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**Common Market for Eastern  
and Southern Africa**

**Case File No. CCC/MER/4/13/2020**

**Decision<sup>1</sup> of the Seventy-First (71<sup>st</sup>) Committee Responsible for Initial Determination Regarding the Merger Involving China National Chemical Corporation Ltd and Sinochem Group Co. Ltd**

**ECONOMIC SECTOR: Agro-chemicals and antioxidants**

**8<sup>th</sup> June 2020**

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<sup>1</sup> In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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## Information and Relevant Background

1. On 22<sup>nd</sup> April 2020, the COMESA Competition Commission (hereinafter referred to as the “**Commission**”) received a notification for approval of a merger involving the proposed merger between China National Chemical Corporation Ltd (“**ChemChina**”) and Sinochem Group Co. Ltd (“**Sinochem**”).
2. The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations, 2004 (the “**Regulations**”). Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would, or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. The Committee Responsible for Initial Determination (the “**CID**”) established that the parties operate in more than one COMESA Member State and they meet the prescribed notification thresholds. This therefore means that the regional dimension requirement under Article 23(3) of the Regulations is satisfied and asserts jurisdiction on the Commission to assess the transaction.

## The Parties

### *ChemChina*

4. It was submitted that ChemChina is a state-owned company incorporated in accordance with the laws of the People’s Republic of China. ChemChina is wholly held by Central State-owned Assets Supervision and Administration Commission of the State Council (Central SASAC), an agency of the central Chinese Government. According to the Chinese Law, ChemChina is entitled the right of autonomy in business in line with the principle of separation of ownership and operational rights, and the separation of government functions from enterprise management provided for under the Chinese Law. The Chinese law also prohibits Central SASAC from interfering with the independent operation of ChemChina and its subsidiaries. Chinese law further restricts Central SASAC from having a material role in ChemChina other than exercising the responsibilities of an investor. ChemChina is active in various business units such as: (i) new chemical materials and specialty chemicals; (ii) agrochemicals; (iii) oil processing and refined products; (iv) tire & rubber products; (v) chemical equipment, and (vi) research and development design. ChemChina has operations in the following COMESA Member States: Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

### *Sinochem*

5. It was submitted that Sinochem is a state-owned company incorporated in accordance with the laws of the People’s Republic of China. Sinochem is also wholly owned by the Central SASAC) and according to the Chinese Law, Sinochem is entitled the right of autonomy in business in line with the principle of separation of ownership and operational rights, and the separation of government functions from enterprise management provided for under the Chinese Law. The Chinese law also prohibits Central SASAC from interfering with the independent operation of Sinochem and its subsidiaries. Chinese law further restricts Central SASAC from having a material role in Sinochem other than exercising the responsibilities of

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an investor. Sinochem is active in the following business units: (i) Energy; (ii) Chemicals; (iii) Real Estate (through Jinmao Holdings); and (iv) Finance. Sinochem has operations in the following COMESA Member States: Democratic Republic of Congo, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Seychelles, Somalia, Sudan, Tunisia, Uganda, and Zambia.

### **Nature of the Transaction**

6. The parties submitted that the proposed transaction concerns the strategic restructuring between ChemChina and Sinochem. After-completion of the merger, both ChemChina and Sinochem will still be (indirectly) wholly-owned by Central SASAC.

### **Competition Analysis**

7. The CID defined the relevant the markets as follows:
- a) Manufacture and supply of herbicides; and
  - b) Manufacture and supply of rubber antioxidants.
8. The CID defined the relevant geographic market for the product markets as follows:
- a) Manufacture and supply of herbicides in COMESA; and
  - b) The global manufacture and supply of rubber antioxidants.
9. The CID observed that the transaction will not result in market concentration in the market for the manufacture and supply of herbicides in the Common Market due to a minor horizontal overlap in the supply of herbicides in Kenya. With respect to the market for the manufacture and supply of antioxidants, the market structure will not change and no vertical competition concerns will arise post-merger.

### **Determination**

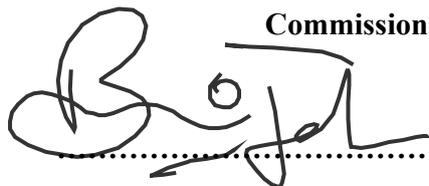
10. The CID determined that the merger is not likely to substantially lessen or prevent competition in the Common Market or any substantial part of it. The CID further determined that the transaction is unlikely to negatively affect trade between Member States. The CID therefore approved the transaction.
11. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 8<sup>th</sup> June 2020



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**Commissioner Islam Tagelsir Ahmed Alhasan (Chairperson)**



**Commissioner Brian M. Lingela**



**Commissioner Thembelihle P. Dube née Dlamini**