers (Ahern, 2025).
	M&A is consistently associated with higher prices in some sectors (indicating lesser competition): The results reviewed indicate consistent results for sectors such as mobile telecommunications, pharmaceuticals (Lear et al. 2024). The adverse effects are most common in the case of horizontal mergers. Market power has increased particularly sharply in the tech sector (IMF, 2021)
	National champion debate: While some argue for policies to create "national export champions" through less domestic competition to achieve scale for international competitiveness, a survey of EU exporting firms largely contradicts this. Most respondents (85% for quality, 84% for efficiency, 78% for innovation) reported a positive impact of domestic competition on their export performance, and 66% stated domestic competition does not curb their size in a damaging way. This suggests that domestic rivalry spurs efficiency and innovation, better equipping firms for international markets (Lear et al., 2024).

Source: HBS Economics

Exhibit 37

Take-aways

Numerous studies find that foreign ownership leads to increased total factor productivity of acquired manufacturing plants over time, often linked to increased investment, employment, and integration into global trade. European firms acquired by U.S. firms show productivity improvements, consistent with managerial practice spillovers.

For sectors such as digital-intensive (tech) and pharmaceuticals empirical studies indicate that the effects of cross-border M&A on competitiveness are complex and vary by sector. For instance, in sectors such as mobile telecommunications, increased concentration resulting from M&A is associated with higher prices in markets characterized by limited competition. It is also reported that horizontal mergers are likely to more severely impact competition.

Survey results contradict the idea of creating national champion (a leading domestic firm) by shielding it from domestic competition (e.g., respondents say domestic competition positively impact export performance).

1.2 Cross-border M&A and economic outcomes

Q 1.2: Does theory and empirical evidence support that cross-border M&A increase firms' investments, productivity, and innovative ability?

Innovation

Economic theory has long debated how market competition affects firms' incentives to innovate. Two classic perspectives dominate this discussion. Joseph Schumpeter argued that firms with market power – such as monopolies – are motivated to innovate to maintain and strengthen their position and to deter potential entrants. In concentrated markets, high profits can be reinvested into R&D, giving incumbents (i.e., established firms) the resources to innovate.

By contrast, Kenneth Arrow emphasized that in competitive markets, firms innovate to “escape” competition – e.g., by introducing new products or processes, a firm can gain a temporary advantage over rivals. In this view, a monopoly not threatened by competitors has less incentive to innovate.

These two perspectives imply that the relationship between competition and innovation is not straightforward. Competition policy plays a key role in shaping it, primarily by removing barriers to entry and opening access to markets and preventing anticompetitive behaviour.

Greater market access increases the size of the addressable market for firms, allowing fixed R&D costs to be spread over more units, which strengthens the incentive to innovate (Griffith, 2021). Opening markets also allows new players to enter with alternative or more efficient business models, forcing incumbents to respond. In this way, competition can act as a lever for forward-looking, risk-taking firms, paving the way for new ideas, formats, and production processes that foster growth. By contrast, protectionist measures tend to limit market size, reduce competitive pressure, and slow the pace of innovation.

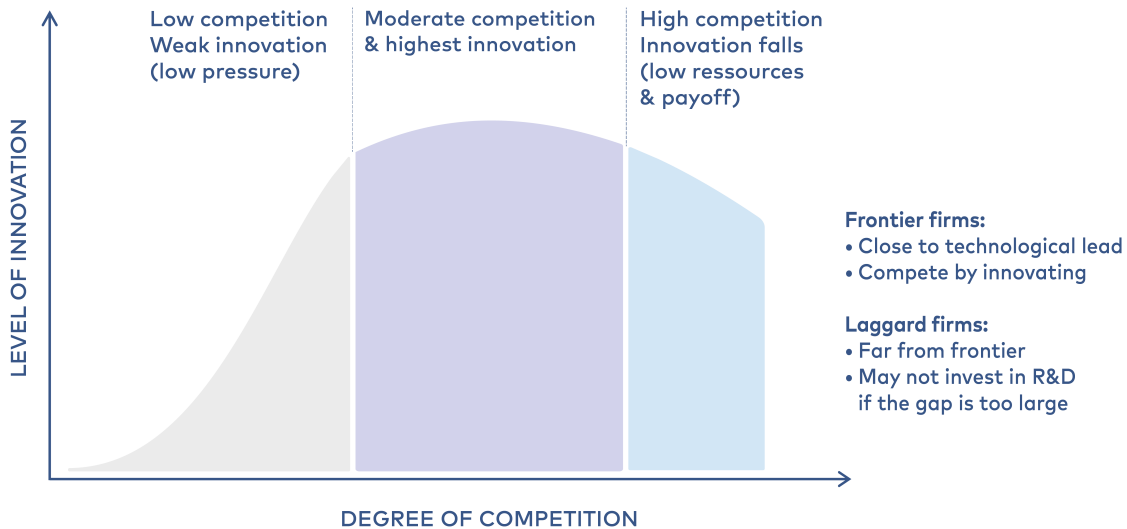
A well-functioning market should therefore aim not only for static efficiency – an optimal allocation of resources at a given point in time – but also for dynamic efficiency, which involves sustaining innovation, enabling the entry of new firms, and creating entirely new markets (Aghion, Cohen, and Pisani-Ferry, 2006).

The precise effect of competition on innovation also depends on a firm's position relative to the technological frontier. In sectors dominated by a leading innovator, firms far behind the frontier may not be encouraged to innovate, as the investment required to catch up is high relative to the potential reward. By contrast, when firms are technologically similar, stronger competition reduces profits and increases the "escape competition" effect, prompting them to innovate in order to differentiate themselves, gain market share, and potentially become the leader.

Philippe Aghion (2005) integrated these into a single framework, demonstrating an inverted U-shaped relationship between competition and innovation. Innovation activity and competition intensity rise together up to a certain threshold, after which stronger competition begins to reduce innovation. In simple terms: with little competition, firms feel no urgency to improve; with moderate competition, innovation peaks as firms race to get ahead; and with very high competition, shrinking profits limit resources and incentives for R&D.

Exhibit 38 Inverted U-shape of competition and innovation

Illustration Aghion et al (2005) – dark green zone maximize innovation by the “escape competition effect”



Source: HBS Economics own illustrations based on Aghion et al. (2005).

Is competition good or bad for innovation and growth?

A timeline of economic ideas

The relationship between innovation and competition have major implications for competition policy, especially in how regulators balance market power and innovation incentives:

1. Rethinking the role of market power

- *Traditional view:* Market power is bad—monopolies reduce output, raise prices, and harm consumers.
- *Modern view (Aghion et al.):* Some degree of market power can encourage innovation, especially when firms are trying to “escape competition” by innovating.
- *Policy implication:* Strict enforcement of antitrust policies might undermine innovation if it reduces the incentives for firms to invest in R&D.

2. **Optimal competition is not maximum competition**

- The inverted U-shape suggests that:
 - Too little competition → firms are complacent.
 - Too much competition → firms fear they won't recoup R&D costs.
- *Policy implication:* Regulators should aim for a "Goldilocks zone" of competition – not too little, not too much – to maximize innovation.

3. **Sector-specific competition policy**

- The relationship between competition and innovation varies by industry:
 - In pharmaceuticals, strong IP rights and some market power may be necessary.
 - In tech, rapid innovation may occur even under intense competition.
- *Policy implication:* Competition policy should be tailored to industry dynamics, not one-size-fits-all.

4. **Dynamic vs. static efficiency**

- Traditional antitrust focuses on static efficiency (prices, output). Whereas newer empirical work emphasizes dynamic efficiency – how competition affects long-term innovation and growth.
- *Policy implication:* Regulators should consider long-run innovation effects, not just short-run consumer prices.

Timeline (paradigms):

1940s	1960s	1990s	2005–
<p>Innovation is enhanced by monopoly power. Competition may actually reduce innovation by undercutting profits needed for R&D.</p>	<p>Competition fosters innovation by creating incentives for firms to outperform rivals and capture rents and market shares.</p>	<p>Growth is endogenous, and innovation is an economic engine, not an exogenous shock.</p>	<p>Moderate competition is optimal for innovation. Both too little and too much competition can stifle innovation.</p>
<p>Joseph Schumpeter</p>	<p>Kenneth Arrow</p>	<p>Paul Romer</p>	<p>Philippe Aghion</p>
<p>Key work: <i>Capitalism, Socialism and Democracy</i> (1942)</p>	<p>Key work: <i>Economic Welfare and the Allocation of Resources for Invention</i> (1962)</p>	<p>Key work: <i>Endogenous Technological Change</i> (1990)</p>	<p>Key work: <i>Competition and Innovation: An Inverted-U Relationship</i> (2005)</p>
<p>Contribution: Introduced "creative destruction" – innovation by entrepreneurs destroys old industries and creates new ones.</p>	<p>Contribution: Explained why competitive markets may underinvest in innovation – knowledge spreads too easily to capture full profits.</p>	<p>Contribution: Built models where innovation drives long-run economic growth through investment in knowledge.</p>	<p>Contribution: Found that too little or too much competition can hurt innovation – the best results come with moderate rivalry.</p>

In the European Union, cross-border M&A correlates with diminished innovation output (e.g., fewer patent applications) in target countries but enhances innovation in acquirer countries (Stiebale, 2025). Studies on M&A and innovation remain mixed, though most indicate adverse effects (Lear et al. 2024).

