

Mittal steel essay



**ASSIGN
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1. What forces drove Mittal Steel to start expanding across national borders?
Mittal Steel started expanding across national borders due to government regulations along with tough competition from SAIL and Tata Steel. Mittal Steel believed that it would be more likely to experience growth if the company would transpire outside of India. The company made its first move in 1975 when it set up a steel-making plant in Indonesia.
2. Mittal Steel expanded into different nations through merges and acquisitions, as opposed to Greenfield investment? Why? Mittal Steel entered into foreign expansion at a time in which the steel industry was in the middle of a 25 year slump. This had caused many other steel companies to become distressed and in some cases go under. However, Lakshmi Mittal saw value in the weak state of these firms. He believed with an injection of capital, they could move towards greater efficiency. On the other hand, Greenfield Investment took a different more costly approach. They built operations from the ground up. Mittal Steel was able to avoid this initial start-up phase and quickly take advantage of an already recognizable market presence.
3. What benefits does Mittal Steel bring to the countries that it enters? Are there any drawbacks? Mittal Steel brings several benefits to the countries that it enters. Its presence in the market is beneficial as it focuses on acquiring and improving distressed companies. These acquisitions also help contribute more capital to each country. However, there are also some drawbacks. In Mittal Steel's most recent acquisition of Arcelor, there were many concerns. European politicians opposed this acquisition because they felt as if Mittal Steel was an Indian enterprise. They thought this would have negative impacts on the European economy after the recent global crisis.

4. What are the benefits to Mittal Steel from entering different nations? Mittal Steel greatly benefited from entering different nations. They were able to acquire well known steel companies in various countries. This helped them enter these countries at a cheaper rate and get their name out there. After Mittals acquisition success they were able to go public, bringing in large sums of capital. Soon enough the steel industry had come out of its 25-year slump and it was once again booming. Steel prices were hitting record highs and Mittal became the world's largest steel maker, generating a net income of \$10. 2 billion in 2006.

5. The acquisition of Arcelor was very acrimonious, with many politicians objecting to it. What do you think they objected? Were their objections reasonable? European politicians strongly opposed Mittal's acquisition of Arcelor, because they considered Mittal an Indian enterprise. I think they might have been looking at the host country costs. They were only considering the possible adverse effects this acquisition would have on their economy, such as national sovereignty and autonomy. Their objections do not seem very reasonable to me. First, Mittal Steel was legally a Dutch enterprise. Second, they were not considering host-country benefits such as resource-transfer effects, employment effects, balance-of-payments effects, and effects on competition and economic growth.