

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 50/LM/Apr00

In the large merger between:

The Dow Chemical Company

and

Union Carbide Corporation

Reasons for the Competition Tribunal's Decision

Approval

1. The Competition Tribunal issued a Merger Clearance Certificate on 17 May 2000 approving the merger between The Dow Chemical Company (Dow) and Union Carbide Corporation (Union Carbide) without conditions. The reasons for our decision to approve the merger without conditions are set out below.

The merger transaction

2. The primary acquiring firm is Dow and the primary target firm is Union Carbide.
3. Dow is a US multinational chemical producer and its operations in South Africa are conducted by a subsidiary, the Dow/Sentrachem Group. Union Carbide is a US multinational firm whose business is in chemicals and polymers.
4. Dow is acquiring Union Carbide South Africa (Pty), a wholly owned subsidiary of Union Carbide. This transaction is part of a merger agreement between Dow and Union Carbide with Union Carbide ultimately becoming a subsidiary of Dow.
5. This international merger has been approved by the European Commission and the antitrust authorities in Australia, New Zealand and Poland.

Evaluating the merger

6. In terms of the information given by the parties there are three areas of product overlap between the South African subsidiaries of the merging firms. The products where there is an overlap are chemical products known as Polyethylene Glycol Liquids (PEG Liquids), Triethylenetetramine (Teta) and E-Series Glycol Ethers (E-Series GEs). PEG Liquids are used as components of products such as adhesives ceramics, cosmetics and related products. Teta is used as a component of products such as epoxy-curing agents and oil and fuel additives. E-Series GEs are applied as solvents in paints, inks and industrial cleaners.
7. According to the merging parties none of the products referred to in paragraph 6 are manufactured in South Africa, all the products are imported for distribution.

The relevant product/services market

8. The relevant product market is the market for the supply of Polyethylene Glycol Liquids Triethylenetetramine and E-Series Glycol Ethers.

The relevant geographic market

9. The relevant geographic market is international. The relevant products are fully imported.

Impact on competition

10. This is an international merger that has already been approved in other jurisdictions around the world. The fact that overlap in the product market between the merging parties exists in products that are fully imported makes our decision largely academic. Our powers are somewhat limited when we deal with mergers between multinational companies that have already been approved in other jurisdictions. This is especially the case where the products concerned are merely distributed in South Africa and the merger has been approved in the countries where the products are manufactured. Even if we prohibit the merger in South Africa the parties will merge elsewhere and a single firm will control the two subsidiaries and the importation and distribution of the three product categories in South Africa.
11. We note that on the merits the Commission found that the merger raises no competition concerns as far as the three product categories are concerned and recommended that the merger be approved. We have no reason to disagree with this conclusion.

Public Interest Considerations

12. The merger raises no significant public interest issues.

N.M. Manoim

Concurring: C Qunta, U. Bhoola

02 June 2000

Date