One example is Haucap et al. (2019) who examines 65 mergers between pharmaceutical firms reviewed by the European Commission between 1991 and 2007. They find that, overall, mergers reduced innovation among the merging firms compared to non-merging peers. Using a difference-in-differences approach, the authors estimate the average impact of mergers on patent applications and show that, consistent with their theoretical predictions, horizontal mergers negatively affect innovative activity three years after the merger, with the effect becoming even larger after four years.

Table 3 Review of literature (cross-border M&A vs. innovation)

Theory	Knowledge and technology transfer: Firms can acquire the target firm's knowledge-based resources, including non-replicable and invisible tacit knowledge, to expand their knowledge base and achieve secondary innovations. This can lead to R&D synergies and reduced R&D costs. Highly mobile knowledge capital from the acquirer can be complemented by local immobile knowledge of the foreign target (Ahern, 2025; Yu Zhang, 2018).
	Effects on consumer surplus: Horizontal mergers typically leads to a decrease in consumer surplus if i) firms compete in a single market, ii) costs of additional R&D is not increasing too rapidly and iii) there are no spillovers to R&D.
Empirical results	Mixed effects: The relationship between M&A and corporate innovation is a prominent topic but lacks unanimous agreement on a consistently favourable impact (Wang, 2025).
	Positive for acquirers, negative for targets (innovation): Cross-border M&A is, on average, associated with an increase in innovation (patents) in the acquirer's country (around 9% increase) but a decline in innovation in the target's country (around 4% decrease). This suggests that R&D activities may be relocated to the technologically more advanced firm (often the acquirer), (Stiebale, 2025).
	Negative for targets (specific contexts): Some studies, particularly focusing on horizontal mergers or the pharmaceutical industry , report negative effects of mergers on innovation for the merged entity and non-merging competitors (Aleztra, 2024, Haucap, 2019). Non-horizontal mergers may be more beneficial for scale and investment than horizontal ones, which tend to reduce innovation (Stiebale, 2025)
	Innovation intensity: In research-intensive industries, mergers are more likely to be profitable, but they can also lead to negative effects on innovation for both the merged entity and rivals (Stiebale, 2016)
	Productivity and knowledge capital: More productive firms, and those with higher intangible knowledge capital (e.g., in technology-intensive industries), are more likely to successfully engage in international expansion and integrate foreign affiliates (Ahern, 2025). The positive relationship between intangible investment (which aids scaling) and concentration is amplified in more globalized and digitally intensive industries, indicating that access to larger markets complements the scale-up potential of intangible capital (Bajgar, 2024).

Source: HBS Economics

Exhibit 39

Take-aways

We highlight the work of Aghion which implies the existence of a sweet-spot (i.e., a degree of competition to maximize innovation). Innovation could play a larger role in TFP growth going forward as a result of the trends mentioned in Q.2.2.

Empirical results on innovation are mixed; while certain M&A activities enable knowledge transfer, concerns about "killer acquisitions" in e.g., pharmaceuticals highlight potential negative impacts on competition. Recent studies also show that cross-border M&A tends to negatively affect innovation (measured as patents) in the acquired (target) firm and country. This could be used as a myopic argument in favour of protecting Nordic and European research-intensive sectors from foreign acquisition.

Investment

In this section, we turn our attention from innovation to the ways in which cross-border M&A shapes investment behaviour. Drawing on empirical research and theoretical perspectives, we explore how these transactions influence both the allocation and composition of capital – shedding light on when M&A stimulates investment, and when it may restrain it.

Increased market concentration can affect investment through several channels. One is that dominant firms may restrict output and raise prices rather than invest in expanding capacity, particularly when competitive pressure is limited (Gutiérrez and Philippon, 2017).

Another mechanism is that only large 'superstar' firms have the financial resources, managerial capability, and know-how to make large-scale investments with uncertain payback periods, effectively crowding out investment by smaller, less productive, or new firms (Crouzet and Eberly, 2019). Firm-level data suggests that large firms account for a higher share of investment relative to their output, although the gap has not increased over time (Hanappi, Millot and Turban, 2023).

In reality, the relationship between market power and investment is likely to be nuanced, and firm specific. For example, firms may first achieve market power through innovation and efficiency, gaining scale through network effects and intangible synergies. Over time, however, some may shift their focus from innovation and fixed capital investment toward rent-seeking strategies, such as regulatory capture and lobbying, to preserve their dominant position (Akcigit and Ates, 2021)

Table 4 Review of literature (cross-border M&A vs. investment)

Theory	Larger firms typically invest more: Greater market access increases the size of the addressable market for firms, allowing fixed R&D costs to be spread over more units, which strengthens the incentive to invest and innovate (Griffith, 2021).
	Increased market concentration may decrease incentives to invest based on the theoretical ideas of Arrow (previous section).
	Shorter geographic distance and higher trade flows increase the likelihood of cross-border mergers, consistent with easier monitoring and cultural familiarity, which can facilitate investment (Ahern, 2025). Larger cultural differences can impede post-merger integration and reduce the likelihood of cross-border M&A.
Empirical results	Negative relationship with concentration: Empirical analysis suggests a negative relationship between market concentration and investment , particularly in sectors like mobile telecommunications. A rise in the number of mobile network operators (MNOs) is positively associated with country-level investment (e.g., a 10% increase in CAPEX). This implies that mergers reducing the number of operators (increasing concentration) may reduce investment (Lear et al. 2024; Stiebale, 2025).
	Impact of markups: Higher markups, often resulting from M&As and increased market power, are associated with somewhat lower physical capital investment. For instance, a 10-percentage point increase in a firm's markup is linked to a 0.6 percentage point decrease in its physical capital investment rate, with a larger effect (2 percentage points) for top decile firms (IMF, 2019).
	Shorter geographic distance and higher trade flows increase the likelihood of cross-border mergers, consistent with easier monitoring and cultural familiarity, which can facilitate investment (Ahern, 2025).

Source: HBS Economics

Exhibit 40

Take-aways

Greater market access theoretically allows firms to spread fixed costs (e.g., R&D), which strengthens incentives to invest. Based on existing literature, however, we mainly find a negative relationship between market concentration and investment (e.g., in ICT). According to IMF higher firm-level markups are associated with lower investment (increasingly for larger firms). In sectors with high levels of international competition however, increasing concentration is less likely to translate into elevated markups. In these cases, impacts on innovation is of high importance.

Productivity

More productive firms frequently seek to expand internationally through M&A, leveraging their competitive advantages and transferring key capabilities – including managerial expertise and intangible knowledge capital – to foreign affiliates. At the same time, firms with less established competitive strengths may pursue acquisitions to access new markets, technologies, or management practices. This section investigates the possible productivity effects of M&A, considering how these transactions can drive efficiency gains, knowledge transfers, and broader changes within target and acquiring firms alike. By examining empirical evidence and theoretical insights, we aim to clarify under what circumstances cross-border M&A can enhance or hinder productivity growth.

Table 5 Review of literature (cross-border M&A vs. productivity)

Theory	Knowledge transfer and efficiency gains: M&A can facilitate the transfer of intangible knowledge capital, such as management practices, technology, and R&D capabilities, from more productive acquirers to less productive target firms. This transfer can lead to improved efficiency, expanded knowledge bases, R&D synergies, and a reduction in R&D costs, fostering secondary innovations and potentially enhancing the target firm's productivity. Firms with high mobile knowledge may acquire foreign firms to complement their mobile knowledge with local immobile knowledge (Zu Zhang, 2024; Ahern, 2025).
	Alleviation of financial constraints: Foreign acquirers from countries with stronger investor protection can improve the governance practices of target firms, which can lead to greater investor confidence and improved access to financing, thereby alleviating financial constraints in the host country and potentially boosting productivity (Ahern, 2025).
Empirical results	Productivity boost for target firms: Studies have found that foreign ownership leads to a significant increase in the total factor productivity (TFP) of acquired manufacturing plants (e.g., a 13.5% increase in Indonesian plants over three years, linked to increased investment, employment, and trade integration). Acquired European establishments by U.S. firms also show productivity improvements, consistent with the spillover of managerial practices (Javorcik, 2009).
	Relocation of R&D and innovation: Cross-border M&A is associated with an increase in innovation in the acquirer's country (around 9%) but a decline in innovation in the target's country (around 4%). This suggests that R&D activities may be relocated to the technologically more advanced firm, which is often the acquirer. This relocation can lead to substantial declines exceeding 10% for target firms five years after M&A. Some studies even estimate negative productivity effects for EU acquisition targets.

