

Trade Experts Alan Price and Nova Daly Express Concern over State-Owned and Controlled Foreign Investment in the Steel Industry

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Wiley Rein's Alan Price and Nova Daly were quoted in an October 9 article by *American Metal Market* focused on the need for disciplines on foreign investment by state-owned entities operating in the U.S. market, and particularly in the steel industry. Speaking to the Steel Manufacturers Association's board of directors, Mr. Price—who is chair of the firm's International Trade Practice—said “statistically, if you look at it, state-owned enterprises in the global steel industry are as large or larger than they’ve ever been, and that is a great concern. And as we look at our prime examples, it’s China, China, China.” “On paper, 16 of the top 20 Chinese steelmakers are controlled by the government,” he added. “But that percentage is likely higher. Even the ones that claim to be private, when you dissect the so-called private ownership in those companies, it turns out they are state entities,” Mr. Price explained. “Those state entities might not be so concerning if they focused solely on local growth, but a growing number are investing in North American facilities, raising alarms as to their willingness and ability to compete on a level playing field in this market,” he said. “Much of the Chinese investment has started to target the Americas. While a certain portion of it was originally aimed at raw materials, we’ve seen a significant pickup in (all kinds of) investments in the North American market,” Mr. Price said, noting that “Chinese state-owned enterprises’ total outbound investment has grown from about \$2.4 billion annually between 1990 and 2000 to some \$43.3 billion in 2009.” He added that “it’s going to continue to

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expand.”

Mr. Daly—a public policy consultant with Wiley Rein—said that “if left unregulated, those [state-owned] Chinese investments could present major challenges to the existing steel industry.” “Steel producing state-owned enterprises can have anti-competitive behavior and other distortions in the market,” he explained. He continued, saying that “a business’ goal and its objective is to maximize its profit and beat out its competitors. And if it’s a state that’s behind the business that does that, think about the state apparatus behind it. You have not only the ... treasury of the state, but you have the intelligence agency of the state. If you have intelligence of a state able to supply competitive information at all levels, just imagine the position a private-enterprise is in when it competes.” All we really have is the Committee on Foreign Investment, but that only looks at investments from a national security standpoint,” Mr. Daly said. “The U.S. ... antitrust laws ... only work when an industry is truly decimated,” he noted. Additional measures need to be considered.

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