Walsin Lihwa, MEG S.A. and CAS

1618th Commissioners' Meeting (2022)

Case: Walsin Lihwa filed a pre-merger notification to the FTC regarding its intention to acquire shares of Luxembourgian company MEG S.A. and Italian company Cogne Acciai Speciali S.p.A

Keyword(s): Stainless steel billet, stainless steel wire rod, stainless steel straight rod

Reference: Fair Trade Commission Decision of September 28, 2022 (the 1618th Commissioners' Meeting)

Industry: Smelting and Refining of Iron and Steel (2411)

Relevant Law(s): Articles 10, 11 and 13 of the Fair Trade Law

Summary:

1. Through Luxembourgian company Walsin Lihwa Europe SARL, a newly created business, Walsin Lihwa Corporation (hereinafter referred to as Walsin Lihwa) acquired over 85% of the shares of Luxembourgian company MEG S.A. and indirectly possessed more than one third of the shares of Italian company Cogne Acciai Speciali S.p.A (hereinafter referred to as CAS) and consequently controlled the management and personnel appointment and dismissal of CAS. The condition fell under the category of the merger patterns described in Article 10(1)(ii)(v) of the Fair Trade Law. Moreover, the shares Walsin Lihwa owned in the domestic stainless steel billet, wire rod and straight rod and bare copper wire markets in 2021 also achieved the filing threshold specified in Article 11(1)(ii) of the Fair Trade Law while the exemption regulation set forth in Article 12 of the same act was inapplicable. Therefore, Walsin Lihwa filed a pre-merger notification with the FTC.

2. Findings of the FTC after investigation:

(1) Walsin Lihwa and CAS were horizontal competitors in the domestic stainless steel billet, wire rod and straight rod markets. Stainless steel billets were the principal material for making stainless wire rods and straight rods. Stainless steel wire rods could also be used to produce stainless steel straight rods. Under such circumstances, a potential vertical supply relationship existed between Walsin Lihwa and CAS too. As a result, the product markets involved in this case included the stainless steel billet, stainless steel wire rod and stainless steel straight

rod markets. The merger was both horizontal and vertical in its nature.

(2) The FTC's investigation showed that production of stainless steel billets, stainless steel wire rods and stainless steel straight rods in the country was sufficient. CAS mainly sold its product on the Europe market and did not sell any product to Taiwan in 2021. If the merger went through, the existing stainless steel billet, stainless steel wire rod and stainless steel straight rod business in Taiwan would not be affected. In addition, there would be competition from other businesses in and outside the market of Taiwan. The merger would have no influences at all on the structures of domestic stainless steel billet, stainless steel wire rod and stainless steel straight rod markets. Therefore, no restraints on market competition would occur in the aforementioned product markets.

(3) Walsin Lihwa would become part of the supply chain in the high-end stainless steel market in Europe and sell its products in Europe and even the global market. After soliciting the opinions of the competent authority of the industry, competitors and downstream trading counterparts, as well as taking the aforementioned factors into consideration, the FTC concluded that the merger would not cause any concern about restraints on market competition and thus, by citing Article 13(1) of the Fair Trade Law, approved the merger.

Appendix:
Walsin Lihwa Corporation's Uniform Invoice Number: 35412204

Summarized by: Tsai, Tsung-Yung; Supervised by: Ho, Yen-Jung □