



7405 E. Slauson Ave.  
Commerce, CA 90040  
800.388.8998  
[www.paragonsteel.com](http://www.paragonsteel.com)

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36 YEARS

# FALL 2024 NEWSLETTER

## NIPPON STEEL AND POLITICS AS USUAL

By Jim Stavits



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As we have reported previously in this newsletter, Nippon Steel made a \$14.1B offer to acquire U.S. Steel. The deal was approved and was over double the offer made by Cleveland Cliffs, a competitor to U.S. Steel. The Japanese firm has promised to spend \$2.7B to refurbish the Pittsburgh steel maker's aging plants. It has also agreed to honor U.S. Steel's collective bargaining agreements with the United Steelworkers.

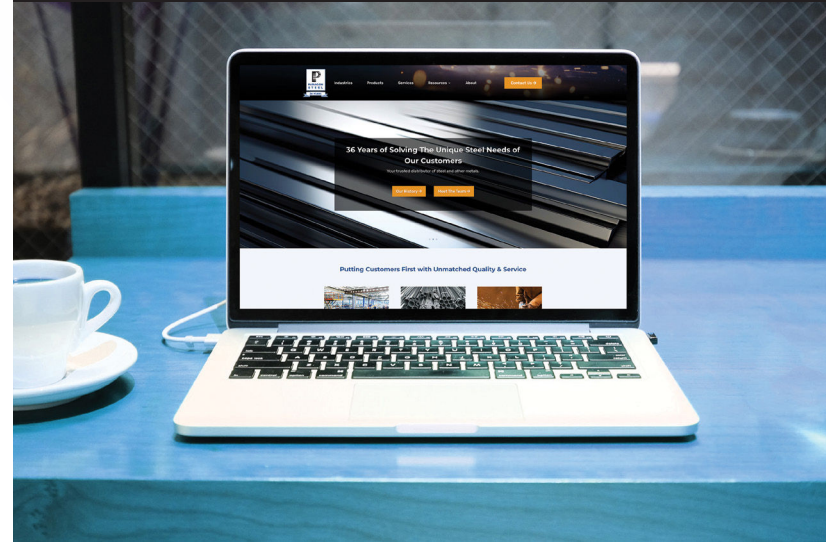
The union has nonetheless lobbied the Biden Administration to block the deal because it prefers a takeover by Cleveland Cliffs, a union shop like U.S. Steel. The union wants to create a domestic cartel shielded from competition by the Trump-Biden 25% steel tariffs. A Cleveland Cliffs merger with U.S. Steel would have increased market share so together they would control 100% of U.S. blast furnace production, 100% of domestic steel used in electric vehicle motors and 65% to 90% of other domestic steel used in cars. Downstream U.S. manufacturers would pay higher steel prices. Without competition in the U.S. for the production of steel, automakers will have to raise the price of EV's for customers.

The argument against Nippon is about national security. As steel can be vital for defensive purposes, we would be at risk if we were to be in a conflict with Japan. The argument is pretty weak considering Arcelor Mittal, one of largest producers of the steel in the US, manufacturers in 15 different countries and is based outside of the US (Luxembourg).

So why is Washington deepening its defense cooperation with Japan, when the argument against Nippon Steel is that Japan is not a friend of the U.S. What kind of a message does this send to other countries who wish to invest in the U.S? Yet, Biden, Harris and Trump all are siding against Nippon in their belief that the steel industry needs to be protected. Employment at U.S. iron and steel mills is down roughly 7% compared to January of 2020 as U.S. steel makers remain economically uncompetitive even with tariffs and no doubt because of them. A market protected from competition has less incentive to innovate. Therein lies the problem with the domestic steel industry.

Nippon Steel's investment would help to revitalize U.S. steel manufacturing. Unfortunately, that doesn't seem to be the goal in this current political landscape. Only time will tell.

## WEBSITE REDESIGN



If you have a moment, please check out our new website which is easier to navigate, downloads easier, is more user friendly and features a better look at our employees and the products we offer.  
[www.paragonsteel.com](http://www.paragonsteel.com)

There are also archived newsletters in the website design..... My personal favorite.





## WHEN CANCER HITS HOME

For many of you who follow our quarterly newsletter, I sometimes inject some personal stories to add to our Paragon tapestry. After all, we are a company of people, like yours, and we all share stories of triumph and disappointment.

Unfortunately, today's news is very sad for me and our entire Paragon Steel family. My wife of 42 years who was diagnosed with ovarian cancer nearly five years ago recently passed away on August 14th. She fought a tough and painful battle, but in the end there was no cure for ovarian cancer. We had commuted from California to Houston (MD Anderson) last year 30 weeks out of the year. At first there was success, until there wasn't.

I tell this story not to say we are victims. There are so many people struggling with cancer of all types. It is sad that we can land on the moon, fly to mars and yet we can't cure cancer. We've created a vaccine for Covid. How about one for cancer? It is a battle that has improved lives for some cancer survivors, but not all. After my own health saga nearly 20 years ago, I've coached many people on maintaining hope in the face of great adversity. I even wrote a book on it. But, the one thing about cancer is it can strike people seemingly randomly at any age or demographic. Unfortunately, even if you are the most hopeful and positive being on earth, cancer can be deadly.

What I've also learned from my own health odyssey, is that life does go on. As much as we will grieve today, I know there is always a tomorrow when the sun shall rise—once again.

Thank you for your support and your support to Paragon Steel.

Jim