

Cleveland-Cliffs and US Steel announce major acquisitions

Jessica Goldstein
12 December 2020

The two largest US-based raw steel producers, US Steel and Cleveland-Cliffs, made significant announcements this week of large acquisitions.

US Steel announced Tuesday that it will move forward to acquire the remaining stake of Osceola, Arkansas-based recycled steel manufacturer Big River Steel for \$774 million. US Steel purchased a 49.9 percent stake in Big River last year with the option to buy up the remaining 50.1 percent of company ownership within four years.

Big River began operations in 2017 and had billed itself as a technology company that makes steel and uses artificial intelligence in its production processes. In addition it uses electric furnaces that melt scrap to produce steel rather than the traditional blast furnace method of combining the raw materials of iron ore, carbon and other elements.

US Steel CEO David Burritt hailed the company's entry into recycled steelmaking through the integration of electric furnaces and mills into its processes as part of its "Best of Both" strategy. The aim is to cut costs and increase production in an increasingly competitive global steel market that is experiencing significant upheavals in the face of the economic shocks produced by the pandemic.

World Steel Association remarked in a Dec. 1 blog post, "Potential impact of COVID-19 on steel industry trends," that due to the accelerated speed of change demanded by the world economic crisis, "Investments in energy efficiency, electrification and higher scrap use, and efforts towards the development of breakthrough low CO2 emission steelmaking technology are likely to be accelerated."

Cleveland-Cliffs, which announced its plans to acquire steel giant ArcelorMittal's US operations in September, announced Wednesday that it completed the purchase of substantially all of ArcelorMittal's former US operations

for approximately \$1.4 billion. The takeover of ArcelorMittal's US operations comes after it also took over AK Steel earlier this year. The Cleveland-Cliffs acquisition of ArcelorMittal USA now positions it as the largest flat-rolled steel producer in North America.

The steelmaker is also the top producer of iron ore pellets in North America. Its entry into the steelmaking market positions it strategically with its control over a significant section of its own raw material supply chain.

The ArcelorMittal USA acquisition includes the buyout of its interests of 60 percent in I/N Tek and 50 percent in I/N Kote, the Luxembourg-based corporation's joint venture with Tokyo-based steelmaker Nippon. I/N Tek and I/N Kote produce cold-rolled sheet steel and are located in New Carlisle, Indiana, about 60 miles west of the Indiana Harbor mill, formerly ArcelorMittal's largest US operation. Along with that, Cleveland-Cliffs also bought out Nippon Steel Corporation's remaining interests of 50 percent in I/N Kote and 40 percent in I/N Tek, making Cleveland-Cliffs the sole owner of all assets of the former joint venture.

Since the announcements, US Steel's stock price had risen by about \$1.20 per share and Cleveland-Cliffs's by \$0.55 as of the end of the trading day Friday.

Both US Steel and Cleveland Cliffs are racing to corner the market in the context of predictions of growing steel demand worldwide. Meanwhile lockdown measures are being eased up despite the rising death toll due to the pandemic throughout the US and Europe in order to ensure the flow of profits to the major corporations.

S&P Global Platts noted on Oct. 15 that, "In 2020, worldsteel forecasts that steel demand will contract by 2.4 percent from last year, dropping to 1,725.1 million metric tons, rather than by 6.4 percent, as it forecasted in June. In 2021 steel demand is now expected to recover to 1,795.1 million metric tons, with an increase of 4.1 percent over 2020, while in June the association expected

an increase of 3.8 percent year on year... The forecast assumes that despite the current resurgence in infections in many parts of the world, nationwide lockdowns will not be repeated.”

Both US Steel and Cleveland-Cliffs supply much of their product to the automotive industry, which is seeing an increase in demand under conditions where hundreds of thousands of autoworkers across the world have been forced back into auto plants under deadly conditions.

The reaction of US Steel CEO David Burritt to the economic plans of US President-elect Joe Biden should serve as a warning to workers that a Biden administration will be no less ruthless in its attacks on the working class than the present Trump administration. In the wake of US Steel’s announced takeover of Big River, the *Pittsburgh Post-Gazette* noted that while Burritt praised the Trump administration’s 25 percent tariffs on imported steel, “he does not expect them to be eliminated immediately upon Joe Biden’s arrival in the White House next month” and “was generally hopeful about the incoming administration’s promises on infrastructure,” of which no details have emerged.

The sentiments of the representatives of the corporate ruling elite are echoed by the United Steelworkers (USW), which supposedly “represents” thousands of workers in the US employed by US Steel and Cleveland Cliffs.

On Nov. 7, USW International President Tom Conway proclaimed on the union’s website that the USW was eager to work with the incoming Biden-Harris administration. “The President-elect ran on a platform, which the USW supported, of containing the deadly COVID-19 pandemic, ensuring access to quality health care, getting our economy back on track and putting millions of Americans back to work... In particular, the USW looks forward to working with the Biden-Harris administration on their plan to invest \$1.3 trillion over 10 years to rebuild and modernize our crumbling infrastructure using American-made products.”

These words come from a union that also vociferously backed and eagerly worked with the Trump administration to endorse trade war measures as part of a nationalist “America First” agenda, which has cost workers thousands of jobs and cuts to wages, benefits and safety measures.

Before ascending to his current post, Conway held the position of USW International Vice President and lead negotiator in the 2018 contract negotiations with Cleveland-Cliffs, ArcelorMittal and US Steel. The USW

worked to isolated workers at the different corporations, using nationalist denunciations of China to justify sellout contracts containing significant concessions that resulted in thousands of layoffs in subsequent years.

In its latest act of treachery, the USW, along with the Teamsters and other unions, in August shut down and betrayed a nearly 10-month strike by 1,800 Asarco copper miners in Arizona and Texas, forcing workers to return to work on management terms.

The USW has not written a single word about the announced acquisitions by Cleveland-Cliffs and US Steel and threats posed to workers by these consolidations. After laying off thousands and closing mills over the past two years, US Steel has made no announcements of additional hiring to meet increased demand. This means squeezing more production out of the existing workforce by imposing longer hours, speedup and the evisceration of health and safety standards in the face of an out of control pandemic.

To protect their jobs, wages, and the health and safety of themselves and their families, steelworkers need new organizations of struggle, independent of the pro-corporate unions.

Workers must follow the lead of teachers and autoworkers worldwide who have built rank-and-file safety committees to fight against unsafe working conditions, including the shutdown of non-essential production until the pandemic is contained. These committees will serve to link up the struggles of steel workers with other sections of workers worldwide in a common struggle to prevent the needless sacrifice of workers’ lives and livelihoods for the sake of private profit.

The *World Socialist Web Site* will do everything possible to assist mine and steel workers who are interested in building these committees. To get involved, contact us today.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact