

Biden rejected appeals of several top advisers in blocking U.S. Steel bid

Senior administration officials had reservations about calling Nippon Steel's takeover proposal a "national security risk."

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President Joe Biden's blocking of a Japanese company's bid to purchase U.S. Steel overrode the advice of numerous top aides, ending a long-running debate that had divided the president's inner circle, according to seven officials familiar with the matter.

The decision to nix Nippon Steel's \$14.9 billion takeover bid helps cement Biden's image as a staunch defender of U.S. unions but leaves the fate of thousands of workers unclear and tees up a potentially protracted legal battle over whether politics influenced a security review that is supposed to be left to experts.

Biden had long said he opposed the purchase of U.S. Steel, arguing the iconic company needed to stay in domestic hands, a position that many observers saw as political pragmatism to shore up the union vote in an election year. But with the election over and President-elect Donald Trump set to take office, some aides thought there might be a slim chance to persuade Biden to relent in his last days in office, according to the officials, who spoke on the condition of anonymity to describe internal deliberations.

At a White House meeting convened by Biden's chief of staff Jeff Zients on Thursday evening, some of these aides, such as national security adviser Jake Sullivan, noted that one option was a conditional block of the acquisition. That would have allowed Nippon Steel to advance more proposals to minimize potential national security risks, effectively pushing the matter to the next administration, according to three officials.

Over the last several months, more than a half-dozen senior administration officials — including Sullivan deputy Jonathan Finer, Secretary of State Antony Blinken, his deputy Kurt Campbell, U.S. Ambassador to Japan Rahm Emanuel, Treasury Secretary Janet L. Yellen, Chair of the White House Council of Economic Advisers Jared Bernstein and top Commerce officials — argued against or expressed reservations about the position Biden ultimately took, said officials familiar with the deliberations.

Several aides stressed that Japan is the United States' most crucial ally in East Asia and one of its most dependable, as the two nations have significantly strengthened a military alliance in the last few years. Sinking the deal could strain that relationship, they said. Japan, they noted, also tops the list of foreign country investment in the United States.

Some of Biden's advisers maintained that Nippon Steel's proposal, far from representing a national security risk, represented the best possible deal for the workers and would stabilize U.S. Steel, whose global ranking has tumbled over the last several decades. The Japanese company pledged \$2.7 billion to modernize the Pennsylvania-based firm's decades-old plants and promised to comply with the existing United Steelworkers contract. Thousands of rank-and-file workers supported the Nippon bid.

Yellen also voiced concern that a flat rejection of the bid without any clear evidence of national security risk could harm the apolitical reputation of the Treasury-led body that the president ultimately used to quash the bid, according to two officials. And the Justice Department warned that opposing the deal could invite litigation, officials said.

Japanese officials pressed their case privately with Blinken and Sullivan that stopping the deal could not be justified on national security grounds, four officials said.

Japanese Prime Minister Shigeru Ishiba, breaking with what had been to that point Tokyo's stance of not having the prime minister weigh in on what was deemed a business matter, sent a letter to Biden in November asking him to approve the deal. The letter, first reported by Reuters, was never made public, according to two people familiar with the matter.

But for some members of the president's domestic economic team and for his political advisers in particular, blocking the deal gave the White House a rare opportunity to protect U.S. jobs, deliver a clear victory to the nation's labor unions and burnish Biden's legacy. Skeptics of the deal, which was strongly opposed by United Steelworkers President David McCall, thought Nippon had an uneven track record of protecting workers. They also felt that Nippon Steel had a year to advance a meaningful mitigation plan but repeatedly failed to do so, according to one U.S. official familiar with their views.

U.S. Trade Representative Katherine Tai sided with McCall — as did, crucially, three of Biden's most loyal and longest serving advisers: counselor Steven Richetti, deputy chief of staff Bruce Reed and senior adviser Michael Donilon. The three aides, who were also at Thursday's meeting, had reinforced Biden's pro-labor inclinations over months, said people familiar the matter. Energy Secretary Jennifer Granholm was also described by numerous aides as inclined to block the acquisition.

Those who opposed the deal as a national security risk — especially in Tai's office — saw it in the context of a global steel market awash in excess capacity, according to one administration official who spoke on the condition of anonymity to reflect internal deliberations.

These officials worried that after the acquisition, Nippon Steel could face pressure from the Japanese government to reduce steelmaking capacity and jobs in the United States while preserving them at home. If that were to happen, the resulting decline in steel output could leave the United States short of steel needed “to meet the full spectrum of national security

requirements” for transportation, infrastructure, construction, agriculture and energy, said the Treasury-led review panel in a Dec. 14 letter to the companies.

Biden’s instincts all along were to side with the union, two U.S. officials said. “My hunch is this is just where his heart was,” said one. Even after the election, part of the president’s calculus appeared to involve legacy, said the other. “The argument came down to politics and legacy.”

The unusual degree of dissent from his top advisers, emerging at a low point for Democrats days ahead of Trump’s inauguration, reflected frustration with Biden’s decision on a matter that had been debated within the administration for months. The concerns of Sullivan and Blinken were first reported Friday by the Wall Street Journal.

Earlier last week, Nippon Steel offered a deal sweetener that effectively gave the U.S. government veto power over any reduction in U.S. Steel’s “production capacity” — a major concession aimed at assuaging doubts about the Japanese company’s intentions.

But that offer did not guarantee Nippon would maintain employment levels or output, said one official who supported the block. Lori Wallach, director of Rethink Trade at the American Economic Liberties Project, a left-leaning group, said Nippon was not likely to ensure “sufficient volume of critical steel products necessary for defense and domestic infrastructure,” citing the company’s history.

On Friday, Biden issued a statement announcing he was quashing the deal “to ensure that, now and long into the future, America has a strong domestically owned and operated steel industry that can continue to power our national sources of strength at home and abroad.”

Biden’s decision is “unfortunate and incomprehensible,” said Yoji Muto, Japan’s economy, trade and industry minister.

Nippon Steel has threatened to sue the U.S. government and is likely to seek internal documents created during the deliberations that pertain to an assessment of national security risk. On Friday, the leadership of Nippon Steel and U.S. Steel issued a joint statement charging that Biden’s move to block the purchase was a political act made in “clear violation of due process and the law.”

The government’s review of the deal “was deeply corrupted by politics and the outcome was predetermined, without an investigation on the merits, but to satisfy the political objectives of the Biden White House,” they said.

That statement is a reference to the Treasury-led body that provided the ostensible grounds for Biden to reject the takeover. The Committee on Foreign Investment in the United States (CFIUS) is a multiagency committee that scrutinizes foreign bids to acquire critical U.S. companies for risk to national security.