ANNEX 1

REQUEST FOR INVESTIGATION

Congress of the United States
Washington, DC 20515

January 16, 2001

The Honorable Norman Y. Mineta
Secretary
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, D.C. 20230

Dear Secretary Mineta:

I am writing to request that the U.S. Department of Commerce's Bureau of Export Administration self-initiate, under Section 232 of the Trade Expansion Act of 1962, a full investigation into imports of iron ore and steel slab into the United States. Imported steel and iron ore, much of which is subsidized in the country of origin and sold in our market at prices which violate our anti-dumping laws, are having a devastating impact on jobs and local economies, and threaten the future viability of the domestic iron ore/taconite and steel slab industries, as well as major segments of the steel industry. These industries are critical to the national security of the United States. I have attached background information and statistics on the plight of these industries.

Steel is the basic building block of an industrial society. Iron ore/taconite is the fundamental raw material needed to produce steel. The mines of Minnesota and Michigan have been the primary suppliers of iron ore/taconite for the domestic steel industry for over 100 years, providing 100 percent of the steel industry's iron ore requirements during WWII and the Korean conflict. Our mines have shipped 4 billion tons of iron ore and taconite over the last century and will continue to be a reliable domestic source of iron units well into the future, if given a reprieve from the devastating economic pressure of imports flooding into our market, as well as recent spikes in energy prices.

Every ton of semi-finished steel slab utilized in domestic steel production displaces 1.3 tons of taconite pellets. Over the past decade, this displacement has become devastating to the iron ore industry as foreign producers targeted the U.S. market. Since 1997, foreign iron ore producers, together with their native interrelated steel companies, have sought to take advantage of the capital-starved U.S. iron ore and steel industries and target base-load tonnage requirements. Over that time period, U.S. steel companies have taken blast furnace production off-line and rolled cheap imported slabs – a significant volume of which has come from Brazil.

Brazilian iron ore and steel producers have announced numerous projects targeting domestic U.S. pellet markets, including construction of a 6-million-ton iron ore pellet plant and a 5-million-ton slab mill – all for export to the United States. The foreign iron ore producers' strategy to capitalize on the weakened U.S. steel industry by offering iron units in the form of semi-finished steel slabs will force domestic steel producers to rely upon foreign iron ore and crude steel for its finished steel production, abandoning, in the process, our domestic iron ore/taconite industry.

Semi-finished steel imports into the United States remained below 3 million metric tons through 1993, but have since soared three-fold. These imports are expected to reach a record high of 10 million metric tons in 2000. Brazil, alone, increased its semi-finished steel exports to the United States by 275 percent over the past decade. In 1990, Brazil exported 813,000 net tons of semi-finished steel to the United States; in 1999, that figure jumped to 2,975,000 net tons.

With slab imports at all-time highs, domestic iron ore producers are being forced to reduce production dramatically. This month, LTV Steel Mining Company permanently closed its taconite mine in Minnesota, eliminating 1400 jobs and taking 8 million tons of annual domestic production permanently offline. Also this month, Northshore Mining Company and U.S. Steel's Minntac mine announced production cutbacks. While neither company has made decisions regarding layoffs, more domestic reduction announcements are expected within the industry.

These imports also threaten domestic integrated steel mills. Similar to the pressure felt by iron ore producers, U.S. integrated steelmakers face increased competition from domestic, flat-rolled minimills that import semi-finished steel. The integrated steel sector has seen significant financial bankruptcies, most recently Geneva, Acme and Gulf States Steel. In the last five years, shipments by the domestic, low-cost minimills have risen from 3 million tons in 1995 to 12 million tons in 2000. However, over the same time period, imports of those products have risen from 24 million tons to an estimated 38 million tons. These developments do not bode well for either the industry's ability to meet national security requirements in an emergency or its ability to maintain its production capabilities.

Brazil and Australia dominate the world iron ore export market, accounting for nearly 70 percent of seaborne exports in 1999; however, much of Australia export production is eaten up by Asian consumption. Brazil's CVRD, the world's largest iron ore producer, currently produces 50 percent of Brazil's iron units, and is poised to acquire another 30 percent of that country's production. Of the 10 million metric tons of iron ore that the United States imported last year, Brazil was responsible for 2.4 million. A single company, CVRD, would control as much as one-fifth of the iron ore imported into the United States.

This brief glimpse at the steel and iron ore markets offers a devastating outlook on the future viability of these domestic industries. Can we count on foreign nations to provide us with ample quantities of iron ore and steel products in a timely basis in a national emergency? History has shown that the United States must be self-sufficient in supplying its defense requirements. I believe these facts alone merit a review by your Administration under Section 232 of the Trade Expansion Act of 1962.

Thank you for your consideration.

Sincerely,

James L. Oberstar, M.C.

Bart Stupak, M.C.

Enclosures

cc: William A. Reinsch, Under Secretary for Export Administration