Source: HBS Economics

Exhibit 41

Take-aways

Evidence is scarce but consistent with productivity boosts in target firms in manufacturing plants possibly owing to managerial spillover effects. Results also indicate adverse effect on R&D in target firms possibly slowing productivity in some sectors (e.g., technology and pharmaceuticals).

1.3 Evidence from Nordic market consolidation

Micro-level evidence from Denmark

A study by Bandick and Koch (2023) investigates the causal treatment effects of domestic and foreign acquisitions on plant survival, employment (growth), and the skill composition within acquired plants in Danish manufacturing and service sectors during 2002–2015. This research provides micro-level evidence within a Nordic context. The study reveals distinct impacts depending on whether the acquisition is domestic or foreign (cross-border):

- For domestic targets, the results indicate positive effects on plant survival, employment (growth), and the skill intensity within plants following an acquisition.
- For foreign targets, the study finds no robust evidence of any significant change in employment (growth) or the survival probability.
- These findings are confirmed to be robust across different methods and various sub-samples.

Exhibit 42

Context and methodology (Bandick and Koch, 2023)

The research focuses on Danish manufacturing and service sectors during the period 2002–2015. This provides micro-level evidence within a Nordic context. To establish causal effects, the authors employ a detailed and unique dataset that combines plant-, firm-, and industry-level information.

- A key aspect of their methodology is controlling for the non-random selection of acquisition targets, which is differentiated for domestic and foreign acquirers
- They achieve this by combining a difference-in-differences approach with a propensity score weighting estimator
- The study also uses a matching approach, linking foreign-acquired firms to similar domestic-acquired firms, to help isolate the "foreign" component of acquisitions

Broader European evidence including Nordic countries

- Acquiring firms tend to increase markups after mergers and acquisitions (IMF, 2019). However, it remains unclear whether consumer losses from higher prices are offset by cost savings or other efficiencies, and this question needs further study.
- Lear et al. (2024) found that in the EU mobile telecommunications sector, higher market concentration leads to higher prices. Specifically, a 1,000-point rise in the Herfindahl-Hirschman Index increases prices by 11–18% across countries with three or four major network operators.
- *Pharmaceuticals*: In this sector, market power is associated with intellectual property protections. There are ongoing discussions about "patent thickets" and "killer acquisitions," where companies acquire patents or firms and choose not to commercialize them, leading to reduced competition.

Q 1.3: Is there evidence from market consolidation in Nordic sectors important for technology? (consumer harm and innovation etc.)

For the question regarding experiences from Nordic merger cases evidence is scarcer (see above). The following section uses event studies from specific merger cases in which one or more Nordic firms were involved. In general, the event-studies measure returns using stock price changes before and after the mergers to assess their success. The analysis is based on 14 event studies each investigating many different mergers.

Exhibit 43

Literature search in this section (selection of event studies)

The following search-query was used in Google Scholar:

"event study" AND (merger OR acquisition OR "M&A" OR takeover) AND (Denmark OR Sweden OR Norway OR Finland OR Iceland OR Nordic OR Scandinavia) AND ("abnormal returns" OR "announcement returns" OR CAR)

The query produced 4,630 results of which the top 20 studies were selected based on their relevance (recency and citations). 14 studies were selected for the review. Each source can be seen from the appendix table in this chapter.

Take-aways from the review of event studies

M&As involving companies in the same industry and at the same stage of the value chain (horizontal mergers) are common strategies to strengthen market position, increase optimization, and enhance efficiency. Generally, horizontal deals are considered "wealth-building" and are more likely to create positive abnormal returns (potentially harming consumers).

While M&A activity is prevalent in both highly competitive and digital sectors across the Nordics, the underlying motivations and the precise nature of shareholder value creation can vary. Digital and tech-intensive sectors emphasize innovation, patents, and new capabilities, often showing positive returns. Highly competitive sectors like banking drive consolidation and scale, with targets consistently benefiting, but acquirer returns can be more ambiguous depending on the specific market conditions and deal characteristics. The studies reviewed in this section are therefore mainly focused on acquirers returns.

Acquirers frequently originate from nations with appreciating currencies and better-performing stock markets relative to targets, suggesting that valuation changes drive economically rational mergers. Geographic proximity and superior accounting disclosure standards in acquirer countries further increase the likelihood of cross-border M&As.

Sector level insights

- The **information technology sector** (ICT) is identified as one of the most active sectors for M&A activity in the Nordic region (Andersen, 2018). A Swedish study show that ICT outperformed the Finance, Insurance and Real Estate sector in terms of acquirer return (Bergman, 2018).
- M&A in **Healthcare and ICT** sectors in the Nordics have historically created the most return to shareholders (of target firms), see exhibit 44. This is in line with evidence from the IMF showing that those sectors have seen the largest increase in markups.
- The **telecommunications sector** is identified as one of the highly patent-intensive sectors in Scandinavia, where studies have found a positive relationship between patents and abnormal M&A announcement returns for both acquirer and target shareholders (Hisdal, 2021).
- Studies indicate that M&As within the **renewable energy and cleantech industries** are generally value-adding for acquirers in the short term.
- In the Nordic **banking sector**, target banks consistently experience significantly positive abnormal returns following M&A announcements

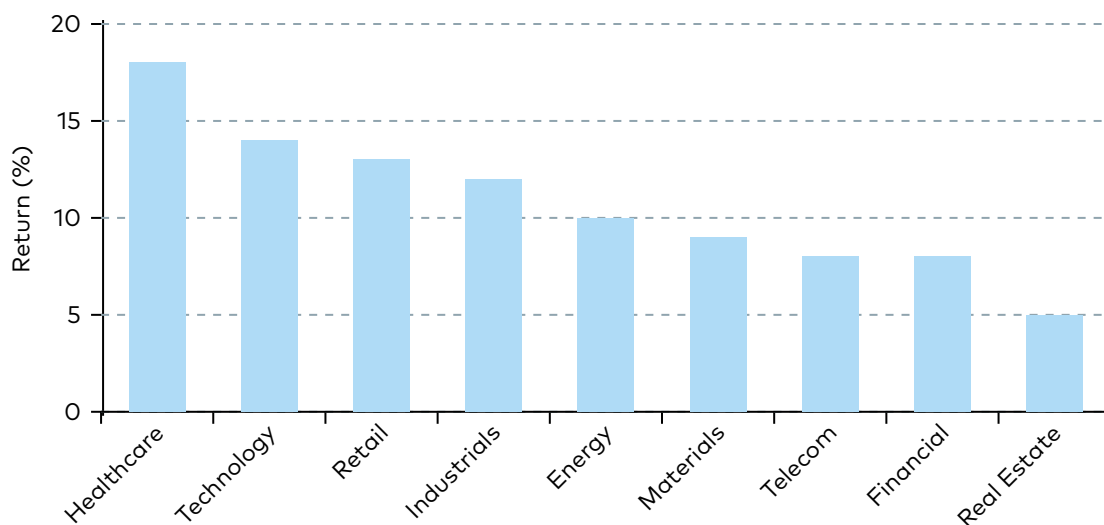


Exhibit 44 High returns on target firms in technology and healthcare (Nordics)
Returns to shareholders of acquired firms

Source: Opsahl (2022). Return is measured as the cumulative abnormal return (CAR) for target firms. Data from 2001–2019.

Exhibit 45

Supported by IMF calculations of global markups

Returns on healthcare and tech is echoed by IMF

- Across all ten (one-digit) sectors, the **Technology** and **Healthcare** sectors experienced the largest increases in markups between 1995 and 2016.
- Technology and Healthcare saw increased markups of 30–40 percent (cumulative percentage change) compared to 10 percent in consumer goods and industrials.

Source: IMF (2021). Rising corporate market power (IMF staff calculations).

The table below highlights the results from all 14 sources in different dimensions:

The first section of the table shows that general/overall evidence for M&A activities (domestic and cross-border) favours that M&A typically yield statistically significant results in term of acquirer returns in a Nordic context – the literature generally finds consistent results indicating that *target* returns are positive – which is why we focus primarily on studies about acquirer returns. The second section of the table shows that results indicate higher returns in the case of horizontal deals. The third section highlights some sector-specific results indicating positive returns in most sectors with a few notable exceptions (e.g., banking, insurance, and real estate). The last section indicates that cross-border M&A shows mixed results compared to domestic M&A (using the event study methodology) with some studies indicating a lower return whilst other indicate higher returns in the case of cross-border M&A.

Table 6 Estimates in recent event studies in Nordic countries

Plus/minus show the direction of estimates and (?) indicate insignificant estimates

Study	Category/Characteristic	Target return	Acquirer return
Holmberg 2023	General/Overall (Nordic)	Not estimated	+
Andersen 2018	General/Overall (Nordic)	Not estimated	+
Furuholm 2022	General/Overall (Nordic)	Not estimated	+
Kinnunen 2022	General/Overall (Nordic)	Not estimated	+
Lindholm 2020	General/Overall (Nordic)	Not estimated	+
Roitto 2017	General/Overall (Nordic)	Not estimated	+?
Hisdal 2021	General/Overall (Scandinavian, incl. patent effect)	+	+
Kantola 2024	General/Overall (Nordic, Longer-term +/-10 years)	Not estimated	-
Kantola 2024	General/Overall (Nordic, Short-term)	Not estimated	+
Andersson Edlin 2025	General/Overall (Swedish acquirers)	Not estimated	+
Bergman 2018	General/Overall (Swedish)	Not estimated	+
Vasko 2023	General/Overall (Swedish)	Not estimated	+
Kantola 2024	Industry Relatedness: Vertical Deals	Not estimated	-?
Vasko 2023	Industry Relatedness: Horizontal Deals	Not estimated	+
Nordbø 2024	Industry: Banking Sector (Overall)	+	+?
Bergman 2018	Industry: Finance, Insurance, Real Estate	Not estimated	+?
Bergman 2018	Industry: Manufacturing	Not estimated	+
Johansson et al 2020	Industry: Renewable Energy	Not estimated	+?

Bergman 2018	Industry: Service	Not estimated	+
Bergman 2018	Industry: Transportation, Comm., Electric, Gas, Sanitary	Not estimated	+
Bergman 2018	Industry: Wholesale Trade and Retail Trade	Not estimated	+
Nordbø 2024	Internationality: Cross-Border (Banking Sector)	Not estimated	-
Holmberg 2023	Internationality: Cross-Border Acquisitions	Not estimated	-?
Kantola 2024	Internationality: Cross-Border Deals	Not estimated	-
Andersson Edlin 2025	Internationality: Cross-Border M&As (Swedish)	Not estimated	+
Johansson et al 2020	Internationality: Cross-Border vs Domestic (in Renewable Energy)	Not estimated	+?
Kantola 2024	Internationality: Domestic Deals	Not estimated	+?
Andersson Edlin 2025	Internationality: Domestic M&As (Swedish)	Not estimated	+
Bergman 2018	Internationality: Domestic vs Cross-border	Not estimated	-?
Andersson Edlin 2025	Internationality: Cross-Border vs Domestic M&As (Swedish)	Not estimated	+
Lindholm 2020	Internationality: Domestic vs Cross-border	Not estimated	+
Opsahl 2022	Internationality: Cross-Border vs Local	+?	-?

Andersen 2018 (Value creation through M&As in a Nordic context), Andersson & Edlin 2025 (Domestic vs. cross-border M&A bidder returns in Sweden), Bergman 2018 (Announcement effect of M&As on short-term performance), Furuholm 2022 (Abnormal acquirer returns in Nordic markets), Hisdal 2021 (Role of patents in Scandinavian M&As), Holmberg 2023 (Merger waves and long-term value for Nordic acquirers), Johansson et al. 2020 (M&As and shareholder value in renewable energy/cleantech), Kantola 2024 (M&A wealth effects in the Nordics), Kinnunen 2022 (Abnormal returns and trading volume in M&As), Lindholm 2020 (Impact of M&As on Nordic acquirers' financial performance), Nordbø 2024 (M&A announcements in Nordic banking), Opsahl 2022 (Cross-border M&A and shareholder wealth in Europe), Roitto 2017 (Abnormal acquirer returns in Nordic takeovers), Vasko 2023 (Short-term impact of M&A announcements in Sweden).

Exhibit 46

Take-aways: Nordic experiences

Results are mixed; however, the literature suggests that horizontal mergers in sectors such as Healthcare, Technology, ICT and Pharmaceuticals are typically profitable for investors and might damage innovation in target countries and potentially increase consumers prices.

Conversely, micro-level evidence from the manufacturing sector in Denmark show that domestic target firms show increased probability of survival and higher employment growth.

A European study (including Nordics) in the Mobile telecom sector show that higher market concentration (mergers) is highly associated with higher consumer prices (Lear et al 2024).

Evidence specific to Nordic countries is limited and we primarily rely on 14 event studies. We show that M&A (domestic and cross border) is typically associated with relatively high returns on target firm (the return for shareholder with shares in the target firm). For acquiring firms, evidence is more mixed with studies indicating both positive and negative effects of cross-border M&A compared to domestic transactions. Gains are typically larger for horizontal mergers and in the healthcare and technology sectors. What this implies is that these deals increase profitability, potentially as a result of less competition.

2. Is more cross-border M&A desirable in the Nordics?

Exhibit 47

Research question in this chapter

Chapter 2

Is more cross-border M&A activity desirable in sectors important for the green and digital transition from an economic Nordic perspective? What is preventing more cross-border mergers from taking place?

In the previous chapter we argued that there's a positive relationship between M&A and positive firm outcomes in many cases, while there are also several sector specific examples of insignificant effects and potential harmful effects (innovation/investment). This chapter highlights some of the negative spillovers (like price-effects/consumer harm) and the role of the EU competition authorities as well as barriers to cross-border M&A.

2.1 Spillover effects and consumer harm

Q 2.1: What does the empirical evidence say about the spillover effects on consumer prices and competitive pressure?

Several empirical studies have examined the price effects of mergers across different industries. In retail food and home appliances, mergers were found to raise prices by 3–5 pct. (Allain et al. 2017; Ashenfelter 2013). In banking, the loss of a competitor increased average interest rates by around 6 basis points (Allen et al. 2013). Similarly, in health insurance, Dafny et al. (2012) found that a merger was associated with a premium increase of about 7 percentage points.

Other studies highlight more sector-specific dynamics. In beer markets, a rise in concentration raised prices by 2 pct., though most of this effect was offset by efficiency gains (Ashenfelter et al. 2015). Telecommunications appear particularly sensitive, with Genakos et al. (2018) showing that a 10 percentage-point rise in market concentration increased prices by 20 percent. Petrol markets, by contrast, showed only modest effects, with vertical mergers linked to small price increases of 0.15–0.45 cents per litre (Houde 2012).

The results on consumer price changes are presented in table 8.

- Supermarket industry: A merger analysed led to a significant post-merger price increase of 1.8 pct. to 2.4 pct. at rival stores in affected areas, and a 4% to 5% increase in the prices of the merging firms Allain et Al. (2017).
- Mobile Telecommunications Industry (OECD countries): Genakos et al. (2018) determined that, on average, a 10-percentage point increase in the Herfindahl-Hirschman Index (HHI) leads to a 20% price increase.
- Various industries (rival markups): Stiebale and Szuecs (2022) suggested that higher concentration, resulting from mergers, can enable higher markups for non-merging rival firms, which generally indicates higher prices relative to marginal costs.

Table 8 Results on price-effects by industries (Lear et al. 2024)
Overview of results from different papers

Paper	AREA	Results
Allain et al. (2017)	Retail food	Prices increased between 4% and 5% after a merger.
Allen et al. (2013)	Banks	The loss of a competitor led to an increase in the average interest rate of 6 basis points.
Ashenfelter (2013)	Home appliances	Prices increased between 3% and 4% after merger.
Ashenfelter et al. (2015)	Beer	The increase in concentration (average increase of 358 HHI points) led to a price increase of 2%, which was offset by efficiencies (1.8%).
Dafny et al. (2012)	Health insurance	The merger was associated with a premium increase of approximately 7-percentage points.
Genakos et al. (2018)	Telecommunications	10-percentage point increase in HHI leads to a price increase of 20%.
Houde (2012)	Petrol	Prices increased between 0.15 and 0.45 cents pr. litre after vertical mergers, or at most a 0.7% price increase.
Hovhannisyan et al. (2019)	Retail food	5% increase in HHI would lead to an 18% increase in prices.
Lopez et al. (2002)	Food-processing industries	1% increase in HHI can lead to a price increase between 1%–6%.
Matsa (2011)	Retail food	Inventory shortfalls decreased by up to 24% after Wal-Mart entry
Russell (2021)	Education	Tuitions and fees increased by at least 7% after merger.
Stiebale and Szuecs	132 different 4-digit NACE industries	Mergers and acquisitions (M&A) can increase the markups of rival firms between 2% and 4%.

Exhibit

Take-aways: On sector-specific spill-over effects

Overall, the evidence suggests that mergers tend to raise prices across many industries, though the magnitude varies considerably by sector. While some markets, such as telecommunications and health insurance, show large and persistent price effects, others, like petrol or beer, display more limited impacts due to efficiency gains or modest concentration changes. This underlines the importance of sector-specific assessments in merger control.

2.2 Is EU merger policy too strict?

European Union merger policy lies at the intersection between market facilitation and regulatory oversight, shaping the landscape for cross-border transactions. While harmonized rules and liberalization efforts can spur mergers and acquisitions, strict antitrust enforcement and foreign investment barriers act as counterweights. As we consider whether the EU's approach is too strict or too lenient, it is essential to weigh both the regulatory intent and the practical outcomes observed.

Q 2.2: Is EU merger policy too strict or too lenient?

The European Union provides a unified framework for merger control through the EU Merger Regulation (EUMR), which applies when mergers meet specific EU-wide turnover thresholds and are deemed to have a "Community dimension." When a merger qualifies under these thresholds, it falls under the exclusive jurisdiction of the European Commission (EC), which has the authority to review, approve, or prohibit the transaction before it can be completed.

While all Nordic NCAs follow broadly similar procedural steps – notification, investigation, decision, and enforcement – their legal powers and tools differ significantly. Denmark, Iceland, and Norway can prohibit mergers directly through administrative decisions, while Sweden and Finland must pursue such actions through the courts, which may slow or complicate interventions.

Exhibit 48

When does the EU review mergers?

In principle, the Commission only examines larger mergers with an EU dimension that reach certain turnover thresholds:

Option 1: Simple big deal test

A merger is reviewed if:

1. Combined global turnover of all merging firms is over €5,000 million, and
2. Each of at least two firms has EU turnover of over 250 million.

Option 2: Complex EU-wide test

A merger is reviewed if:

1. Combined global turnover of all merging firms is over €2,500 million, and
2. Together, they make over €100 million in each of at least 3 EU countries, and
3. In each of those 3 countries, at least two firms each make over €25 million, and
4. At least two firms each make over €100 million in the EU overall.

Exception:

Even if the thresholds are met, the merger won't be reviewed by the EU if each firm earns more than two-thirds of its EU turnover in the same country.

Source: EU Commission's Factsheet on Merger Control Procedures

Exhibit 49

In 2021 EU blocked the acquisition of a below threshold company

The European Commission has updated how it interprets Article 22 of Regulation No 139/2004 for merger control. Now, national competition authorities can refer cases that might harm competition, even if these cases do not meet their usual size requirements (the thresholds mentioned above). This means deals involving valuable, innovative companies can be checked sooner, even if those companies are new and don't have much turnover.

In 2021, France used this new rule for the first time by referring Illumina's plan to buy Grail – a company that works on early cancer detection using genomic sequencing – to the European Commission.

After reviewing the deal, the Commission decided that buying Grail could hurt other companies in the field. On September 6th, 2022, they blocked the acquisition. This case shows how the new referral process helps keep competition fair by catching risky deals that would not have been reviewed before (OECD, [link](#)).

Source: OECD

2.3 Competition policy and enforcement

Understanding the distinction between the creation of competition policy – shaped by lawmakers – and its enforcement is essential for grasping how the EU and its member states uphold fair markets. At both the European and national levels, legislative authorities set the framework for competition rules, while enforcement bodies interpret and apply those rules in practice. The table below highlights major differences in legal foundations, procedural steps, and the consequences of merger reviews, underscoring why a clear separation between policy-making and enforcement is crucial for effective and consistent competition oversight.

	EU Level	National Level (Nordic countries)
Legal		
Legislative authority	<ul style="list-style-type: none"> EU legislators: European Commission proposes European Parliament and Council adopt legislation 	<ul style="list-style-type: none"> National parliaments implement EU directives; may adopt stricter competition rules if compatible with EU law
Key legal basis	<ul style="list-style-type: none"> TFEU articles 101 & 102 (restrictive agreements and abuse of dominance)- Merger Control: Council Regulation (EC) No 139/2004 	<ul style="list-style-type: none"> National competition laws- Implementation of EU rules and merger control for non-EU-dimension cases
Primary enforcement body	European Commission – DG COMP (Directorate-General for Competition)	National Competition Authorities (NCAs)
Scope of enforcement	<ul style="list-style-type: none"> Cases with an EU dimension: i.e., mergers meeting turnover thresholds across multiple Member States- Typically ~300–350 notified/year 	<ul style="list-style-type: none"> Mergers without EU dimension

Procedure	Notification requirement	<ul style="list-style-type: none"> Mergers with an EU dimension must be notified to the Commission before implementation 	<ul style="list-style-type: none"> Smaller mergers are notified to national authorities
	Simplified procedure	<ul style="list-style-type: none"> Used for mergers where parties are not active in the same or related markets, or if market shares are small 	<ul style="list-style-type: none"> National authorities may use simplified review procedures as appropriate
	Phase I review	<ul style="list-style-type: none"> Initial investigation (25 working days): Requests for information, questionnaires to customers/competitors, Market testing 	<ul style="list-style-type: none"> Similar tools may be used at national level
	Phase II investigation	<ul style="list-style-type: none"> In-depth investigation (90 working days): Review of internal documents and economic data, site visits, efficiency analysis 	<ul style="list-style-type: none"> Not applicable for EU-dimension mergers, unless jurisdiction has been referred
Outcomes	Possible outcomes	<ul style="list-style-type: none"> Merger cleared unconditionally, cleared subject to remedies (e.g., divestments), prohibited if no sufficient remedies are proposed 	<ul style="list-style-type: none"> NCA's can approve, impose conditions, or prohibit national mergers
	Example	<ul style="list-style-type: none"> Universal/EMI (2012): Approved subject to divestiture of Parlophone label and other assets. 	<ul style="list-style-type: none"> National examples vary; NCA's apply similar principles within domestic market contexts

Exhibit 50

Toolbox of the EU competition authorities (DG COMP)

The following information on the EU level procedures is based on the description in a report by The Danish Competition and Consumer Authority (2021):

Mixed-methods assessment: Quantitative economic analysis is a valuable component in EU merger reviews, but it does not solely determine whether a merger will significantly impede effective competition. Every merger investigation involves an overall assessment and balancing of all qualitative and quantitative evidence.

Market definition: This is a crucial initial step, often based on a tentative market definition in Phase I, evolving into a more elaborate assessment in Phase II through extensive **market surveys**.

Concentration measures (HHI): Assessments are established in evaluating the merger's impact on market shares and the Herfindahl-Hirschman Index (HHI)

Critical loss analysis (CLA): Used to support qualitative evidence, sometimes in two-sided market versions

Indicators for unilateral effects:

- **Upward pricing pressure (UPP):** Measures the incentive for the merged firm to raise prices.
- **Compensating marginal cost requirements (CMCR):** Calculates the critical level of efficiency gains needed to prevent a merger from harming consumers by keeping post-merger prices and aggregate production the same as pre-merger.
- **Illustrative price rise (IPR):** Extended from UPP/CMCR, accounting for more complex interactions.

Full simulation of mergers: This is the most advanced method, effectively an IPR extended to the whole market, incorporating competitor responses and the merged firm's reactions. Simulation results depend on calibrated or econometrically estimated parameters like price elasticities and diversion ratios.

In conclusion, the tools and review process applied by DG COMP are generally appropriate and incorporate several beneficial and flexible elements. At the same time, we note that long-term effects on innovation could play a more prominent role in merger assessment as these aspects are not systematically considered today. We also note that event studies (assessments of pre/post stock price changes as we analysed in section 1.3) are not currently used in merger reviews by the EU. This type of analysis should perhaps play a larger role in the reviews themselves and the evaluation of previously approved cases.

It is important to note that only a very small share of mergers are either blocked or cleared subject to remedies. In recent years, remedies have applied to around 2–3 pct. of notified EU cases, while outright prohibitions have affected fewer than 0.5 pct. Since 2004, only about 0.7 pct. of all notified mergers have been blocked or withdrawn following an investigation. This should not be interpreted as weak enforcement. Merger control also has a deterrent effect, influencing firms' behaviour before a transaction is even notified, as we highlight in the following chapter.

2.4 Deterrence effects of competition policy

The primary method for estimating the deterrent effects of cartel, antitrust, and merger control policies is through surveys of companies and legal advisors. These surveys ask how many anticompetitive mergers or agreements were abandoned or changed due to competition law. However, past surveys have often suffered from small sample sizes (grey bars) and are not very recent, covering only a few European countries since 2010–2011. Despite these limitations, survey results provide a rough estimate of the wider impact. Exhibit 51 indicates that each blocked or remedied merger deters 3 to 7 additional mergers (5 on average).

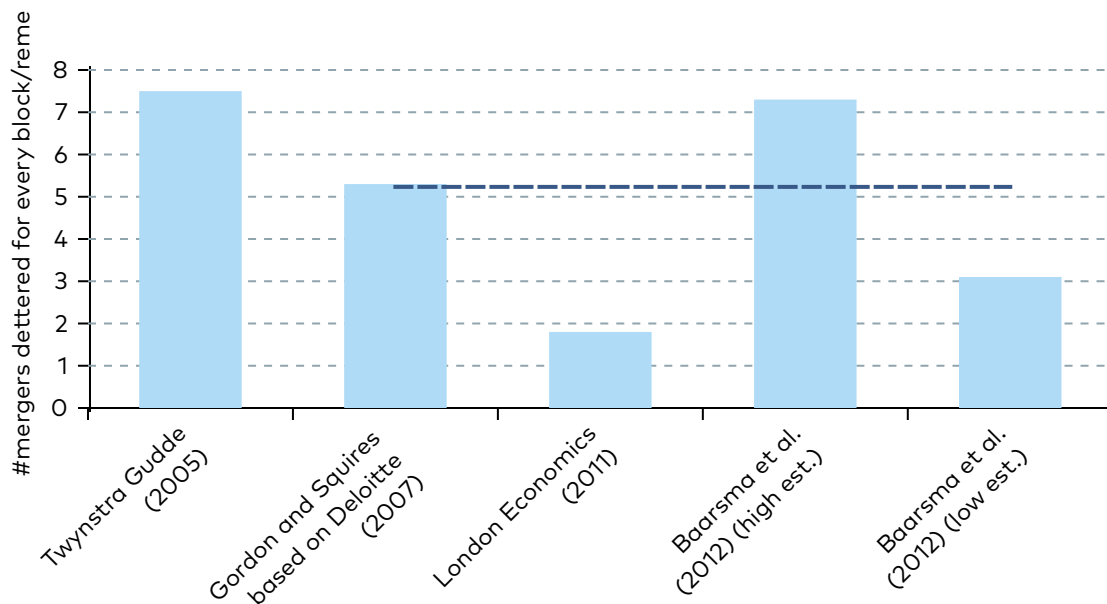


Exhibit 51 Survey studies indicate that 5 mergers are deterred for every merger blocked

Number of mergers abandoned or modified for every merger blocked/remedied

Source: Dierx et al. (2022). Green bars indicate the highest-quality survey studies on deterrence based on the sample size.

Unlike in the EU, where several survey-based studies estimate how many mergers are deterred for each blocked or remedied merger, no comparable survey evidence was found for the United States.

Instead, U.S. evidence is based on empirical analyses. Clougherty and Seldeslachts (2013) find that merger enforcement leads to a 21% reduction in subsequent merger attempts within the affected industries. In a broader cross-country study including the U.S., Seldeslachts, Clougherty and Barros (2009) estimate that each prohibition may deter up to 34 future merger filings.

Yet it is important to recognize that the true deterrence effect of competition policy may be considerably greater than survey figures suggest. Interviews with national experts highlighted a widespread reluctance to disclose information about abandoned or altered transactions among those tasked with managing complex mergers (typically law firms). This stems from concerns over confidentiality, reputational risk, and potential regulatory scrutiny. As a result, many cases where merger plans are quietly shelved or substantially revised in anticipation of competition authority intervention remain undocumented and unreported in survey responses. Consequently, the estimates based on available survey data are likely to understate the actual scale of deterrence, capturing only a fraction of the potential mergers affected by enforcement.

In conclusion, while the evidence is based on different methods, the overall picture is broadly similar: merger enforcement has a measurable deterrent effect in both the EU and the U.S. However, methodological differences make direct comparisons difficult, and the amount of deterrence is likely to be underestimated in surveys more generally.

EU level barriers

Regulatory scrutiny and deal timelines:

When firms engage in a merger, regulators may interfere with a review process of the merge. The duration and complexity of regulatory reviews significantly influence M&A activities as lengthy review periods can introduce uncertainty and increase transaction costs, potentially deterring companies from pursuing M&A. For example, the European Commission's merger control procedures, while thorough, can be time-consuming, affecting deal timelines (EU merger control procedures, 2021; Bain, 2024).

Un-intended distortion of regulation:

Regulatory frameworks can unintentionally distort market dynamics by affecting firms differently based on their size and resources. Larger firms are often better equipped to handle complex compliance requirements, while smaller firms may find such obligations disproportionately burdensome (Fich, Griffen, & Kalmenovitz, 2023). This asymmetry can influence competitive conditions and create unintended incentives for which type of firms are involved in cross-border M&A. A relevant example is the Corporate Sustainability Reporting Directive (CSRD), an EU regulation designed to standardize and enhance corporate sustainability reporting. It mandates detailed disclosures on environmental, social, and governance (ESG) matters to improve transparency for stakeholders. CSRD exemplifies this trend, with national laws similarly adding complexity that could discourage scaling.

Assessments of long-term innovation effects in merger policy:

We have argued that EU merger reviews could benefit from integrating long-term effects on innovation in merger assessments. As of now innovation can be part of merging parties' efficiency defence, but only to the extent that the merging parties can demonstrate how the merger will have immediate positive effects on innovation. Authorities' reviews of mergers are thus somewhat "static" which could introduce a status quo bias in a rapidly changing technological landscape. In this sense it might be useful to be able to consider relatively probable (likely) technological breakthroughs using e.g., technology readiness levels (TRL) in important areas. Another way to approach this would be to consider different scenarios for technology in the relevant market (or competing markets) on a 5–10 year horizon. For example, the effects of a merger between two traditional car manufacturing firms (gas) might have fewer adverse effects if electric vehicles is just about to "break through".

Exhibit 52

Take-aways: Is EU merger policy too strict?

Our analysis suggests that, at the EU level, the policy stance seems well balanced overall – both in terms of enforcement and policy.

We briefly describe the tools and merger review process in the case of the DG COMP. We argue that these tools are appropriate and has a many beneficial flexible elements built in. We highlight that long-term effects on innovation could perhaps play a larger role in the review process (i.e., as part of efficiency defence) – these are currently not considered.

We find that very few cases are subject to remedies in EU merger cases - however, around five mergers are deterred for every case rejected. This leads to the conclusion that enforcement is not overly tight. In fact, evidence shown in the report highlights how approved mergers have in some cases reduced innovation. We therefore emphasize other policy measures to increase productivity and competitiveness as well as barriers to M&A outside of competition policy to be of primary interest to Nordic policymakers (see below).

EU merger policy is currently under review, e.g., due to the Draghi report and secular trends/changes in market structures (digital) as well as geopolitical risk. These trends do warrant a review possibly with extended notions of surplus outside of consumer harm and efficiency gains (e.g., geopolitical, and transitional) as suggested in the beginning of the report. However, we also show that market concentration and markups have been rising in advanced economies which is an important counter argument to the industrial policy agenda. Competition should remain the core concern of competition policy as opposed to concerns about increasing investment levels or driving economic transitions.

Nordic countries

In the vast majority of mergers in the Nordic countries do not meet the EU thresholds and are therefore handled by national competition authorities (NCAs). Between 2014 and 2019, for example, only 26 mergers involving at least one Nordic party were notified to the European Commission, while thousands of mergers were reviewed at the national level. This highlights that less than 1 pct. of Nordic mergers are typically subject to EU-level scrutiny – underscoring the central role of national authorities in the region.

The scope of the project is, however, mainly concerned with larger incumbent firms (i.e., established firms already active in an international market). Since we are mainly concerned with cross-border M&A these would typically adhere to EU competition policy.

All of the five Nordic countries align their competition policies closely with the EU level, including Norway.

While the EU's harmonized approach reduces cross-border barriers within the Union, it may not always reflect the specific needs or economic priorities of individual countries, which can create tensions between the need for uniformity in regulatory standards and the desire for greater flexibility to account for local conditions.

All Nordic NCAs follow a common procedural framework; notification, assessment, decision, follow-up, and appeal, see exhibit 54. Yet, the degree of legal authority and institutional independence varies significantly:

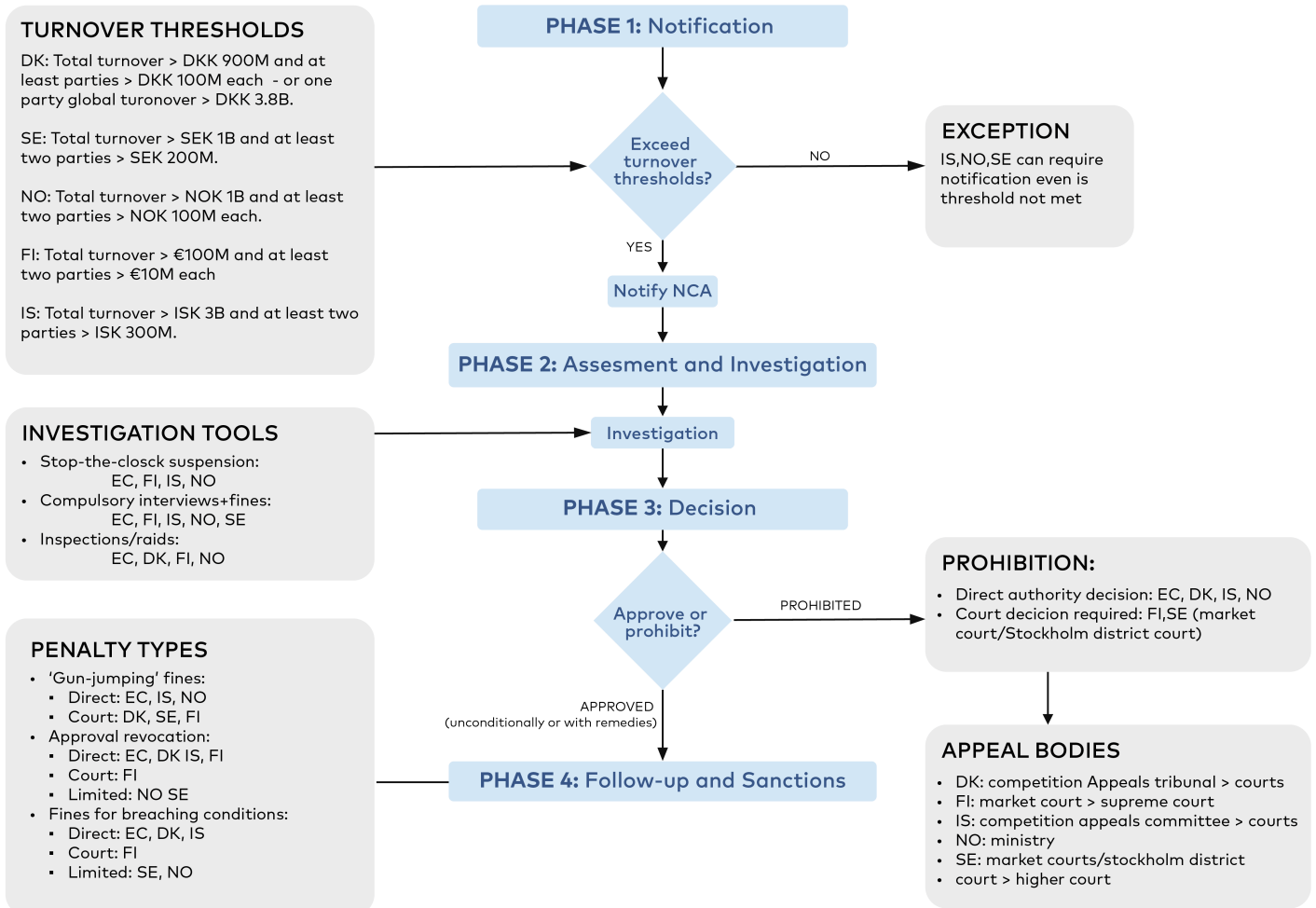
- Denmark, Iceland, and Norway can prohibit mergers directly through administrative decisions. Sweden and Finland, by contrast, must go through the courts to block a merger.
- Only the EC, Iceland, and Norway can impose direct fines for "gun jumping" (i.e., implementing a merger without approval).
- The ability to revoke a merger clearance or enforce conditions also varies, with Sweden and Norway having more limited tools than Denmark or the EC.

Moreover, investigative tools differ across jurisdictions. For example:

- Compulsory interviews and suspension of review timelines are used by some (e.g., EC, Finland, Norway) but not all (e.g., Denmark and Sweden).
- Inspection powers are not uniformly available; Iceland and Sweden have more limited authority in this area.

These differences mean that while the Nordic countries operate within a harmonized EU competition framework, national authorities exercise different degrees of discretion and face varied institutional constraints. This affects not only how M&A cases are reviewed but also how firms plan cross-border transactions.

Exhibit 53 Merger control powers and procedures across Nordic competition authorities
 authorities
 Legal and procedural differences in how national competition authorities (NCA) handle M&A.



Note: HBS Economics own illustration.

Source: Based on the report "A Vision for Competition – Competition Policy towards 2020" from the Nordic competition authorities.

The Nordic countries all apply turnover-based thresholds to determine whether a merger must be notified for review. While the overall principles are aligned with the EU Merger Regulation, there are notable differences in the level of thresholds. As shown in **table 9**, Iceland applies by far the lowest notification threshold among the Nordic countries. This means that transactions of a relatively modest size may be subject to a full merger review in Iceland, whereas the same transaction would fall below the thresholds in Denmark, Sweden, Norway, or Finland.

Such divergence can be interpreted as an example of **over-implementation of EU rules**, where national legislation goes beyond what is strictly required under the EU framework. From a business perspective, lower thresholds can create additional administrative burdens and compliance costs, particularly for smaller or purely domestic transactions that are unlikely to raise competition concerns. At the same time, stricter thresholds may reflect a policy choice to ensure close scrutiny of market developments in a small and concentrated economy.

Table 9 Thresholds for M&A
Thresholds for M&As in the Nordic countries

Country	Threshold for combined turnover in the country	Minimum turnover per party in the country	Notes
Denmark	EUR 120 million	EUR 13.4 million each	"Call-in" option: the Danish Competition and Consumer Authority can require notification from 6.7 million EUR.
Finland	EUR 100 million	EUR 10 million each	Focus on national turnover, not global turnover.
Iceland	EUR 20 million	EUR 2.1 million each	The Competition Authority can request notification below the threshold.
Norway	EUR 85 million	EUR 8.9 million each	The Competition Authority can request notification below the threshold.
Sweden	EUR 90 million	EUR 17.9 million	Notification can also be requested voluntarily or under special circumstances

Sources: **DK**; Konkurrenceloven (§12). **FI**; Kilpailulaki (§ 22). **IS**: Samkeppnislög (44/2005, §17/18). **NO**; Konkurranseloven (§18). **SE**: Konkurrenslagen (4/§6). The table is based on our own conversion of currencies.

Exhibit 54

Case: Low notification thresholds in Iceland

- During the interviews one of the national experts from Iceland highlighted that Iceland has a relatively large number of agencies (including sectoral agencies) protecting consumers. Coordinating with different branches may discourage smaller firms from acquiring or merging with Icelandic firms. Combined with the fact that notification thresholds are comparatively low in Iceland this might be a drag on business dynamics and foreign investment.

2.5 Barriers to cross-border M&A

Q 2.3: What barriers prevent nordic Cross-border M&A?

While the Nordic region is generally recognized for its open economies, stable institutions, and high ease of doing business, several barriers may constrain mergers and acquisitions (M&A) activity – particularly cross-border transactions within the region and with external markets.

A central challenge is the limited supply of venture capital relative to market potential, both in the Nordic countries and in the EU more broadly. This restricts early-stage scaling and reduces the pipeline of attractive acquisition targets. Although substantial savings are held in pension funds, insurance companies, and other institutional investment vehicles, these resources are only mobilised for M&A when investors identify profitable opportunities. Delays or the lack of harmonised frameworks for cross-border transactions could mean that many otherwise viable acquisitions do not meet investors' return expectations.

Policy reforms aimed at reducing frictions in cross-border deals – such as the streamlining of compliance requirements, mutual recognition of regulatory approvals, and alignment of corporate governance rules – would make a greater share of potential transactions profitable. Such measures should therefore be a priority for both policymakers and market participants seeking to strengthen the Nordic capital market's integration and competitiveness.

Exhibit 55

Cross-border M&A in the Nordics (interview highlights)

Interviews during the project indicate that national exports highlight that Nordic countries perform strongly relative to their size in innovation and competitiveness. However, cross-border M&A may be constrained by fragmented regulatory frameworks, goldplating of EU rules, and inconsistent enforcement across countries. While the region is attractive for start-ups these regulatory barriers prevent the Nordics from functioning as a unified market in practice.

Fragmentation across the region: Despite frequent external references to “the Nordics” as one block, national markets are in practice highly fragmented. Differences in regulation, enforcement structures, and market thresholds mean that firms do not perceive the Nordics as a single integrated market. This creates frictions for cross-border deals and can reduce potential synergies.

Goldplating as a structural barrier: A recurring challenge is the over-implementation of EU legislation (“goldplating”), which can be more restrictive than EU requirements and varies across countries. This issue appears particularly pronounced in Iceland where, according to one expert, multiple authorities regulate overlapping areas. Goldplating is considered more problematic than simply having stricter formal rules, as it is less transparent and harder to anticipate.

Differences in legislation vs. enforcement: Stakeholders distinguish clearly between the formal rules (legislation) and the way they are applied (enforcement). In some cases, enforcement practices (e.g., moving cases into lengthy phase-2 merger reviews) create significant delays and uncertainty, effectively freezing smaller firms for extended periods. This drag on transaction timelines directly undermines deal value.

