



POLITICS OVER STRATEGY? ANOTHER OWN GOAL BY THE US

BY BRAD GLOSSERMAN

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Eight years ago, then President Barack Obama made a decision that has undermined US standing and influence in the Indo-Pacific to this day. Obama let political calculations trump strategic concerns as he contemplated—and eventually decided against—ratification of the Trans-Pacific Partnership (TPP, now called the Comprehensive and Progressive Agreement on Trans-Pacific Partnership or CPTPP). Joe Biden is making the same mistake as he weighs approval of Nippon Steel’s purchase of US Steel.

Ostensibly concerned about national security, while in fact [weighing the impact on political support](#) in battleground states in an election year, Biden has announced his opposition to the sale. It’s a short-sighted decision that threatens long-term US national interests, antagonizes a key ally, undercuts a cornerstone of international economic policy, and greenlights protectionism by trading partners.

Nippon Steel announced last December that it would purchase US Steel, an iconic company

that was struggling to survive, for \$14.9 billion. Worried about pushback from steelworkers who feared layoffs and economic nationalists who oppose any sale of US companies, Nippon Steel promised to keep the company name and its headquarters in Pittsburgh, [pledged](#) that there would be no job cuts and that it would help the company “grow in the United States.”

The US first said that the deal would be reviewed by the Committee for Foreign Investment in the United States (CFIUS), without indicating how that review should conclude. Some considered the CFIUS review a way to get the deal through without dirtying the Biden administration’s fingers.

Biden then seemed to come out against the purchase by insisting that it was “vital” that the company remain in American hands. Donald Trump, who will face Biden in the November presidential ballot, has been more blunt, calling the sale “a horrible thing” that he would block “instantaneously.”

More recently, critics charge that Nippon Steel operations in China compromise its management and pose a “material national security risk.” Sen. JD Vance (R-Ohio) [told](#) the *Financial Times* that “We cannot allow one of the largest American steelmakers to be gobbled up by a foreign entity with ties to the Chinese Communist Party and its military-industrial apparatus.” Nippon Steel denies the allegations, saying it has limited operations in China and entities there have no access to information about operations outside China.

Rejection of the deal—even equivocation—is a mistake. Nippon Steel’s purchase will contribute to US Steel’s modernization and allow its continued operation. It will help US

Steel become more competitive, putting a crucial industry on a more sustainable footing.

Allowing the deal to go ahead will show that the US is genuinely committed to economic partnership with key allies and partners and the integration of their economies in ways that benefit all. It will facilitate cooperation, promoting efficiency and innovation. It will set an example for other countries as they struggle to balance the protection of domestic industries from predation and encouraging foreign investment. It will show that the US is not a hypocrite, demanding access to foreign markets without offering the same to competitors.

This is especially important for Japan, which has been restructuring its foreign and security policy outlook to [more closely align](#) with that of the US and be its “[global partner](#).” Japanese companies have invested billions of dollars in the US in recent years and they and their government are pursuing deep integration on cutting-edge technologies that are key to leadership in the 21st century.

These demonstrations and signals are increasingly necessary for US credibility and leadership in the Indo-Pacific. Since 2016, when Obama flinched and let politics override strategic concerns, decisions in Washington have contributed to an image of [unreliability](#) among regional economic partners. Blocking the Nippon Steel purchase would confirm that TPP was no anomaly, that neither Democrats or Republicans can be counted on to secure US leadership in economic—and hence strategic—affairs, and that the US is willing to cede this vital ground to China.

If the US is serious about competing with China, then Washington must address the needs of regional nations—as they see them. Economic opportunities are foremost on their list and they have [judged](#) the US to be failing on this vital metric. China is filling that gap.

Of course, no US president can ignore political considerations. Biden doesn't have to. He can support the deal for both political and strategic reasons. The second most significant reason to back the deal—after the strategic rationale—is the parlous state of US Steel.

The company has been losing money for years. Not only has it failed to innovate but, [explained](#) one industry analyst, US Steel “peaked out in 1916,” and “it's been downhill ever since,” driven by a corporate culture content to be [a follower](#) rather than an industry leader. That's why shareholders [voted](#) to approve the deal earlier this month; they know that it's the best way to revitalize this humbled icon.

Biden should argue that a sale to Nippon Steel will ensure US Steel's survival. New management can help modernize the company and install a new mentality in labor and in executive suites. Japan companies are more receptive to stakeholder interests, rather than just those of shareholders. They are eager to show that they are reliable partners and it is in their self (and national) interest to promote deeper integration between the two economies. That should help protect jobs that matter to unions and the politicians that represent them. Biden shouldn't pander to blue-collar voters, peddling untruths about jobs or equivocating until after the election. Both would confirm a belief that US politicians are cynical and untrustworthy and deceptions, omissions or half-truths are to be expected from them.

Rather, Biden should make a straightforward case to US voters—and US partners—that he understands the national interest, that this sale best protects it, and offers the best chance to preserve steel jobs. It won't undo the mistake of 2016 but it will avoid adding another decision to that list of failures.

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