**Thursday, Sept. 12, 2024 / Stop the steel**

**[HALF SECOND OF SILENCE]**

**[BILLBOARD]**

NOEL KING (host, Today, Explained): American-made steel. America is very proud of it.

*MATT Y: It’s heavy. It’s strong. Steel. Steel.*

NOEL: But giant, iconic U.S. Steel ran into some financial problems and 13 months ago it put itself up for sale.

*NOAM: Steel.*

NOEL: It got a multi-billion dollar bid - from a Japanese company. The steel would still be made in America, mined in America, melted in America … it would still called U.S. Steel.

*MATT Y: Oh, I’m trying to conform -*

*NOAM: I’m trying to conform! Heavy, aluminum, strong … STEEL*

NOEL: Shareholders were thrilled.! The Steelworkers Union was not. And then … the PRESIDENT started meddling and put the kibosh on the steel deal. Coming up on Today, Explained.

MATT Y: Steel

**[THEME]**

**David Lynch** (Global economic correspondent, The Washington Post)**:** I'm David J. Lynch, and I'm the global economic correspondent here at The Washington Post.

**Noel King** (host, Today, Explained)**:** Tell me for you, where does this begin?

**David Lynch:** Well, it begins last year, a little bit before Christmas, when Nippon Steel announced it was planning to spend $14.9 billion to acquire U.S. Steel, a venerable American company and the third largest steelmaker in the United States.

SCORING IN – FTW\_FTW\_0057\_04401\_Science\_And\_Sorcery\_\_Underscore\_\_APM

SCORING IN – Dark Descends (minimal, menacing, foreboding, dark, synth, synth kicks, metal, muted, drone)

*<CLIP> GOOD MORNING AMERICA: Us Steel has long been an American institution once the largest corporation on the planet and in business for over 100 and 20 years. But now it's being gobbled up by an overseas competitor, Japan's Nippon Steel for over $14 billion in a deal Drawing mixed reaction*

The deal prompted a great deal of attention immediately,

*<CLIP> WQAD NEWS 8: Union leaders are blasting the takeover deal claiming it violates their agreement with the company*

*<CLIP> NEWS ANCHOR: Pennsylvania Senator Jon Fetterman is unhappy*

*<CLIP> FETTERMAN: I just have to say it’s absolutely outrageous that they have sold themselves to a foreign nation and a company*

*<CLIP> BLOOMBERG NEWS: The white house closely watching the deal from Japan's Nippon steel to acquire us steel saying that it deserves quote serious scrutiny. Now, in a statement, National Economic Adviser Lael Brainard saying that quote, this administration will be ready to look carefully at the findings of any such investigation and to act if appropriate.*

And that was the first sign that what many had thought would be a fairly routine corporate transaction was going to be something other than that.

SCORING OUT

U.S. Steel had put itself up for bid a few months earlier. Despite the iconic name and its fabled history, it's a company that is in many ways a bit of a shadow of its former self. And it had lost money in nine of the last 15 years and it needed a partner with deep pockets that could help it bulk up and modernize and invest for the future and be positioned to compete with some of the Chinese behemoths of the steel with the global steel industry that have been such a problem.

**Noel King:** So Japanese owned Nippon Steel says we will we will give you $14.9 billion. That was the bid. What would what would that company get out of this?

**David Lynch:** Well, Nippon Steel was interested in the U.S. market for a couple of reasons, most notably, perhaps because of President Biden's economic policies, his his industrial policies, which have been designed to encourage or promote domestic manufacturing and domestic production. So these are things like the Chips and Sciences Act, which promotes semiconductor computer chip manufacturing here.

*<CLIP> BIDEN: Investment in the Chips and Science Act will create one million, more than one million construction jobs alone over the next 6 years building semiconductor factories in America.*

The Inflation Reduction Act, which is really about developing sources of renewable energy to fight climate change.

*<CLIP> BIDEN: The CEO of U.S. Steel called the Inflation Reduction Act “Manufacturing…” — he called it the “Manufacturing Renaissance Act” because it’s bringing jobs back to America, manufacturing here in America.*

And of course, the bipartisan infrastructure legislation,

*<CLIP> BIDEN: this law makes this the most significant investment in roads and bridges in the past 70 years it makes the most significant investment in passenger rail in the past 50 years and in public transit ever*

Many of those undertakings require steel. And so Nippon Steel assessed the market and said, basically, we want to we want to be part of that.

