

UPDATES ON US STEEL'S ACQUISITION BY NIPPON STEEL

As we wrote in our last newsletter, the Nippon Steel acquisition has been hard to swallow for the current administration and specifically the Labor Union that has not supported the deal. Cleveland Cliffs, the domestic steel company that also bid on the company, has been doing their best to sabotage the deal as well, even though Nippon's bid was twice theirs was. President Biden has repeatedly said he opposes the deal, leaving some to describe the deal as on life support. But, it remains unclear what additional steps he might actually take to block the deal.

Image credited to The New York Times



Steel is an industry that has very important national security considerations, very important economic security considerations. It is critical to supply chain resilience and for that reason alone, the president believes U.S. Steel should remain domestically owned and domestically operated. Last week he promised that U.S. Steel would remain a totally American company. Then a few days later, Nippon Steel said the Pittsburgh based firm would remain an "iconic American company" even after the \$14.9 billion takeover. And the beat goes on. We will keep you posted.

I rarely take a side in this newsletter. I trust there are different views on issues, especially political ones depending if you view the world through either blue or red lenses. That being said, I think this Nippon acquisition of U.S. would benefit the steel industry as well as send a message to other countries around the world that America wants their business. This would benefit multiple companies in a variety of industries. If we close ourselves off to foreign investment, is that a win for America? Also, it sends a valuable message to Japan that they are a trusted ally. As we prepare to fight a tariff war with China, we will need all the global support we can get.

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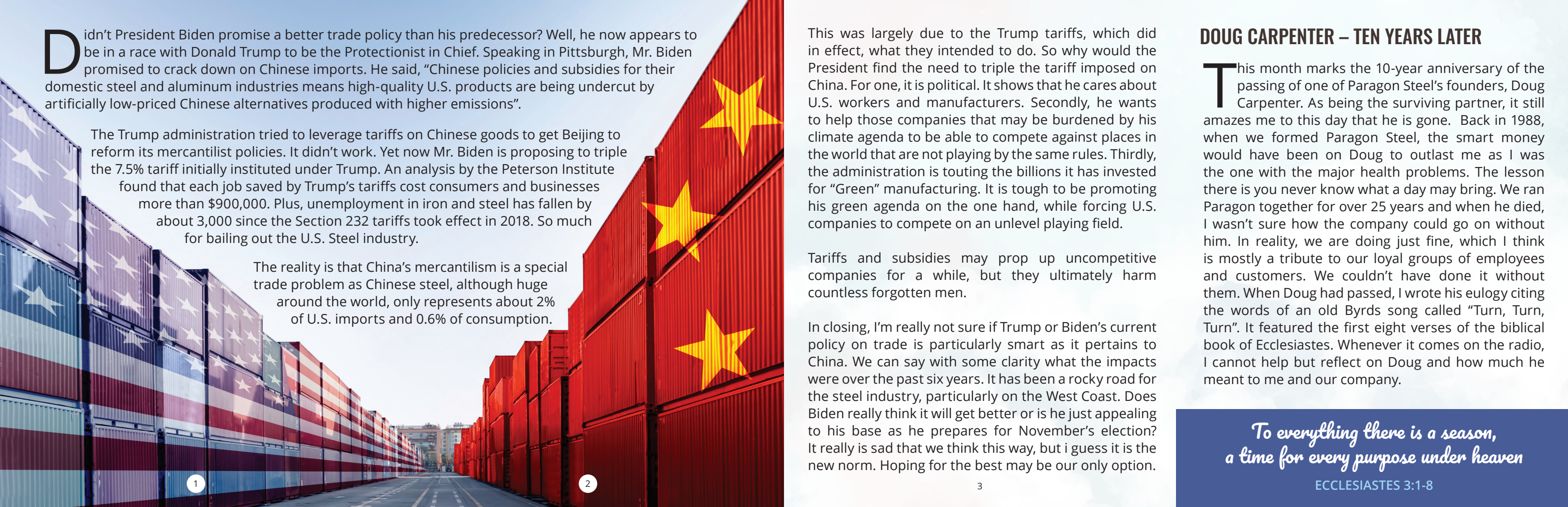
STEEL TARIFFS *and* THE RACE TO BE PROTECTIONIST IN CHIEF

By Jim Stavis



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Didn't President Biden promise a better trade policy than his predecessor? Well, he now appears to be in a race with Donald Trump to be the Protectionist in Chief. Speaking in Pittsburgh, Mr. Biden promised to crack down on Chinese imports. He said, "Chinese policies and subsidies for their domestic steel and aluminum industries means high-quality U.S. products are being undercut by artificially low-priced Chinese alternatives produced with higher emissions".

The Trump administration tried to leverage tariffs on Chinese goods to get Beijing to reform its mercantilist policies. It didn't work. Yet now Mr. Biden is proposing to triple the 7.5% tariff initially instituted under Trump. An analysis by the Peterson Institute found that each job saved by Trump's tariffs cost consumers and businesses more than \$900,000. Plus, unemployment in iron and steel has fallen by about 3,000 since the Section 232 tariffs took effect in 2018. So much for bailing out the U.S. Steel industry.

The reality is that China's mercantilism is a special trade problem as Chinese steel, although huge around the world, only represents about 2% of U.S. imports and 0.6% of consumption.

This was largely due to the Trump tariffs, which did in effect, what they intended to do. So why would the President find the need to triple the tariff imposed on China. For one, it is political. It shows that he cares about U.S. workers and manufacturers. Secondly, he wants to help those companies that may be burdened by his climate agenda to be able to compete against places in the world that are not playing by the same rules. Thirdly, the administration is touting the billions it has invested for "Green" manufacturing. It is tough to be promoting his green agenda on the one hand, while forcing U.S. companies to compete on an unlevel playing field.

Tariffs and subsidies may prop up uncompetitive companies for a while, but they ultimately harm countless forgotten men.

In closing, I'm really not sure if Trump or Biden's current policy on trade is particularly smart as it pertains to China. We can say with some clarity what the impacts were over the past six years. It has been a rocky road for the steel industry, particularly on the West Coast. Does Biden really think it will get better or is he just appealing to his base as he prepares for November's election? It really is sad that we think this way, but I guess it is the new norm. Hoping for the best may be our only option.

DOUG CARPENTER – TEN YEARS LATER

This month marks the 10-year anniversary of the passing of one of Paragon Steel's founders, Doug Carpenter. As being the surviving partner, it still amazes me to this day that he is gone. Back in 1988, when we formed Paragon Steel, the smart money would have been on Doug to outlast me as I was the one with the major health problems. The lesson there is you never know what a day may bring. We ran Paragon together for over 25 years and when he died, I wasn't sure how the company could go on without him. In reality, we are doing just fine, which I think is mostly a tribute to our loyal groups of employees and customers. We couldn't have done it without them. When Doug had passed, I wrote his eulogy citing the words of an old Byrds song called "Turn, Turn, Turn". It featured the first eight verses of the biblical book of Ecclesiastes. Whenever it comes on the radio, I cannot help but reflect on Doug and how much he meant to me and our company.

*To everything there is a season,
a time for every purpose under heaven*

ECCLESIASTES 3:1-8