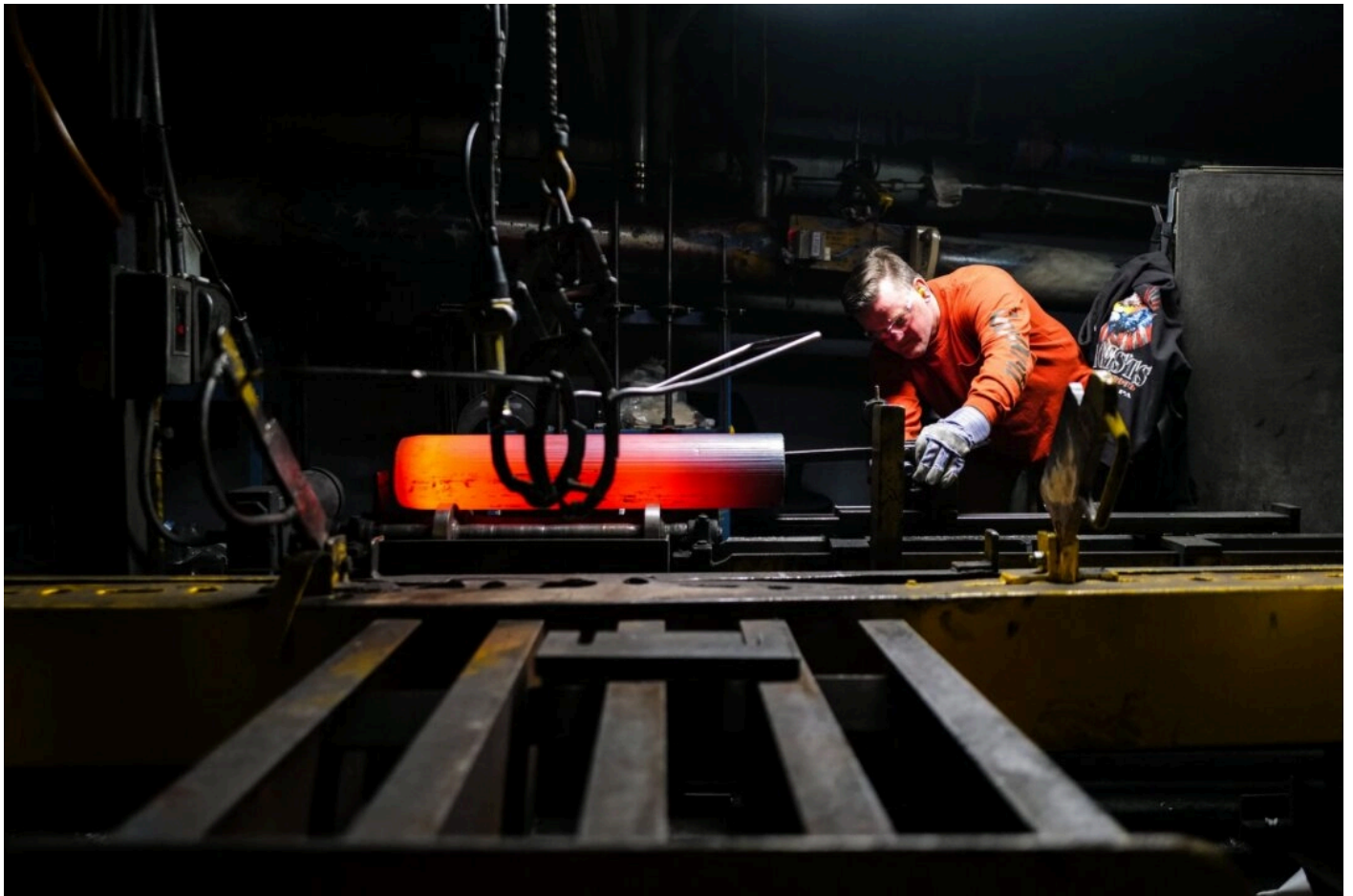


Steeling the US–Japan Alliance

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A worker inspects the form of the shaped steel billets following the "press" stage in the manufacturing process of 155 mm caliber shells at the Scranton Army Ammunition Plant (SCAAP) in Scranton, Pa., on April 16, 2024. Charly Triballeau/AFP via Getty Images



By Rick Fisher

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Commentary

As the United States seeks to counter the rise of China in the Indo-Pacific realm, bringing allies of strategic and economic importance closer through commercial ventures will be critical to long-term success.

Fortunately, a prime opportunity to advance this strategy has recently presented itself—if Washington can only get out of the way.

The proposed \$15 billion acquisition of U.S. Steel by Japan's Nippon Steel is a deal that would “steel,” or strengthen, America's most important bilateral economic and security partnership and simultaneously reinvigorate a domestic industry of strategic importance that has been struggling.

At its peak in 1945, the United States produced **72 percent of global steel**. But today, the United States imports about 30 percent of its steel, and China dominates, producing 54 percent of the world's crude steel.

U.S. Steel as a company, meanwhile, has followed a similar trajectory. While it used to produce about one-third of all steel in the United States, by 2022, it only made about **14.5 million tons** of domestic steel.