MUX STINGER: “STEEL”

**Noel King:** Was Nippon the only bidder?

**David Lynch:** There was an earlier bid from an American company, a bit larger than U.S. Steel called Cleveland-cliffs,

But there were antitrust concerns because of the type of steel that Cleveland-cliffs specializes in. Automakers in particular were worried that if Cleveland-cliffs were to acquire U.S. Steel, there'd be less competition and that would make it more expensive for them to operate.

**Noel King:** Alright, so a $14.9 billion bid comes in. Sounds like it all checks out. The Biden administration, though, says it's concerned about the deal. What is the concern? What did they articulate?

**David Lynch:** Well, they didn't articulate much at first, but they didn't need to. And anyone who had a calendar knew what the concern was. The concern was political. We were on the cusp of the 2024 presidential election cycle. Joe Biden had won Pennsylvania in 2020 by about 80,000 votes. It was going to be a close contest in Pennsylvania and the other states in the industrial Midwest. The United Steelworkers were an important constituency. And so the president was the president who, by the way, bills himself as the most pro-union president in history, was determined to be on the right side of the steelworkers. And the steelworkers were opposed to the deal.

*<CLIP> NEWS ANCHOR: President Biden speaking out against the sale of U.S. Steel to Japan’s Nippon Steel saying the U.S. needs to quote maintain strong American steel companies*

*<CLIP> NEWS ANCHOR: President Biden’s announcement has helped earn him the endorsement of the United Steel Workers Union they represent 850,000 workers across the nation*

**Noel King:** when Biden telegraphs that he's going to be on the side of the steelworkers, what is the how does he frame that? What is the quote unquote like excuse, or reasoning that he gives when he says, no, no, no, this isn't going to work?

**David Lynch:** Well, it sort of dribbled out, I think, over time,

SCORING IN – Richard Goes Skating

again, at the first sign that there might be problems or trouble ahead for the deal came within days of its announcement when Lael Brainard said it, quote unquote, deserves serious scrutiny.

<<CLIP> Lael Brainard: It is important to review or to make sure that there is serious scrutiny of these kinds of transactions from the perspective of national security and supply chain resilience

And it wasn't clear initially exactly what that meant. No president just has carte blanche authority to to veto private sector transactions that he doesn't like for political reasons. And so in a transaction of this type, all roads lead to something called CFIUS.

*<CLIP> Bloomberg: Nippon’s proposed acquisition of U.S. Steel under review by the committee on foreign investment in the U.S. President Biden now is preparing to block the takeover formally as we await findings from that CFIUS report*

**David Lynch:** CFIUS is an acronym for the Committee on Foreign Investment in the United States, and it's an interagency panel chaired by the Treasury secretary. And its job is to scrutinize transactions involving a foreign buyer.

If a company or an investor wants to acquire something in the U.S., and there's any hint of a national security consideration, CFIUS will review it and then give it a thumbs up or a thumbs down.

SCORING OUT

**Noel King:** And has CFIUS weighed in at this point?

**David Lynch:** They have at this point not yet made their final recommendation, which goes to the president. What they have done is they have sent letters to both of the parties, Nippon Steel and U.S. Steel, delineating what the committee describes as national security concerns, which they further say cannot be mitigated by the buyer, Nippon Steel. And that's that's a key point because it's not it's not enough for a transaction to raise national security concerns and then allow the rest of the deal to proceed.

**Noel King:** Not to sound not sound naive about this, but Japan is an American ally. We don't we don't have a confrontational relationship with Japan. How does Nippon Steel, being owned by the Japanese, make it a national security risk?

**David Lynch:** Well, that's what Nippon Steel would like to know.

**Noel King:** Ha!

**David Lynch:** You're you're exactly right. And that's not at all a naive question. That is, in fact, the heart of the matter, because while the CFIUS letters that we referred to a moment ago that have gone out to these companies have identified what the committee describes as national security concerns, they're quite general, and at least in the eyes of the people who have seen the letters, not terribly convincing.

