

# United States Senate

WASHINGTON, DC 20510

December 19, 2023

The Hon. Janet Yellen  
Secretary  
U.S. Treasury Department  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

Dear Secretary Yellen:

We write to you in your capacity as Chairperson of the Committee on Foreign Investment in the United States (CFIUS) to express my concern about the acquisition of the United States Steel Corporation (“U.S. Steel”) by Japan’s Nippon Steel Corporation (“NSC”). The transaction marks a turning point for an icon of American industry and has dire implications for the industrial base of the United States.

The transaction was not entered into with U.S. national security in mind. When U.S. Steel announced its “review of strategic alternatives” in August, it pledged to adopt a “measured approach.”<sup>1</sup> But the board’s fiduciary duty was to its shareholders, and U.S. Steel has admitted that the very reason for the sale was its desire to “maximiz[e] value for . . . stockholders.”<sup>2</sup> The transaction was not the product of careful deliberation over stakeholder interests, but rather the result of an auction to maximize shareholder returns.<sup>3</sup> The joint press release announcing the all-cash transaction led off with a declaration about the transaction’s “certain and immediate value to U.S. Steel shareholders.”<sup>4</sup>

Despite the absence of any security-focused deliberation on U.S. Steel’s part, domestic steel production is *vital* to U.S. national security. Democratic and Republican administrations have both acted decisively over the last forty years to bolster the industry. The endurance of President Trump’s Section 232 tariffs on steel imports demonstrates that the preservation of the domestic steel industry remains vital to our national security.<sup>5</sup> Trade protections can and should induce foreign investment that expands domestic production and creates American jobs. This corporate takeover is out of step with those goals. Allowing foreign companies to buy out American companies and enjoy our trade protections subverts the very purpose for which those protections were put in place.

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<sup>1</sup> U.S. Steel Corporation “U.S. Steel Announces Strategic Alternatives Process,” Press Release, August 13, 2023.

<sup>2</sup> *Id.*

<sup>3</sup> JD Vance, “America cannot afford to auction off its industrial base,” *The Washington Post* (September 5, 2023).

<sup>4</sup> Nippon Steel Corporation and U.S. Steel Corporation, “Nippon Steel Corporation (NSC) to Acquire U.S. Steel, Moving Forward Together as the ‘Best Steelmaker with World-Leading Capabilities,’” Press Release, December 18, 2023.

<sup>5</sup> “The Effect of Imports of Steel on the National Security,” U.S. Department of Commerce, January 11, 2018.

The problems with this transaction run even deeper than that, however. NSC does not share U.S. Steel's storied connection to the United States, and its financial interests are tied into those of Japan. Earlier this year, NSC received more than \$3 billion in subsidies from Japan's Ministry of Economy, Trade, and Industry.<sup>6</sup> And NSC has even flouted American trade law. As recently as August 2021, NSC was found guilty of unlawfully dumping flat-rolled steel products into the U.S. market.<sup>7</sup>

This acquisition is not occurring in a vacuum. The United States has run a trade deficit for nearly half a century. Our cumulative trade debt now stands at more than \$14 trillion. Over the last five years, we have run an average annual trade deficit of more than \$65 billion with Japan alone.<sup>8</sup> One of the promised benefits of such unbalanced trade is that we run a capital account surplus: we import the world's goods, and they consume our financial assets in return. In theory that may sound fine. But issues become apparent when those financial assets include critical pieces of the American industrial base.

The Committee cannot rebalance American trade or reshape its corporate governance, but it can mitigate some of the worst consequences of both. It can and should block the acquisition of U.S. Steel by NSC, a company whose allegiances clearly lie with a foreign state and whose record in the United States is deeply flawed. We urge the Committee to initiate a review of the transaction unilaterally, particularly in light of the fact that U.S. Steel received competitive bids from American companies who would not pose the same risks.

Thank you for your efforts to safeguard American national security.

Sincerely,



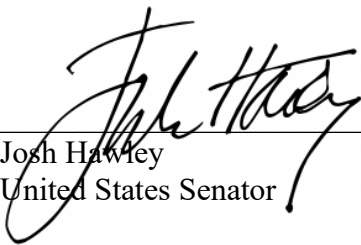
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JD Vance  
United States Senator



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Marco Rubio  
United States Senator



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Josh Hawley  
United States Senator

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<sup>6</sup> Riho Nagao, "Japan doubles subsidy for carbon-cutting steelmaking tech," NikkeiAsia (September 16, 2023).

<sup>7</sup> Memorandum from James Maeder to Ryan Majerus, U.S. Department of Commerce (August 20, 2021).

<sup>8</sup> "U.S. Trade with Japan," U.S. Department of Commerce, Office of Technology Evaluation (accessed December 28, 2023).