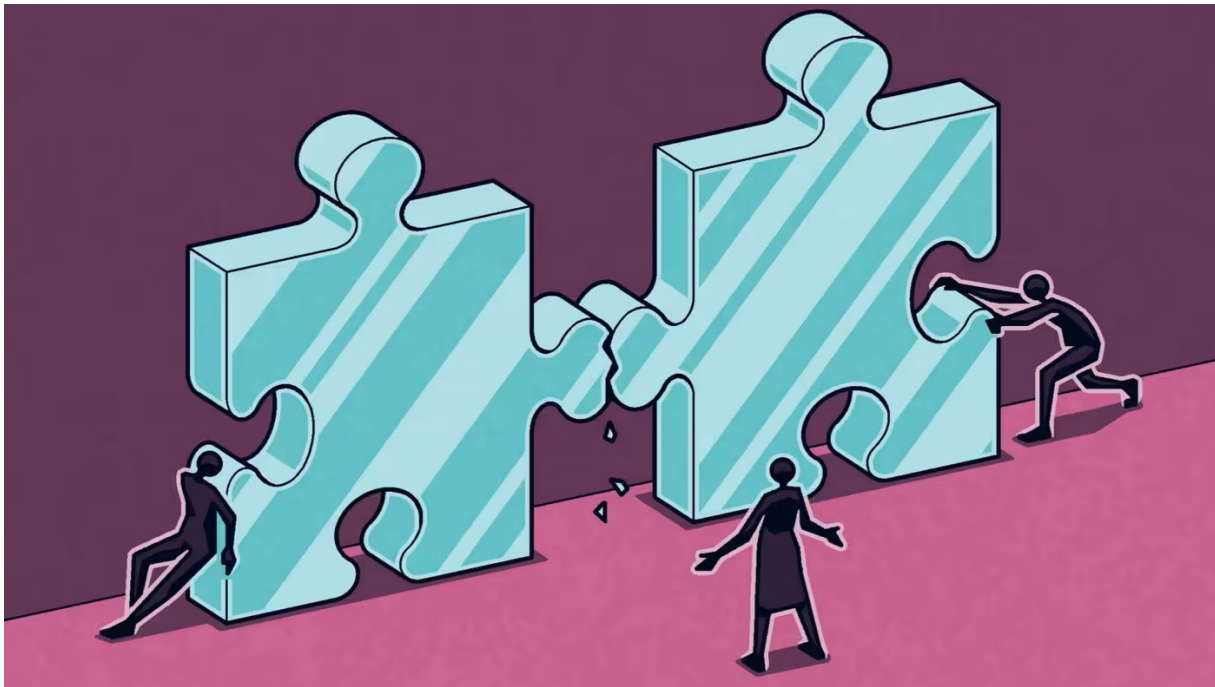


Opinion **United States Steel Corp**

There are no easy answers for US Steel

Nippon's proposed acquisition faces some legitimate pushback

RANA FOROZHAR



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Rana Foroohar 8 HOURS AGO

Friend-shoring, like the future of trade relations, is complicated. And nowhere is this more evident than in Nippon Steel's \$14.1bn acquisition bid for US Steel, which has been opposed on national security grounds by both President Biden and former president Trump, as well as vice-president Kamala Harris. The deal will be under scrutiny for another three months: last week the Committee on Foreign Investment in the US decided to extend the review period.

The extension will give Cfius more time to examine the potential ramifications of the deal. But it will also give Harris some breathing space to handle the politics of steel in Pennsylvania. There, despite steel union opposition to the deal, some workers are now worried that if it doesn't go through, they'll lose their jobs.

Indeed, it's an explicit threat being made by US Steel chief executive Dave Burritt, who is promising to close three Pittsburgh-area plants that employ more than 3,000 people if the deal is not approved. His interest is not merely corporate; he stands to receive a \$70mn change-in-control bonus if it does go through. Both US Steel and Nippon have started lobbying hard against United Steelworkers (USW) and White House opposition, with ads urging Pittsburgh to "keep steel jobs in the steel city".

That puts pressure on Harris, who needs to win Pennsylvania to reach the White House. But it also underscores an important point. While any opposition to the

house. But it also underscores an important point. While any opposition to the Nippon acquisition is being portrayed as a simple matter of protectionism versus free trade, it's actually about much more: financialisation and corporate hostage taking, the history of foreign M&A and trade dealings with the US, and the actual economics of national security.

As I [wrote](#) at the beginning of the year, allies like Japan are understandably confused when the US says it wants to hold them closer as it tries to decouple from China, and then opposes deals like Nippon's. But it's also true that the devil is in the details — and in this case, full of problematic ones.

Take Burritt's \$70mn potential payout, which prompted one union adviser to suggest putting a man dressed as "Rich Uncle Pennybags" from the Monopoly board game on Pittsburgh street corners in protest. It's just one example of the financialisation at US Steel (it has leveraged up in recent years) which is part of what led to the buyout in the first place.

Burritt has a major financial interest in the transaction going through, but so does Nippon. If the deal fails to get regulatory approval, Nippon would have to pay a reverse termination fee to US Steel of \$565mn. No wonder both companies have gone to the mat.

Nippon has committed to no lay-offs and no plant closings for at least two years as a result of the acquisition, and says it will put money into the operation in Pittsburgh's Mon Valley. Still, it's worth pointing out that its initial interest was only in buying US Steel's non-union Arkansas operations, including cheaper to operate mini-mills.

Then, there's the challenge of what would happen if investment and pension promises made today change in the future. There's a long history of such promises going pear-shaped in cross-border mergers, from Daimler's refusal to stay neutral in Mercedes union organising drives in the US to the current issues between the UAW and Stellantis, which is backing away from previous investment promises due to changing "market conditions."

Nippon has consented to jurisdiction in US courts if conflicts arise. But labour advocates worry that without legal reach to the parent company in Japan, that might not help enough. According to the USW, enforcing a judgment against a foreign corporation whose assets are not in the United States would be too challenging and complicated to ensure their ability to collect fully and promptly. Anyone who's dealt with a cross-border dispute knows that's very likely true.

Protection of financial interests in investment of capital from Burritt's... about protection...

Protection of union jobs is a big part of this story. But it's also about protecting integrated steel production in the US.

Integrated steel of the sort made in the Mon Valley is used for high quality goods, including military grade equipment. US Steel has no current defence contracts, but the products made in their unionised facilities are the sort used for surge capacity in a time of war. That type of product can't yet be made in southern mini-mills.

Why should Americans care? Because supply chains can be weaponised and while Japan is an ally, it's also an economic competitor in strategic industries. Nippon helped build China's steel industry and is accused of steel dumping in the US. Some worry that the deal could bring more excess Japanese capacity into the US market in ways that might undermine integrated production.

Can a Japanese player that enjoys state support at home be counted on to raise US domestic steel production in the most strategic areas over the long term? Would Nippon's US subsidiary be willing to bring trade cases that put it in conflict with its parent? Maybe. Maybe not. Either way, enforcing it legally would be all but impossible.

In short, a deal that's being portrayed as a simple matter of politics versus economics is a proxy for many difficult questions. So far, there are no easy answers.

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