

The New York Times

2 0 2 4[Updates](#)[Poll Tracker](#)[Democratic Convention Takeaways](#)[Trump Veers Off Script](#)[Harris's](#)

Why Nippon Steel's \$15 Billion Takeover of U.S. Steel Is in Peril

The proposed merger of Japanese and American industrial giants, which proponents say would benefit both countries, is ensnared by political and labor opposition.

[Listen to this article · 8:17 min](#) [Learn more](#)[Share full article](#)



U.S. Steel's Clairton Coke Works in Clairton, Pa., last year. Justin Merriman/Bloomberg



By **River Akira Davis**

Reporting from Tokyo

Aug. 26, 2024, 12:01 a.m. ET

When U.S. Steel put itself up for sale in 2023, executives at Nippon Steel in Tokyo saw an opportunity: Buying the American steel maker could help it offset anemic demand in its home country and strengthen its hand in a global business dominated by China.

On Dec. 18, the companies announced that Nippon Steel had agreed to acquire U.S. Steel for \$14.9 billion, a 40 percent premium to U.S. Steel's share price at the time. Analysts praised Nippon Steel as a potential savior of U.S. Steel, a onetime backbone of the American economy that had fallen behind rivals.



U.S. politicians from both parties have condemned the prospect that a storied 123-year-old American industrial company would be acquired by a foreign corporation. The timing was also particularly bad for Nippon Steel: The United Steelworkers union, the group that most forcefully opposed the deal, is based in Pennsylvania, a state that could determine the winner of the presidential election in November.

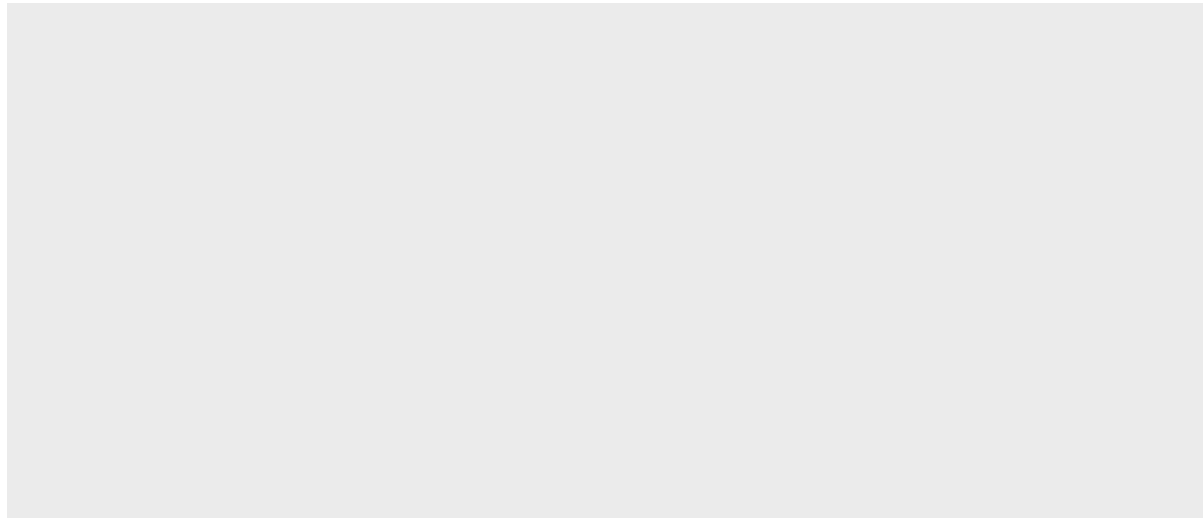
Much of the furor surrounding the deal can be traced back to Nippon Steel's decision not to consult union leaders while it negotiated with U.S. Steel, according to interviews with some of the key players, including two U.S. and Japanese officials who informally advised Nippon Steel. Both spoke on the condition of anonymity because they were not authorized to speak publicly.

Nippon Steel also initially underestimated the challenges that United Steelworkers opposition would pose to closing the deal, especially in an election year, the two officials said.

Now, eight months later, Nippon Steel is locked in a standoff with a union that represents some of the most politically powerful voters in the United States. The deal's fate will most likely fall to the next president, and could have implications for not only the structure of the global steel industry but also U.S.-Japanese economic relations.

Nippon Steel has hired lobbyists to amplify its arguments that the merger would be good for both companies and their employees, as well as for the United States and Japan. The United Steelworkers has taken action under its labor contract to contest the acquisition in what experts say is an effort to win concessions for workers.

and acquisitions at the law firm A&O Shearman, which is not involved in the negotiations. The presidential election, he said, “is going to be won or lost in several key states that just so happen to be at the very center of this deal.”



