



Steel industry battles

Forging a new world

How one man's dream succeeded in rebuilding a global industry

WHEN Lakshmi Mittal launched his 2006 bid for Arcelor, Europe's biggest steel company, spanning Luxembourg, France, Belgium and Spain, he was a mystery to continentals. The Indian expatriate was already known as the richest man in Britain, but French ministers, alarmed at this assault on a largely French bastion, were unsure whether the attack was coming from India or elsewhere.

Yet a little over a year after swallowing Arcelor to form the world's leading steel company, Mr Mittal was nominated to the board of EADS, Europe's pre-eminent aerospace group, prompting, as he recalls, anxiety from its German shareholders that he was too close to the French side. President Nicolas Sarkozy, no less, went on to welcome him to France after one of the bitterest takeover battles Europe has seen.

More than anybody else, Mr Mittal transformed the steel industry from a collection of national and regional players into one of global giants. Steel companies needed to consolidate to match the power of the mining giants, which sold them iron ore and coal, and that of the car and construction behemoths which bought their rolls or girders. Others saw the need for consolidation; Mr Mittal made it happen.

With his father's backing, Mr Mittal first set up a steel business in Indonesia, and then expanded it to Trinidad, Mexico, Canada and Romania. His roving eye brought him mines and mills in Kazakhstan and

Cold Steel: Britain's Richest Man and the Multi-Billion-Dollar Battle for a Global Empire. By Tim Bouquet and Byron Dusey. Little, Brown; 340 pages; £20

Germany before he turned his attention to Arcelor, which was formed after the governments of France and Luxembourg privatised their national steel companies. Pitted against him was Guy Dollé, a mercurial son of Lorraine, born into the cradle of the French steel industry. Mr Dollé thought he was running Arcelor, but its veteran Luxembourg chairman, Joseph Kinsch, wielded the real power, and in the end had to deliver the painful surrender.

"Cold Steel" analyses how a once-poor boy from Rajasthan outwitted the industrial establishment in France and overcame the forces of "economic patriotism" that so often block foreigners from taking over continental European companies. Mr Mittal's bid was enough to make investment bankers and lawyers drool. Teams of consultants were hired on behalf of the bidder, while rival groups marshalled legal and financial arguments for the defence. One of the book's authors worked for the Luxembourg government, and both have interviewed most of the participants. The result is a rare, if slightly breathless, insider's account of lots of people making millions out of a deal that cost the Mittal group over €25 billion (\$39.5

Also in this section

94 The British in Iraq

94 Men, women and work

95 New fiction: Alice Hoffman

95 Tony Judt's essays

96 Takashi Murakami in New York

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billion) to conclude: the defence team earned its keep by extracting a 50% price rise during the six-month battle.

Mr Mittal and his son Aditya thought up the deal at the family's Alpine ski lodge just before Christmas in 2005, and approached Arcelor a few weeks later. An early rejection led the group to seek clearance from regulators in Europe and America for a formal bid. Because the Mittals held four-fifths of the shares in the company that bears their name, they faced charges that theirs was more a family firm than the listed giant it had become. But one of Mr Dollé's biggest mistakes early on was to refer to bands of Indians descending on mills, which were being taken over by the Mittals with their "monkey money", by which he meant Mittal shares rather than hard cash. Whether or not Mr Dollé intended it as a racist remark, the jibe rebounded badly on him.

The book reads like a thriller, with each side trying to rope in other steel companies on both sides of the Atlantic as allies. The bid teams met in secret locations and used code words and security sweeps for bugs, to try to prevent leaks. Mr Mittal at one point thought he had lost when Arcelor dragged in the Russian Severstal group to form a defensive merger to shut him out. But eventually the logic of putting together the global Mittal interests with the European assets of Arcelor won over politicians, regulators and investors.

Arcelor's bosses learnt that European protectionism had limited support, especially when Arcelor's foreign investors wanted its shareholders alone to decide. The Mittals scored a victory when they signed up François Pinault, a leading French businessman, who agreed to join the Mittal board. As this book shows, money and business logic prevailed in the end over politics and protection. ■