Significant investments will be required for the company and the American steel industry more broadly to counter China and remain competitive. However, there is now something of a standoff between the United States and Japan.

Donald Trump, President Joe Biden, and Kamala Harris all opposed the deal during the recent presidential campaign, hoping to appeal to the United Steelworkers union and the key swing state of Pennsylvania, where U.S. Steel employs about 3,700 workers near Pittsburgh.

This position risks causing friction with Japan, where there have been vocal calls from leaders in both the political and business communities for the deal to go through.

With the election now past, it was hoped that cooler heads would prevail. But all reports seem to indicate that the White House remains



opposed to the deal.

Further, on Dec. 2, President-elect Trump renewed his opposition, saying on the Truth Social platform: “Through a series of Tax Incentives and Tariffs, we will make U.S. Steel Strong and Great Again, and it will happen FAST!

“As President, I will block this deal from happening. Buyer Beware!!!”

A final binding decision on the sale could emerge before Christmas, as the Committee on Foreign Investments in the United States (CFIUS), an intergovernmental agency that evaluates selected foreign investments for national security risks, will issue a ruling on whether the purchase of U.S. Steel by Japan’s Nippon Steel constitutes a threat.

If CFIUS finds that the deal poses a national security threat, it would give Biden or Trump the power to stop it. But this would be a misguided action, as a thorough analysis reveals compelling economic and strategic benefits.

An August letter sent by CFIUS to U.S. Steel and Nippon Steel cites as a reason for rejecting the deal that it would “lead to a reduction in domestic steel production capacity.” The letter also cited Nippon Steel’s previous opposition to U.S. trade protections and the threat of China’s market dominance.

However, it is unclear whether CFIUS or the Biden administration have considered Nippon Steel’s generous pledges of investments. In response to Trump’s recent post, Nippon Steel issued a statement saying, “We will invest no less than \$2.7 billion into its unionized facilities, introduce our world-class technological innovation and secure union jobs so that American steelworkers at U.S. Steel can manufacture the most advanced steel products for American customers.”

The purchased U.S. Steel would also have a majority of U.S. citizens on its board of directors, with three approved by CFIUS, to meet its security concerns.

All of this indicates that Nippon Steel's acquisition will benefit U.S. Steel's competitiveness and production capability, benefit their 21,800 employees, including 3,700 in Pennsylvania, and counters arguments that this deal poses a national security threat.

Like many others before it, this Japanese foreign investment will produce clear benefits for Americans. A letter reportedly given to Biden on Nov. 20 from Japanese Prime Minister Ishiba Shigeru calling on the U.S. president to approve the deal states: "Japan stands as the largest investor in the U.S., with its investments showing a steady upward trend. Continuing this upward trend of Japanese investment in the U.S. benefits both of our countries, showcasing the robustness of the Japan-U.S. Alliance to the world."

This alliance is all the more important now as Washington could soon be calling on its Japanese ally to make far greater strategic military contributions as the dictatorship alliance of China, Russia, North Korea, and Iran stoke greater war in Ukraine and Europe, against the democracy on Taiwan, and threaten war against South Korea and Japan.

Japan constitutes a 1,900-mile-long archipelago and hosts 55,000 U.S. troops at about 15 bases. For example, U.S. Air Force, Marine, and Navy forces in Okinawa are less than two hours of flying time to potential combat zones over the Taiwan Strait, while smaller Japanese islands like Yonaguni are only 70 miles from Taiwan.

Japan is an increasing source of direct military assistance to the Philippines and also a treaty ally of the United States, presenting a trilateral counter to communist China's ambitions to control the strategic South China Sea.

A Trump administration may have to call on Japan to further increase its defense spending and consider new long-range strike weapons and greater investments in missile defense—technology that could also assist Trump's promise to create "a great iron dome missile defense" for the United States.

Should the Chinese Communist Party (CCP) accelerate its plans for war against Taiwan, Japan, and the Philippines, the Trump administration may also have to call on Japan to support the temporary deployment of tactical nuclear weapons to Japanese territory, or to support their deployment to other U.S. allies.

Furthermore, as one of the first eight signatories to the first Trump administration's historic 2020 Artemis Accords setting rules for peaceful conduct on the moon, Japan is a key partner in a now [48-country movement](#) to convince China to pursue peaceful exploration on the moon.

However, the CCP's lack of transparency indicates it could be a potential hostile actor on the moon and Mars, so it is fortunate that Japan is financially and materially supporting the Artemis program to create a small "Gateway" lunar space station, and is developing technology to build future Artemis program manned bases on the moon.

Therefore, it would be wise for Washington to reconsider the merits of this deal for economic and security reasons. The CCP's ambitions for hegemony on the Earth and beyond require that Tokyo and Washington build a stronger alliance that could be called on to make greater sacrifices.

Approving Nippon Steel's acquisition of U.S. Steel would constitute an investment in U.S. steel production and jobs, as well as a stronger alliance.

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Rick Fisher

Author

Rick Fisher is a senior fellow at the International Assessment and Strategy Center.

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