Competition policy challenges: Competition measures, such as market concentration indices (e.g., HHI), do not always reflect the international exposure of Nordic firms as we have previously highlighted. For example, one expert from Iceland noted how salmon producers operate in global markets, yet enforcement is based on national revenue considerations, which may distort assessments of market power and concentration.

Implications for cross-border M&A: Structural fragmentation, goldplating, and varying enforcement practices limit the effectiveness of cross-border M&A in creating a more integrated Nordic market. For firms and investors, the Nordics remain attractive for innovation and start-ups, but regulatory complexity reduces the region’s comparative advantage in terms of scaling.

Examples of barriers particularly relevant in the Nordic might include regulatory differences in competition law enforcement (e.g., thresholds above), taxation discrepancies, labour market regulations, such as varying rules on employee representation in corporate boards and collective bargaining agreements.

Addressing these barriers would not only increase M&A flows within the Nordic region but also enhance the attractiveness of Nordic companies as acquisition targets for investors from outside the region.

Exhibit 56

The role of international standards

Global standards in fields such as M&As and competition regulations are designed to create uniformity across markets, which can significantly streamline cross-border transactions. These standards reduce the complexity of navigating multiple regulatory frameworks, lowering transaction costs, and facilitating business operations across borders. By ensuring that similar rules apply across various regions, harmonized regulations help firms avoid regulatory discrepancies and inconsistencies, thereby fostering more efficient international business practices.

Examples of regulatory fragmentation and merger control

1. Even though national competition regimes in Denmark, Finland, and Sweden align closely with the EU Merger Regulation, the procedural demands vary. For instance, Denmark's competition authority recently extended the pre-notification phase and typically requires more extensive information than other Nordic authorities (Bird & Bird, 2023)
2. Since December 2023, Sweden's implementation of the EU FDI screening regulation has introduced new stand-alone notification requirements for foreign investments, adding a separate approval layer for certain M&A transactions (CMS, 2024)
3. The ECB has warned that fragmented financial systems—with differences in insolvency frameworks, collateral rules, and governance structures complicate cross-border bank mergers in the EU, including the Nordic region.

4. National authorities possess expanded investigative powers. Since 2024 the Danish Competition and Consumer Authority (DCCA) can “call in” M&A transactions that fall below normal thresholds -potentially increasing unpredictability and raising costs for deals that would otherwise proceed unchallenged (DLA Piper, 2023).
5. While the Nordic countries have an agreement on cooperation in competition cases, procedural differences - such as handling below-threshold mergers and divergent enforcement styles - can delay or deter cross-border transactions (EBR, 2024).

Exhibit 57

Nordic agreement on cooperation between competition authorities

The Nordic Competition Authorities of Denmark, Finland, Iceland, Norway, and Sweden have enhanced their longstanding cooperation through the Agreement on Cooperation in Competition Cases (2018). This agreement builds upon previous arrangements from 2001 and 2004, enabling a higher level of regional coordination than is available under the European Competition Network.

Notably, it facilitates the exchange of both confidential and non-confidential information in merger and antitrust matters and permits member authorities to carry out inspections on each other’s behalf. These measures promote consistent enforcement of competition laws throughout the region, minimize duplication of efforts, and strengthen mutual trust among the authorities.

These examples illustrate that even within the harmonised economic landscape of the Nordics, barriers remain – from procedural complexity and regulatory discretion to cross-border tax mismatches and digital identity constraints. Addressing such frictions would unlock greater capital deployment, enhance investor confidence, and improve integration across the region.

Exhibit 58

Take-aways on barriers to Nordic cross-border M&A

Large size cross-border M&A will typically abide by EU rules and EU competition enforcement. However, the potential challengers (new market entrants) are subject to national rules and enforcement policies which typically closely align with the EU. Harmonizing standards (reviews thresholds and processes) in Nordic countries could reduce frictions for firms engaged in M&A with multiple Nordic countries at the same time. Such harmonisation could be a desirable extension of the already well-developed framework of corporation between Nordic countries. Harmonising the merger control rules across the Nordic countries would contribute to a more integrated regional market and make the regulatory environment easier to navigate for foreign investors. Similar thresholds and regulatory standards can potentially make the Nordic region more appealing to foreign investors because it requires less institutional knowledge for individual countries.

We argue however, that these barriers directly linked to competition policy are limited and can be adopted within the existing framework of EU and national competition policy. While addressing this problem it is important that Nordic countries continue to promote investment, growth, and innovation outside of competition policy.

3. Policy recommendations

Exhibit 59

Research question in this chapter

Chapter 3

How can the Nordic governments promote productivity, competition, and investment?

Q 3.1: How can nordic governments support productivity, competition and private investment?

To support productivity, competition, and private investment, Nordic governments can consider several policy interventions:

Encourage a regulatory environment that foster innovation

First, Nordic governments can foster a regulatory environment that encourages innovation and facilitates cross-border M&A activity by reducing barriers – such as harmonizing competition policies and streamlining market entry procedures (see [section 2.5](#)).

Advocate for competition assessments that value enduring innovation benefits

Governments should prioritize nurturing long-term innovation, ensuring that merger review policies emphasize not just short-term efficiencies but also the potential long-term innovative impacts. This involves engaging in EU-level discussions to advocate for competition assessments that value enduring innovation benefits and guard against theories of harm that focus solely on immediate effects (see [section 2.5](#)). We also note that event studies (assessments of pre/post stock price changes as we analysed in [section 1.3](#)) are not currently used in merger reviews by the EU. This type of analysis should perhaps play a larger role in the reviews themselves and the evaluation of competitive effects of previously approved cases.

Advocate for a level playing field in times of geopolitical fragmentation

Maintaining a level playing field is essential; even though results highlighted in this report could be used to argue to protect Nordic firms from being acquired from foreign investors (potentially reducing innovation levels), this type of conduct could potentially lead to reciprocal measures from foreign countries (see [section 1.2](#)). By

keeping competition fair and transparent, the Nordics can attract private investment and encourage domestic firms to scale and compete internationally.

Promoting collaboration among Nordic countries

Both at the national level and through joint initiatives – can amplify productivity and investment. Harmonizing the merger control rules across the Nordic countries would contribute to a more integrated regional market and make the regulatory environment easier to navigate for foreign investors. This could also contribute to the development and deepening of capital markets.

Nordic governments should maintain a strict focus on *competition* in the realm of competition policy while paying close attention to the developments in certain areas such as technology where barriers to entry are high (i.e., few firms are able to sustain high markups without facing effective competition).

Q 3.2: What compensatory measures can be made?

Emphasize data protection to counterbalance market concentration

As technologically advanced sectors become increasingly data-driven, the ability of dominant firms to create and leverage vast quantities of citizen data can reinforce their market position and create substantial barriers to entry for new competitors. This concentration of unique, non-replicable datasets not only tilts the competitive landscape but also raises significant concerns about privacy, consumer choice, and the potential for exclusionary practices (see e.g., discussion on *the economics of superstars*).

To compensate for the enhanced market power that comes with data dominance, Nordic governments should advocate robust data protection frameworks. Stringent data governance, transparency requirements, and clear consent mechanisms can help mitigate the risk that dominant firms use their informational advantages to stifle competition or exploit consumers. Such policies should go beyond mere compliance, aiming to give individuals more control over their personal information and ensuring that access to essential datasets is not hoarded by a handful of powerful actors.

Additionally, by promoting data portability and interoperability standards, policymakers can facilitate a fairer marketplace where new entrants are not disadvantaged by incumbents' control of critical data assets. In concert with competition policy, an emphasis on data protection and open data access will not only safeguard citizens' rights but also help preserve dynamism and innovation in technologically advanced sectors.

What should Nordic governments prioritize to enhance growth and resilience?

A LITTLE ... STRATEGIC FLEXIBILITY

Nordic countries can participate in discussions about broadening the scope of competition policy beyond consumer welfare and maximized competition. However, we argue this should be highly limited and reserved only for firms and assets with clear society-wide strategic importance, such as those related to supply security or systemic dependencies. Extending the traditional scope of competition policy to include e.g. geopolitical concerns comes at a societal cost.

FURTHER ... PROCEDURAL STREAMLINING

Nordic governments can reduce the risk of over-implementation of EU regulation (e.g. merger review thresholds) and advocate for merger reviews to consider long-term innovation effects. Nordic countries should also continue harmonizing merger review processes, as well as tax and compliance requirements, to make the region more economically integrated and thus more attractive for foreign investors.

A LOT MORE ... SCALING AND PRODUCTIVITY

Productivity growth can be supported by stronger capital markets and structural reforms beyond competition policy. While Nordic countries are active in M&A, cross-border deals alone will not close the productivity gap with the United States. National-level reforms to strengthen innovation, skills, and investment are therefore essential.

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