Cleveland-Cliffs announces takeover of ArcelorMittal's US operations

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On Monday, Ohio-based mining corporation Cleveland-Cliffs Inc. announced its plans to purchase the US manufacturing operations of Luxembourg-based steel giant ArcelorMittal for $1.4 billion. The deal will position Cleveland-Cliffs as the top producer of flat-rolled steel and iron ore pellet in North America, provide a windfall for both corporations and intensify the restructuring of the global steel industry.

The deal will merge high-volume steel production with Cliffs's significant reserves of iron ore feedstock in the northern US under a single company that is expected to employ about 25,000 in total. Cliffs is the largest iron ore pellet producer in North America. It has supplied iron ore to ArcelorMittal USA and other steel manufacturers throughout the world. Through the deal, it will acquire 14 plants that make steel or roll and coat it; three coal-coking plants; and two iron-ore mining operations from ArcelorMittal.

Cliffs CEO Lourenco Goncalves (net worth estimated $37.7 million) boasted that the corporation was in a position to carry out the large acquisition because "steel rebounded after the auto restart" in May. In March, autoworkers worldwide shut down the global auto industry after they carried out wildcat action in protest against unsafe working conditions as the COVID-19 pandemic was rapidly spreading. Politicians and businesses worldwide collaborated with the unions in each country where production stopped in order to herd workers back into unsafe plants by the late spring.

ArcelorMittal regained the world's top steel producer position after having briefly been outpaced by China's Baowu Group early this year. Although the sale of its North American operations, concentrated in the Great Lakes region of the US, will further undermine this position, CEO Lakshmi Mittal declared that the sale "is a strategic repositioning of our assets, but not a strategic repositioning of our market presence."

Mittal had considered the sale of the corporation's US operations since 2019, reasoning that these facilities were not as competitive as US-based corporations, which could use their own iron ore supplies, a necessary component of the manufacture of raw steel, at a much lower cost. Cleveland-Cliffs owns and operates four iron ore mines in Michigan and Minnesota. ArcelorMittal has some mining operations in the US but the bulk of its mines are overseas in Brazil, Bosnia, Canada, Kazakhstan, Liberia, Mexico and Ukraine, mainly countries where labor is cheaper.

Both corporations are eager to profit from the deal. According to the website MarketScreener, Cleveland-Cliffs stock rose 10 percent to $6.48 on Monday after announcing the planned purchase. About one-third of the $1.4 billion buyout will be paid in cash by Cliffs and the remaining two-thirds will be paid for in Cliffs stock. ArcelorMittal will hold a 16 percent stake in Cliffs as result of the deal and it will hand over $500 million to shareholders in share buybacks.

The details of the sale point toward coming attacks on the living standards of the working class. These will be carried out with the collaboration of the United Steelworkers union (USW), which negotiates labor agreements covering the two corporations' combined US hourly workforce of over 15,000 workers.

USW District 7 Director Mike Millsap told the *Chicago Tribune* Tuesday, "We (USW) have bargained with Cleveland-Cliffs. They bought AK Steel a while back. Overall, our relationship has been very good."

Goncalves echoed Millsap's statements. "We are creating an exceptional company, based on great people and supported by our existing strong relationship with the United Steelworkers, the United Auto Workers and the Machinists unions," he said in a statement announcing the deal.

In 2018, USW pushed through a concessions contract with Cleveland-Cliffs, which eroded wages and increased the burden of health care costs for workers. Goncalves welcomed the collaboration of the union and boasted at the time that the contract "provides Cliffs a competitive cost structure for future success."

In 2019, Cliffs moved to buy AK Steel, the last remaining electrical steel producer (for power transformers and motors) in the US in an initial stock deal worth $1.1 billion. Cliffs then fully acquired its operations in a nearly $3 billion deal in March 2020.

Before the combined deal was finalized this year, Goncalves lobbied the Trump administration to include electrical steel laminated cores in the products subject to the administration's 25 percent tariffs on imported steel. Goncalves sent the appeal directly to US Secretary of Commerce Wilbur Ross. Ross was one of the masterminds behind the justification of the Trump administration's bevy of import tariffs as a "national security" measure, which sparked a trade war when they were implemented in stages beginning in March 2018.

Goncalves threatened the closure of two AK Steel mills where workers produce grain-oriented electrical steel for transformers, one in Butler, Pennsylvania, and the other Zanesville, Ohio. These moves would have put 1,600 workers out of a job.

Goncalves' ruthless actions were supported by a bipartisan group of Pennsylvania lawmakers who wrote a letter in late April to Trump urging that he expand the tariffs. In May, Ross announced that the Department of Commerce would begin an investigation into the complaints of Goncalves and the legislators "to determine the effects on national security."

The USW, under former president Leo Gerard, endorsed the Trump administration's trade war measures aimed mainly at the Chinese

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metals industry. The USW also heaped praised on the nomination of Wilbur Ross as Secretary of Commerce, falsely proclaiming to workers that both would protect jobs.

