



Week of May 27, 2025

When Donald Met Hashimoto President Trump has put an end to the will-they-won't-they romcom drama around the proposed purchase of US Steel* by Japanese steel-manufacturer Nippon*. This all comes after President Biden rejected the deal in January citing national security concerns and after President Trump stated that this deal would never happen. Nippon committed to concession after concession during the saga: promising to maintain the current collective bargaining agreement, offering \$2 billion to rehabilitate a Mon Valley plant outside of Pittsburgh and a \$3.1 billion investment in the Gary, Indiana facility, and a 142% share price premium over the next highest bidder.

However, Nippon had to sacrifice something even larger to make this deal happen: sovereignty. The United States government is assuming some sort of oversight role as a condition for allowing the deal. The details and formal legal structure are still forthcoming, but I assume the US will have certain veto powers like approval of board members and limiting decline in veto powers.

US Steel shareholders are compensated at a premium over prior trading levels. For the United States Government/Trump Administration, this is a win. They get the transfer of foreign capital into a strategically important industry while maintaining a politically acceptable level of control. Nippon has managed to maintain competitiveness with Chinese steel producers despite operating in a high-cost environment that relies on imported inputs and a more complex, off-book supply chain. The US has an opportunity to onshore expertise in a crucial industrial process.

This deal may represent an important moment in the Trump administration's stated project to reshore industrial capacity. In this realpolitik world, the Committee on Foreign Investment in the United States (CFIUS) is a powerful tool for guiding foreign capital toward strategic ends. CFIUS was formally instituted in 2007 to review transactions that could result in control of a U.S. business connected to national security. The scope of its oversight and use cases have expanded over time; a 2022 Executive Order instructed CFIUS to weigh a transaction's impact on supply-chain resilience, technology leadership, access to strategic minerals, and data integrity.

I can imagine a world where CFIUS is a crucial part of a renewed focus on industrial policy. From a financial perspective, CFIUS can be used to guide investment toward strategic goals. Currently, the United States is largest global recipient of Foreign Direct Investment. The re-negotiations of trade agreements combined with a dual-track CFIUS approval process can give preferential treatment to allies and strategic partners willing to make investments. By providing a carrot as well through tax credits or regulatory easing for strategically valuable industrial projects, the administration could shepherd foreign capital into the repatriation of manufacturing. We are closely following legislative efforts to determine who stands to benefit from this push.

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**This commentary mentions both US Steel and Nippon. These companies are cited since they represent core components to recent news releases that may have broader macroeconomic implications. Importantly, the inclusion of these companies does not constitute an investment recommendation of their issued securities either by the Registered Representative or Cetera Advisors LLC.*

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