And you're quite right, Japan is one of our closest allies and has been so for decades. We have 55,000 American troops stationed in Japan, and they're there in part because we have a mutual defense treaty with Japan, which commits the United States to come to the military assistance of Japan if it is attacked by a foreign power. So this is a country that we are treaty-bound to defend in war, where we have American soldiers based, and which we cooperate with across the board in a number of otherwise sensitive initiatives, including most notably in the emerging confrontation with China.

**Noel King:** So the question that sort of demands to be asked is, is this really about national security or is this politicking meant to appeal to union workers in a battleground state, Pennsylvania?

**David Lynch:** I think to ask the question is to answer it, at least it certainly does appear for now to be something that is largely motivated by politics.

**Noel King:** When the steelworkers union came out against this, what did they argue exactly?

**David Lynch:** Well, it's it's been a a number of of elements to the union concern. And it started initially almost on a very human level that the head of the union, Dave McCall, the head of the United Steelworkers, was irritated because, you know, he first found out about the deal when it already had been negotiated.

And that left a bad taste in the union's mouth. So Nippon Steel got off to a bad start from that standpoint. But the general concern is and the union has complained about this with regard to numbered steel from the beginning of the deal is that Nippon Steel, like many foreign producers, has been hit by Commerce Department actions in response to what the United States identifies as unfair trade.

*<CLIP> DAVE MCCALL: Y’KNOW WE RECOGNIZE AS EVERYBODY DOES, JAPAN'S A ND ALLY. THAT DOESN'T NECESSARILY MAKE THEM AN ECONOMIC ALLY. FOR YEARS WE'VE HAD ISSUES OVER TRADE CASES WHERE THEY'VE DUMPED PRODUCT INTO THE U.S., EITHER SELLING IT BELOW MARKET PRICES OR IT BEING SUBSIDIZED.*

A foreign producer that is selling its products into the United States at what we regard as an inappropriately low price. By doing so, they're making it hard or impossible for American competitors to do business.

We in the form of the Commerce Department, will apply a tariff or duty to bring up the price to make it a level playing field. And Nippon Steel has been among the foreign producers over the years that have been tagged by the Commerce Department for engaging in this behavior and have been hit by those kind of duties

**Noel King:** What happens, David, to U.S. Steel if this deal with Nippon falls apart, if it doesn't happen?

**David Lynch:** Well, Dave Burritt, the CEO of U.S. Steel, just last week said publicly and quite directly, if this deal doesn't go through, you know, we don't have we don't have the money that Nippon Steel is promising to invest. And so Burritt has said there are thousands of good paying union jobs at risk if this deal collapses. And he has also put on the table the possibility that U.S. Steel might even leave its Pittsburgh headquarters

SCORING IN – NOAM’S STEEL SONG

Those are the stakes that that people are starting to talk about.

STEEL SONG

**[BREAK]**

**[BUMPER]**

RADIO SFX AND MUSIC

<CLIP> ARCHIVAL: You can choose from 20 models<CLIP> ARCHIVAL: come stay in this spectacular hotel. It’s one of two that United States Steel helped plan and build here.

PETER: This is Today, Explained.  
RADIO SFX AND MUSIC OUT

NOEL: We’re Back with David Lynch who covers the global economy for the Washington Post. David, U.S. Steel used to be an iconic American company but it’s not as big a deal as it once was - which is why it put itself up for sale. And yet the Biden administration is saying: no, we’re not going to allow that sale. What does that tell us about the Biden administration’s approach to economic partnerships like this - that are pretty common in a globalized world?

**David Lynch:** Well, I think what it tells you is there are some fundamental inconsistencies that. marbled through the Biden approach to the world.

SCORING IN – Ladybug (mellow, raymond scott, minimal synth, playing with melody attack rate, breakbeat)

On the one hand, nobody has been more outspoken about the virtues and necessities of having allies. Joe Biden is quite eloquent on that subject. And Japan is, you know, among our closest allies.

His, ~~his~~ Joe Biden's economic policies have been explicitly designed to crowd in private sector investment, to spend a little bit of public sector money or structure incentives with the tax code and other government subsidies to attract private companies, both American companies and foreign companies. This is an explicit part of the president's approach that he had celebrated both shortly after coming to the White House and again a few months before the Nippon Steel deal was announced.

