

June 4, 2002

The Honorable Phil Crane
United States House of Representatives
Ways and Means Committee - Subcommittee on Trade
Attn: Hearing Clerk
1102 Longworth House Office Building
Washington, DC 20515

HR 4542: To provide for the reliquidation of certain entries of vanadium carbides and vanadium carbonitride.

Dear Mr. Chairman:

Since February 2000, representatives of Strategic Minerals Corporation have met with members of Congress and with Ways and Means Committee - Subcommittee on Trade and Senate Finance Committee staff. They discussed how their U.S. Company found itself in the middle of trade fight between the United States Trade Representative and the Republic of South Africa. Our letter today is in support of Miscellaneous Trade and Tariff Bill, HR 4542, which is presently before your committee, and which will correct the financial impact of the international dispute. These comments support this measure to remedy an unprecedented action against an innocent U.S. company, a bystander to an unrelated dispute. On behalf of Strategic Minerals Corporation and its subsidiaries, this letter requests you to include HR 4542 into the omnibus trade bill. A Senate companion measure S.2437 is under consideration before the Senate Finance Committee.

Background: On July 1, 1998 the United States Trade Representative (USTR) granted U.S. Vanadium Corporation (USV), a Competitive Need Limit (CNL) waiver for vanadium carbides produced by Vametco Minerals Corporation, a Delaware corporation with manufacturing operations in the Republic of South Africa. This waiver was requested by USV in 1997 to allow duty-free treatment of such imports to continue under the Generalized System of Preferences (GSP) program. Without precedent, the USTR's office then suspended the effective date of this waiver pending resolution of an unrelated dispute regarding pharmaceutical patents. That dispute was settled in September 1999.

U.S. Vanadium and Vametco Minerals are both wholly owned subsidiaries of Strategic Minerals Corporation, a Connecticut corporation with vanadium operations in Arkansas, New York, South Africa and Louisiana. The company also has tungsten interests in California. Strategic Minerals is one of the world's leading vanadium producers. Through its U.S. Vanadium and Vametco Minerals subsidiaries, the company provides the vanadium

that helps the domestic steel, titanium, and chemical industries improve products and processes. Through its strategic alliances and partnerships, Strategic Minerals produces much of its own vanadium feed stocks from recycled materials and provides metals producers with a broad range of ferroalloys, nickel, chromium, aluminum, manganese, and molybdenum oxide.

When USTR restored GSP treatment to a number of South African products, it did not do so retroactively for the USV's vanadium CNL. One of the GSP "hostages" to the pharmaceutical debate was the effective date for implementing this CNL waiver. The implementation delay cost U.S. Vanadium, an innocent company, approximately a million dollars to date, and has figured prominently in Strategic Minerals' 1999 annual loss. Compared to the pharmaceutical industry, Strategic Minerals is a tiny company, with fewer than 160 employees in all its U.S. operations.

These developments were particularly egregious because the sole producer and the sole U.S. importer of these vanadium carbides are both wholly owned subsidiaries of an American company. Neither Vametco Minerals, nor U.S. Vanadium, nor any of the products they make or import were the subject of the dispute. Clearly, it was inappropriate for USTR to use one trade tool (GSP) to achieve another trade objective (resolution of the intellectual property dispute) in a manner that only hurts an innocent American company. USTR should have made the effective date for the CNL waiver for Vanadium Carbides from South Africa the date it was originally granted, i.e. July 1, 1998.

Strategic Minerals unsuccessfully lobbied key USTR officials until December 1999 to remedy the situation retroactively. However, conversations with USTR staff and an understanding of trade law led us to request a private relief bill in the 106th Congress. H.R. 3820 was introduced to recover approximately half the duties paid during two year "implementation delay" imposed by USTR. The Senate companion bill S. 2198 was also introduced by Senator D. P. Moynihan (D-NY) in the 106th Congress. The House and Senate comment period drew several objections that were formally withdrawn in Senate late during consideration of the Omnibus 106th trade bill, but our request did not make the final bill. The objections have long been resolved and we are joined with former objectors in a trade action against foreign dumping of various vanadium alloys.

Understanding that all past objections have been withdrawn, we ask that the Committee include HR 4542 with the House Ways and Means Committee Omnibus Trade Bill mark-up.

Thank you in advance for your consideration of this request. Should have any questions my contact information follows below.

Sincerely,

Nicholas Pyle, Washington Representative
Strategic Minerals Corporation
1223 Potomac Street, NW
Washington, DC 20007
202-333-8578
Fax: 202-337-3809
npyle@attglobal.net