

Opinion [Protectionism](#)

Protectionism is running amok in the US

President Biden risks undermining sound economic policy and support for a key ally if he blocks the Nippon Steel deal

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The Edgar Thomson Steel Works in Braddock, Pennsylvania. US Steel has agreed to be bought by Nippon Steel for \$14.1bn © Justin Merriman/Bloomberg

Michael Strain YESTERDAY

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Nippon Steel and US Steel reached a [deal](#) in December for the Japanese steelmaker to acquire its iconic US competitor. The acquisition is a non-hostile, \$14.1bn deal in which Nippon would pay \$55 per share — a 40 per cent premium to the US company's share price the trading day before the deal. Investors cheered, with shares in US Steel [rising](#) 26.1 per cent the day it was announced.

But the merger is opposed by the United Steelworkers labour union. And on Thursday last week, President Joe Biden [sided](#) with the union, declaring that it was “vital” for US Steel to remain “domestically owned and operated”.

An American president opposing investment by a staunch ally in a US manufacturing company is a sign that protectionism has run amok. What Biden should be focused on instead is the long-term prosperity of the American people.

Nippon's acquisition of US Steel would benefit the economy broadly and the working class specifically. The company intends to inject [much-needed](#) technology and capital into US Steel. This would raise the productivity of its workers, putting upward pressure on their wages and incomes, and potentially increasing employment opportunities and steel output.

There may be downstream benefits, as well. As productivity increased and US Steel prices fell, the incentive facing domestic manufacturers to import steel from abroad would reduce. This could allow domestic manufacturers to cut their costs and become more competitive. In the US, for every job in steel production, there are around 14 [jobs](#) in industries that use steel intensively.

The major obstacle to the deal going through is a national security review led by the Treasury department. Some elected officials have expressed security concerns. But that is ridiculous — Japan is a staunch ally of America. And under the terms of the deal, US Steel production will [remain](#) in the US.

The president stopped just short of pledging to block the deal, and his statement did not reference national security. But if he does block it on national security grounds, he would echo the abuses of his predecessor, Donald Trump, who [imposed](#) “Section 232” national security tariffs on US allies, including Canada and European nations.

Indeed, it should surprise no one that in January, Trump publicly [pledged](#) to block the deal “instantaneously” should he win the 2024 election. This is yet another example of [the Biden-Trump consensus](#) against sound economic policy.

There are four broader issues at stake. First, this episode casts doubt on the degree to which talk about “resilience” and the need for “friendshoring” is based on legitimate concerns about national security. Japan is America's friend, so Biden's opposition to the deal suggests that “resilience” rhetoric is often little more than a fig leaf for rank protectionism.

Second, this might have a chilling effect on the willingness of other foreign companies to invest in the US. But foreign investment is a sign of the strength of the American economy, and Biden should be doing all he can to welcome more of it. The more than [\\$5tn](#) in foreign direct investment in the US is increasing the productivity of American workers and building up the country's industrial base and services economy.

Third, Japan is an increasingly important Pacific ally as the US's relationship with China becomes more adversarial. Biden should be using economic policy to strengthen this partnership, not to weaken it by treating a Japanese company as a

security threat.

Finally, the president's unusual intervention in a single deal is itself a threat to economic liberty. In a free society, the government should not attempt to blow up voluntary transactions between private parties. America's long-term prosperity rests on the responsible use of government power, including the president's bully pulpit. Because this deal clearly does not threaten national security, blocking it on those grounds would also weaken the rule of law. Biden is further eroding foundational norms weakened by Trump.

US Steel is an American icon. JPMorgan financed its creation; Andrew Carnegie helped to found it. It was once the largest corporation in the world, and its plants lined the banks of Pennsylvania's Monongahela River. The closure of those plants was lamented in a [song](#) by Bruce Springsteen.

But even more iconic than US Steel are the commitments that Biden would be undermining if he blocked the deal — to sound economic policy that supports long-term prosperity, the value of foreign investment, and support for America's allies, the rule of law and economic freedom.

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