*<CLIP> BIDEN: all across America, instead of exporting jobs, companies both foreign and domestic are creating jobs here in America and exporting American-made products. (Applause.)*

So this is something that the White House has wanted to see happen. And so along comes Nippon Steel, headquartered in a allied country with success and deep pockets. And why do they come? They come because they think Joe Biden's economic plan is working. They think domestic production is where it's at. This reshoring trend to some degree. They see happening and they want to capitalize on it and both capitalize on it and do so in a way that will provide jobs for Americans and provide investment for American communities. So look that through that lens. You can imagine under different circumstances, perhaps if it wasn't a presidential election year and if U.S. Steel was headquartered in Connecticut or New Hampshire or Florida or Texas or some state that was not a battleground state, perhaps this deal would be getting a quite different reception.

SCORING OUT

**Noel King:** We interviewed Joe Biden's U.S. trade representative, Katherine Tai, on the show a few m*onths ago*

*<SFX> Cassette player*

*<CLIP> Katherine Tai: A tariff is like a two by four, which you can get at the hardware store, right? Either you can swing it around and threaten people with it and bash things with this two by four, or you can use your two by fours in a strategic way in a thoughtful architectural way. And you can use a bunch of two by fours to build something really beautiful, to build something really useful, like a bridge or a fence or a house.*

And one thing that became clear in that interview is that Joe Biden's approach to international competition is closer to Donald Trump's than I think a lot of people realize.

Joe Biden has put tariffs on Chinese imports to the United States. Everyone thought they were Trump tariffs and then Biden would lift them. He only, in fact, lifted some of them. I'm wondering, do you see an extension here of a kind of protectionism that started sometime in the last ten years or so that Joe Biden has been interested in continuing?

**David Lynch:** Noel, there's there's no question that the United States has taken a turn towards economic nationalism that began under Donald Trump and has continued moderated perhaps by Joe Biden. I think the Biden folks would distinguish what they've done from what Trump did in the past and from what Trump has promised to do in the future by saying that their approach is more targeted, more strategic, and also accompanied by these domestic investments that we've spoken of, which was not really part of the Trump program. But if you if you compare President Biden's approach to international economics, to trade and globalization to his Democratic predecessors, President Obama, who he served as vice president, or President Clinton, who I think of often as sort of the godfather of the globalization age, the Biden approach is quite different and much closer to sort of the traditional Democratic labor union skepticism of trade and much less devoted to the concept of trade liberalization.

**Noel King:** You cover the global economy. If this deal tanks, I wonder what the ripple effects might be. I wonder if other countries stop bidding the way Nippon Steel bid because they think, America's doing protectionism now. How significant could this be broadly?

**David Lynch:** Well, I think like like a lot of other questions, the answer depends in part on what happens on November 5th. In other words, ~~the trends,~~ this trend toward economic nationalism, I think is going to continue under either Vice President Harris or former President Trump. But it will perhaps be turbocharged under the former president.

I don't think this deal will be enough to discourage foreign investors across the board. I do think it's going to raise in people's minds the concept of geopolitical risk. And it's going to make and probably should make foreign investors to take a second and third look at a deal before they proceed.

SCORING IN – USERS LOSE DRUGS

**Noel King:** Of course, a Biden presidency only has a few more months. It will either be Kamala Harris or Donald Trump as president. Have either of them weighed in on Nippon Steel in particular?

**David Lynch:** They both have. It's the rare issue on which there's agreement across the board.

*<CLIP> TRUMP: Upon taking office I will invoke the Defense Production Act whenever it’s necessary to quick, very quickly ramp up capacity of essential products and I will stop Japan from buying United States Steel*

*<CLIP> HARRIS: U.S. Steel is an historic American company and it is vital for our nation to maintain strong American steel companies. And I couldn't agree more with President Biden. US Steel should remain American owned and American operated.*

*<CLIP> BIDEN: American owned American operated by American Union steel workers the best in the world and that's going to happen. I promise you.*

NOEL: Today’s episode was produced by Peter Balonon-Rosen and edited by Matthew Collette. It was engineered by Andrea Kristinsdottir and Rob Byers. It was fact-checked by LAURA! I’m Noel King. It’s Today, Explained.

**[10 SECONDS OF SILENCE]**