A billionaire, Ross made a fortune as an asset stripper through buying steel companies in or near bankruptcy beginning in 2002. He consolidated struggling companies, including Weirton, Bethlehem and LTV Corp. into the International Steel Group (ISG). Ross increased his initial investments by twelve-fold by robbing workers of their pensions and retiree health care benefits, with the full collusion of the USW, cutting the lives of thousands of retirees short for his personal wealth, and by neglecting environmental and worker health and safety measures.

Ross himself has a history with Lakshmi Mittal (net worth $10.3 billion), CEO of ArcelorMittal. Ross sold ISG to Mittal in 2004 while he was CEO of Mittal Steel, ArcelorMittal's predecessor. The acquisition of ISG made Mittal Steel the world's largest steel producer. In 2006, it expanded further to become ArcelorMittal after merging with giant European steelmaker Arcelor.

The United Steelworkers continues to spew out vile nationalism while it colludes with the steel executives to force workers to accept wage and benefit cuts and worse working conditions. The USW has welcomed the takeover by Cliffs and postured against ArcelorMittal on a nationalist platform. Millsap inferred that Mittal's location abroad was the reason why the union could not win concessions for workers, saying, "The fact that it's a US company will help. It's hard to deal with someone when they're in London."

Such an inference is a lie. Whether or not a corporation is based in the US or a different country, the ruling class gains its wealth from the exploitation of workers and lowering of wages throughout the world. In one round of concessions contracts after the next, the union leaders have told workers that their sacrifices are necessary to keep the companies "competitive," claiming this would defend their jobs. Over the last four decades, this has led to the destruction of hundreds of thousands of steelworkers' jobs and the decimation of mill towns in Pennsylvania, Ohio, Indiana and other states.

Most recently, the USW did nothing to oppose the planned layoffs of over 1,000 workers at ArcelorMittal and more than 2,000 workers at Pittsburgh-based US Steel, as well as the closure of two of Cleveland-Cliffs' mines.

In the 2018 contract talks, the union worked hand-in-hand with corporate management to isolate workers at Cleveland-Cliffs from 31,000 of their brothers and sisters at US Steel and ArcelorMittal, though they worked in the mines which provided raw material to the mills. While keeping workers in the dark throughout negotiations, the USW ignored the unanimous strike vote by ArcelorMittal and US Steel workers and then imposed a concessions contract, which effectively stripped job protections for all workers and guaranteed no benefits to new hires.

Neither have the tariffs benefited anyone but the corporate oligarchs who control the steel corporations. After tariffs were unleashed in early 2018, US-made steel prices rose and provided an increase in revenue briefly until the demand dried up due to high costs and the effects of retaliatory tariffs. Steel prices and output fell, and workers were forced to bear the brunt of the trade war fallout through cuts to safety, layoffs and plant closures throughout the US.

The sale of ArcelorMittal USA to Cleveland-Cliffs is the latest step toward the restructuring of the steel industry worldwide. In the US, over 50,000 steelworkers have lost their jobs since 2000, yet the corporations continue to reap billions in profits and keep productivity levels high. A 2016 report on the US steel industry by the Department of Commerce noted, "In 2015, one employee accounted for approximately 1,000 net tons of raw steel production, an increase of 20 percent" since 2000.

Cleveland-Cliffs will be under intensified pressure to shift toward electric furnace production, like its competitor US Steel in the raw steel market. The two steelmakers' profits are threatened by Nucor, the largest steelmaker in the US, and Steel Dynamics, which use newer electric furnaces that operate more efficiently with fewer workers than older blast furnaces. In 2019, US Steel bought a stake in electric furnace steelmaker Big River Steel for $700 million with the option to buy the rest of the Arkansas-based company by 2023.

The deal also reveals the intensifying nationalist orientation of the US ruling elite in the time of economic crisis sharpened by the pandemic. The US ruling class, represented by both Republicans and Democrats, is seeking to take aim against China and implement austerity measures at home to offset its financial and political crisis.

The ramping up of trade war measures in the metals industry will serve to accelerate the US drive toward military war with China. The USW, like the steel bosses, has welcomed Trump's trade war measures with open arms in spite of the destruction of jobs of thousands of workers, only criticizing him when he does not go far enough. The USW is now supporting Democratic nominee Joe Biden whose program of economic nationalism promises to be just as or even more aggressive than Trump's.

There is no way forward for the working class through the nationalist program of austerity, trade war and military war. Steelworkers must break from the corrupt USW, which seeks to tie their interests to the same corporations that exploit them. To prepare for the coming attacks on their jobs and living standards, steelworkers in the US must form their own organizations, rank-and-file factory committees, to put forward and fight for their own demands.

Workers must reject all forms of nationalism and fight to link their struggles with those of steel and mine workers in China, Europe, Latin America and throughout the world in a fight against capitalism and for transformation of the giant metal and mining corporations into public utilities under the democratic control and collective ownership of the working class around the world.

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