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**Common Market for  
Eastern and Southern Africa**

**Case No. CCC/MER/01/04/2018**

**Decision<sup>1</sup> of the Forty-Fifth Committee Responsible for Initial Determination on the Application for Authorisation of the Merger Involving JT International Holding B.V. and National Tobacco Enterprise (Ethiopia) Share Company**

**ECONOMIC SECTOR: Tobacco**

**4<sup>th</sup> October 2018 – Johannesburg, South Africa**

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<sup>1</sup> In the published version of this decision, some information may have 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 Where possible, the information omitted has been replaced by ranges of figures or a general description.

*hNe. T.P.D B.M.L*

## **Introduction and Relevant Background**

1. On 30<sup>th</sup> January 2018, the COMESA Competition Commission (hereinafter referred to as the “Commission”) received an application for authorisation of a merger between JT International Holding B.V. (“**JTIH**”) and National Tobacco Enterprise (Ethiopia) Share Company (“**NTE**”).
2. The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations, 2004 (hereinafter referred to as the “Regulations”). Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the proposed 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 (hereinafter referred to as the “CID”) established that the parties operated in more than one COMESA Member State. This therefore meant that the regional dimension requirement under Article 23(3) of the Regulations was satisfied and asserted jurisdiction on the Commission to assess the transaction.

### **The Parties**

#### ***JTIH (the Acquirer)***

4. The parties submitted that JTIH is a company incorporated in the Netherlands. JTIH is a part of the Japan Tobacco Group, an international conglomerate headed by Japan Tobacco Inc. The JTI Group sells tobacco products in over 120 countries. Although most of its sales are derived from ready-made cigarettes. JTI also produces and sells other tobacco products including roll-your-own and make-your-own cigarettes, snus, cigars and cigarillos. JTIH has activities in the following COMESA member states: Democratic Republic of Congo (the “DRC”): sale of tobacco through a third-party distributor; Egypt, Sudan, Malawi, Zambia.

#### ***NTE (the Target)***

5. The parties submitted that the target firm NTE is incorporated in Addis Ababa, Ethiopia. NTE is active in the growing and processing of tobacco leaf, as well as the manufacturing and distribution of tobacco products including but not limited to cigarettes, cigars, cigarillos, and pipe and water pipe tobaccos in Ethiopia. NTE only has activities in Ethiopia.

### **Details of the merger**

6. The parties submitted that JTIH, through its wholly owned subsidiary JT International NTE (Ethiopia) Holding B.V., entered into a sale of shares agreement with the Government of the Federal Democratic Republic of Ethiopia, in terms of which JTIH acquired shares in NTE. As a result of the Transaction, JTIH holds 70.95% of the shares in and has indirect sole control over NTE.

### **Competition Analysis**

7. The CID defined the relevant market as the upstream market for manufacture of ready-made cigarettes in Ethiopia.
8. The CID observed that the acquirer was not active in Ethiopia pre-merger, except through its existing interests in NTE. Therefore, the transaction is unlikely to materially change the market concentration post-merger.

### **Determination**

9. The CID determined that the merger is not likely to appreciably lessen competition in the Common Market and is compatible with the COMESA Treaty objective of full market integration.
10. The CID therefore ratified the merger authorisation issued by the Director of the Commission on 2<sup>nd</sup> July 2018.
11. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 4<sup>th</sup> of October 2018



**Commissioner Patrick O. Okilangole**  
**(Chairperson)**



**Commissioner Brian M. Lingela**  
**(Member)**



**Commissioner Thembelihle P. Dube**  
**(Member)**