Chemical giants DuPont and Dow in "advanced talks" about merger

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The *Wall Street Journal* reported Wednesday that DuPont and Dow Chemical, two of the world's three largest chemical companies, are in advanced talks to merge into a conglomerate worth nearly $120 billion.

2015 is already the biggest year on record (not taking inflation into account) for mergers and acquisition, as companies seek profits amidst mounting global economic stagnation and uncertainty. As of December 3, not including the possible Dow-DuPont fusion, global mergers and acquisitions volume, according to data provider Dealogic, had reached $4.304 trillion, breaking the previous record in 2007 of $4.296.

Fueling the current frenzy is the slowdown in world economic growth. The Chinese economy in particular, once seen as pillar of global expansion, is experiencing major problems. China, along with the other BRICS countries (an acronym for Brazil, Russia, India, China and South Africa), is economically dependent on exports to the US, the European Union and the other advanced capitalist countries—all of whom face slump. The net effect has been the drying up of global demand, the squeezing of profits and a collapse in commodity prices. Companies seek to buy each other out, or merge, eliminating redundancies and reducing costs in the process.

The proposed merger between DuPont and Dow would be the latest in a series this year aimed at significantly cutting expenses, as well as cornering a larger share of the market. Walgreens and Rite Aid, Allergan and Pfizer, Cigna and Anthem, Heinz and Kraft, and Charter and Time Warner are only a few of the huge companies that joined forces in 2105.

Only this week, Sweden's Electrolux, the second largest appliance maker in the world, reported it would reduce operations and lay off staff to deal with reduced demand and the failure of a deal with General Electric. The company had been planning to buy GE's appliance unit for $3.3 billion, but was blocked by the US Justice Department on anti-trust grounds. The move pushed Electrolux's stock down significantly. Now the company is pursuing cost-cutting measures on its own.

DuPont and Dow each face economic difficulties. The *Wall Street Journal* reports that both firms have been "under pressure from shareholders to slim down and focus on faster-growing units." This has resulted in the two companies selling off parts of their businesses in the past few years and laying off workers. In May 2015, for instance, Dow announced it would cut 3 percent of its workforce worldwide, between 1,500 and 1,750 jobs.

Dow and DuPont are each currently worth around $60 billion. Both produce a range of goods, ranging from plastics and chemicals to agricultural goods such as seeds. If combined, they would control 41 percent of the US corn seed market, 38 percent of the soybean seed market and 17 percent of the global pesticide market.

A merger would allow the two giants to proceed with their "slimming down," at the expense of the workforce. The companies would first combine all their units and then divide the merged firm into three parts: an agricultural division, a materials and material sciences section, and a specialty products business.

The merger will undoubtedly result in a significant section of the combined workforce being laid off. In 2013 DuPont had around 64,000 employed workers, with headquarters is in Wilmington, Delaware. Dow Chemical had 53,000 employees in 2014 and is based in Midland, Michigan.

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In October 2015 Edward Breen, a well-known “breakup expert,” was appointed interim CEO of DuPont after his predecessor, Ellen Kullman, stepped down. Breen, once made the permanent CEO in November, announced cuts by the end of 2016 totaling $1.6 billion. Those cuts began in November with 100 workers being laid off in the firm’s Sustainable Solutions business. Also 300 contract workers upgrading DuPont’s IT structure were let go.

Kullman had resisted a restructuring process advocated by the billionaire hedge fund manager Nelson Peltz. Hedge fund manager, Daniel Loeb, also a multi-billionaire, sought to break up Dow in 2014. Two directors nominated by Loeb’s Third Point LLC were added as a result.

The pressure exerted by the two hedge funds, demanding the restructuring of DuPont and Dow, reflects the financial parasitism that currently reigns. The cash hoard of the financial elite, rather than being used to reinvest in production, infrastructure and education, is being wielded to press companies to combine and methodically cut the slightest unprofitable excess from their operation.

A hedge fund can buy and sells as it pleases, gutting and restructuring some of the largest companies in the world only to flip the stock for a profit the following year. The cost-cutting measures employed principally involve getting rid of workers, slashing wages and benefits and sometimes liquidating entire divisions of companies. In the end it is the working class that loses, including many who are employed in sub-contracted jobs.