



STEEL DEAL TESTS US COMMITMENT TO REAL ECONOMIC SECURITY

BY BRAD GLOSSERMAN

Brad Glosserman (brad@pacforum.org) is deputy director of and visiting professor at the Center for Rule-Making Strategies at Tama University as well as senior adviser (nonresident) at Pacific Forum. He is the author of “Peak Japan: The End of Great Ambitions” (Georgetown University Press, 2019).

Nippon Steel’s decision to buy US Steel, the iconic American company, is a test for Joe Biden. The president has embraced an economic security agenda designed to protect the interests of America’s middle classes while promoting partnership and closer collaboration with allies. There have been howls of disapproval and vows to block the deal—but that would be a mistake. The Nippon Steel purchase can advance both of Biden’s objectives and show the world that economic security is not thinly veiled protectionism.

US Steel is an icon. It was arguably [the most important company in the world](#) when formed in 1901. It became the first billion-dollar corporation—its \$1.4 billion valuation was twice the size of the US federal budget—producing the metal that was the very embodiment of the industrial revolution. Having once made 40% of all steel in the world, the last few decades have been marked by stagnation and decline. Last year, its 15,000 employees—a sliver of its peak of 340,000 during World War II—produced 11.2 million tons of steel, 27th in world output and second in the US. (By revenue, the company ranks third in the US.) Experts and engineers struggle to identify any important innovation by the company in recent years; one analysis [concluded](#) that “no major steelmaking technology over the last century came out of US Steel.”

Not surprisingly, the company lost money in nine of the last 15 years.

The company’s woes amplified calls for protection of domestic markets. Donald Trump embraced that cause and imposed 25% tariffs on steel imports, [insisting](#) that “trade wars are good and easy to win.” Biden replaced those taxes with quotas (for European producers at least) and used those barriers to incentivize foreign companies to invest in US production. The Inflation Reduction Act helped domestic producers to up their game.

The planned purchase of the company by Nippon Steel, the world’s fourth-largest maker, should be applauded. The [deal](#) was valued at \$14.1 billion, a little less than twice the offer of Cleveland Cliffs, a domestic competitor, and a 40% premium on the closing price of US Steel shares on the day it was announced. The purchase will make Nippon the world’s second-largest steel company, trailing only China Baowu Group.

Instead, that announcement was protested by both sides of the political aisle. Republicans denounced the purchase, with Republican Sen. JD Vance of Ohio [warning](#) that it would undermine US national security since foreigners would be “less responsive to US national security needs.” A [letter](#) from Vance and fellow GOP senators Marco Rubio and Josh Hawley to Treasury Secretary Janet Yellen calls Nippon Steel “a company whose allegiances clearly lie with a foreign state.” After meeting with Teamsters officials, former President Donald Trump, the likely GOP nominee for the 2024 election, [called](#) the deal “terrible” and said he would “block it instantaneously. Absolutely.”

Democrats have been no less apoplectic. Sen. John Fetterman of Pennsylvania, where US Steel is headquartered, [thundered](#) that “The acquisition of US Steel by a foreign company is wrong for workers and wrong for Pennsylvania. I’m gonna do everything I can to block it.” Bob Casey, Pennsylvania’s other senator, and Ohio’s Sherrod Brown, both Democrats, agree.

Steelworkers too complained, saying that they had not been consulted before the deal was struck and challenging Nippon Steel's commitment to the collective bargaining agreement their union signed with US Steel. Nippon Steel said it will honor all existing union contracts.

With 1 million union members in key swing states, political calculations weigh heavily on any administration decision. The Biden administration has acknowledged the firestorm. Lael Brainard, the president's national economic adviser, [said](#) the deal deserved "serious scrutiny." The administration will finesse complaints by referring the purchase to the Committee on Foreign Investment in the United States (CFIUS), which Yellen chairs (hence the letter from the GOP senators), for an interagency review that will assess their concerns.

The deal should go through. The Department of Defense has downplayed national security concerns since the military needs just [3%](#) of domestic steel production. US Steel doesn't sell anything to the Pentagon and [pointed out](#) that its "manufacturing technologies and processes are not designed specifically for the production of steel with military applications, nor does US Steel have any products, capability, or know-how that is specific to any US government applications, including US military applications."

To call Nippon Steel a foreign company is misleading. It's already operating in the US, with stakes in eight companies with 4,000 employees. The purchase is intended to increase production to serve US consumers (and offset declining demand in Japan) and improve efficiency in US operations, both of which should be welcome by politicians and the public.

The idea that Japanese purchases of US companies are a threat is a relic of that brief, misguided moment in the 1990s when such investments were seen as symbols of American decline and proof of Japan's claim to be the world's leading economy. US Steel's moment may have passed, but Nippon Steel's purchase is a sign of American resurgence and strength, not weakness.

Today, Japan is the United States' closest ally in the Indo-Pacific. It has worked ever more closely with the US to promote security not only in this region but around the world; their bilateral efforts in economic security in particular are pacing projects with other countries. If the US truly wants to work with like-minded nations to build resilience, ensure stable and secure supply chains, and forge a coalition to backstop its preferred vision of international order, then this deal should go through.

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