From left, Takahiro Mori, an executive vice president of Nippon Steel; David McCall, the international president of the United Steelworkers union; and David Burritt, the chief executive of U.S. Steel. Ritsuko Shimizu/Reuters, Al Drago for The New York Times and Erin Schaff/The New York Times

An Awkward Phone Call

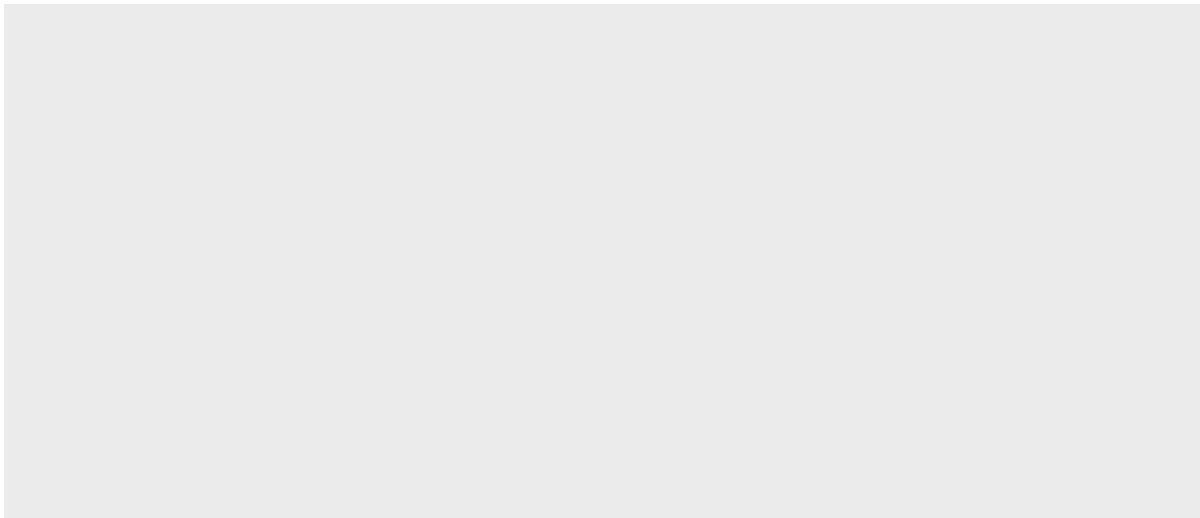
The day the merger was announced, said David McCall, the international president of the United Steelworkers, he received a phone call at 6 a.m. from the chief executive of U.S. Steel, David Burritt, who enthusiastically talked him through the details of the deal.

Mr. McCall was taken aback. Months earlier, another company that had bid for U.S. Steel, the American steel producer Cleveland-Cliffs, had talked through its plans with union leaders and asked for their

“I didn’t know anything about Nippon or its plans,” Mr. McCall said.
“I’m not going to say that it has never happened that I wasn’t told
in advance about a deal, but not in this manner, not in this
completely dismissive kind of way.”

The union immediately came out against the acquisition, which, it
said, violated an agreement it had with U.S. Steel that promised to
inform the union in advance of any change in control of the
company.

The union also said that a foreign corporation’s purchase of an
American steel company would pose threats to national security
and that it had identified holes in commitments that Nippon Steel
had offered it.



The production line at Nippon Steel’s Kimitsu Works steel mill in Kimitsu, Japan.
Soichiro Koriyama/Bloomberg

From there, as described by one of the government officials
advising on the deal, politicians in the United States began to voice
concerns. In January, the month after the merger was announced,
former President Donald J. Trump, then already a leading



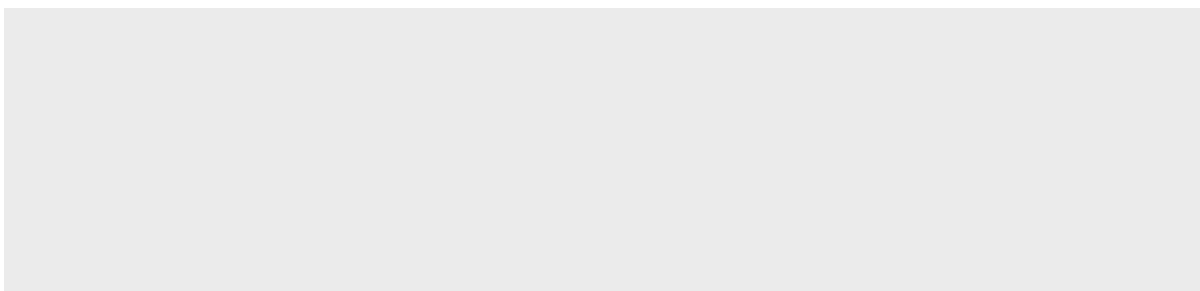
President Biden, who had portrayed himself as the “most pro-union president in history,” signaled his opposition to foreign ownership of U.S. Steel in mid-March. About a week later, the United Steelworkers endorsed Mr. Biden’s bid for re-election.

A powerful interagency panel, the [Committee on Foreign Investment in the United States](#), began reviewing the national security implications of Nippon Steel’s plans. From the start, one complication to the deal was the earlier buyout offer by Cleveland-Cliffs, which had been backed by the union but rejected by U.S. Steel.

Two people familiar with Nippon Steel management’s thinking, who were not authorized to speak publicly, said Nippon Steel had been told that, given the United Steelworkers’ close relationship with Cleveland-Cliffs, information about its bid could leak if the union had advance knowledge of Nippon Steel’s offer.

A leak could have jeopardized the deal, said Mr. Wall, from A&O Shearman. “That is an enormously difficult decision to make,” he added.

In a statement, a spokeswoman for Nippon Steel said the company had been unable to meet with the union before the deal was announced because of “constraints” related to the auction process, without elaborating further.



An overhead view of the Clairton site. Brendan Smialowski/Agence France-Presse — Getty Images

A \$15 Billion Game of Chicken

The intense and swift opposition that the deal engendered has left Nippon Steel on the back foot.

In March, the company said it would invest an additional \$1.4 billion in U.S. Steel's facilities. It has sent Takahiro Mori, its executive in charge of the deal, on several trips to the United States to build grass-roots support, and it has withdrawn from a longstanding joint venture in China that might have elicited suspicion from U.S. regulators.

Nippon Steel has ramped up public relations efforts and hired Mike Pompeo, a secretary of state under Mr. Trump, as an adviser.

Part of Nippon Steel's message is that its alliance with U.S. Steel would create one of the industry's largest producers — a force capable of taking on China, which makes more than half the world's steel.

If the United States wants to build a global economic model that outperforms China's, "we must embrace foreign direct investment from our partners and allies," Mr. Pompeo wrote this month in an opinion essay for [The Wall Street Journal](#).

Nippon Steel executives and advisers on the deal are betting that discussions will progress after the presidential election.

Last week, Mr. Trump reiterated that he would block Nippon Steel's acquisition if he became president. Vice President Kamala



On Aug. 15, the grievances that the United Steelworkers lodged against the deal were heard by a panel of arbitrators in Philadelphia. The arbitration board will either say the deal can go through as it stands or recommend that U.S. Steel and Nippon Steel make certain adjustments. The decision is due by the end of September.

The union has contested the commitments it was offered by Nippon Steel. It points to a vow by Nippon Steel not to lay off any employees or close any plants. But the union said the pledge would remain valid only through the end of the current labor contract and would be subject to exceptions for “extraordinary circumstances.”

The union has an interest in pushing hard for concessions at a place of maximum strength before the election, said Jonathan Grady, the founding principal of the consultancy firm Canary Group, who has analyzed the deal for investors.

On the other side, it is advantageous for Nippon Steel to try to play out the clock and gain the upper hand, he added.

“It’s a complicated game being played between Nippon Steel and the local steel union,” Mr. Grady said. “Almost a year in, the Nippon Steel merger deal has turned into something like a high-stakes, \$15 billion game of chicken.”

River Akira Davis covers Japan, including its economy and businesses, and is based in Tokyo. [More about River Akira Davis](#)

See more on: [2024 Elections: News, Polls and Analysis](#)



Share full article



[5 captures](#)

26 Aug 2024 - 26 Aug 2024

ADVERTISEMENT

The New York Times

[Go to Home Page »](#)

NEWS

ARTS

LIFESTYLE

OPINION

MORE

© 2024 The New York Times Company

[NYTCo](#) [Contact Us](#) [Accessibility](#) [Work with us](#) [Advertise](#) [T Brand Studio](#) [Your Ad Choices](#) [Privacy Policy](#) [Terms of Service](#)
[Terms of Sale](#) [Site Map](#) [Help](#) [Subscriptions](#)

[Manage Privacy Preferences](#)