WLC, CAS and OLP Merger

1654th Commissioners' Meeting (2023)

Case: Merger of WLC, CAS and OLP
Keyword(s): Stainless steel billet, stainless steel straight rod
Reference: Fair Trade Commission Decision of June 21, 2023 (the 1654th 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. Walsin Lihwa Corp. (hereinafter referred to as WLC) intended to acquire 100% shares of Swedish company Outokumpu Long Products AB (hereinafter referred to as OLP; target company) through Italian company Cogne Acciai Speciali S.p.A. (hereinafter referred to as CAS), a WLC subsidiary, and control its management and personnel appointment and dismissal. This case falls under the category of the merger patterns described in Subparagraphs 2 and 5, Paragraph 1 of Article 10 of the Fair Trade Law. Meanwhile, WLC accounted for over one quarter of the domestic stainless steel billet/wire rod/straight rod, bare copper wire, as well as electric wire and cable markets in 2022. It achieved the merger-filing threshold set forth in Subparagraph 2, Paragraph 1 of Article 11 of the same act whereas the exemption regulation in Article 12 was inapplicable. Therefore, WLC filed a pre-merger notification with the FTC.

2. Findings of the FTC after investigation:

   (1) Both WLC and the target company produced and sold stainless steel billets and stainless steel straight rods. As a result, they were horizontal competitors in the aforementioned markets. Since stainless steel billets is the material for the production of stainless steel straight rods, vertical supply relations also existed between the two companies. Hence, the case involved horizontal and vertical merger patterns.

   (2) Horizontal merger: In 2022, WLC claimed over one quarter of the domestic stainless steel billet market and stainless steel straight rod market, but the target company had zero shares in those markets. The merger would not change existing market structures and market competitions. Despite that certain competitors were concerned that the

merger could bring WLC dominating power to monopolize the markets, the Ministry of Economic Affairs expressed that the major impact of WLC's acquisition of the target company would be on the Europe market and there would be no direct influence domestically. WLC would become nearby to provide services to clients in Scandinavia and the Baltic region to upgrade its market status in the global stainless steel rod market. For this reason, the Ministry believed the outcome of this merger would be positive. In the meantime, WLC also confirmed that the target company had no plans to enter domestic markets after the merger.

(3) Vertical merger: The target company mainly operated in the Europe market and never sold its stainless steel billets and straight rods in Taiwan. In addition, the existing stainless steel billet and straight rod business of WLC would not be affected by the merger and WLC would still face domestic and foreign competitors. The FTC's investigation showed no import and export values of the target company in 2022. Therefore, the merger would have no influence on the structure of relevant markets and the possibility of the merging parties abusing their market powers or creating market foreclosures did not exist.

(4) After the merger, WLC could improve its technology and craftsmanship and enter the Europe market through the target company so that more convenient services could be provided to its clients in Scandinavia and the Baltic region. It would not give rise to any concern about competition restraints. Therefore, the FTC cited Paragraph 1 of Article 13 of the Fair Trade Law and approved the merger.

Appendix:
Walsin Lihwa Corp.'s Uniform Invoice Number: 35412204

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