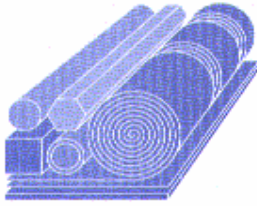


NEWS



SPECIALTY STEEL INDUSTRY OF NORTH AMERICA

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FOR IMMEDIATE RELEASE

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MADE IN CHINA BY THE GOVERNMENT OF CHINA

(Arlington, VA) (September 17, 2007) – China’s unprecedented economic growth machine relies overwhelmingly on an export-driven model that is fueled by numerous governmental policies which give certain industries—including the stainless steel industry—an unfair edge in the world marketplace, according to remarks made today by David A. Hartquist at an event sponsored by American Metal Market.

Hartquist, who serves as general counsel to the Specialty Steel Industry of North America (SSINA), identified China as a threat to the economic stability of the international stainless steel market and the financial viability of U.S. stainless steel producers. “While there is no crisis today in the U.S. specialty metals industry, there could be if the White House and Congress do not act soon and specifically focus on China’s trade practices,” Hartquist warned.

Policymakers in Beijing, as well as provincial and municipal government officials, actively promote the stainless steel and other “pillar industries” by providing numerous forms of direct and indirect financial assistance. China's banks are state-owned or state-affiliated and lend money at low rates to state-owned or state-influenced companies. Those companies sell their goods overseas, at prices kept down by a Chinese currency that Beijing keeps deliberately and artificially undervalued.

Hartquist provided specific examples of how China’s stainless steel industry has benefited from such preferential industry programs and pointed to 2006 as a watershed year when China became the world’s largest producer of stainless steel, increasing output more than 60 percent or three million tons. “It’s only a matter of time before all this new Chinese capacity, purportedly built to service the growing Chinese market, ends up being dumped into world markets, with Chinese government support as the Chinese economy begins to slow,” Hartquist said.

Recent actions by the U.S. Department of Commerce in initiating countervailing and antidumping duty cases against China and proposed Congressional legislation on currency manipulation have given the U.S. stainless steel industry some assurance that China’s trade

practices are coming into focus. Said Hartquist, “Assistant Secretary of Commerce for Import Administration, David Spooner, has said that the U.S. is fully committed to enforcing trade laws and agreements with China, and we are encouraged by the response so far by the agency regarding the myriad subsidies the government of China is providing various industries. We are also hopeful that Congress will soon pass legislation to make it clear that currency manipulation is a countervailable subsidy and an element of dumping. Our challenge going forward, then, is to remain vigilant and watchful, and to keep the growing threat from China in check so that our industry remains competitive on a level playing field around the world.” The complete text of the speech with supporting data can be found on the industry Web site: www.ssina.com.

David A. Hartquist is a Partner at Kelley Drye Collier Shannon in Washington, D.C. and Chairman of the firm’s International Trade and Customs Practice Group.

SSINA is a Washington, DC-based trade association representing virtually all continental specialty metals producers. Specialty metals are high technology, high value stainless and other specialty alloy products.

Member companies are: AK Steel Corporation, West Chester, OH; ATI Allegheny Ludlum Corporation, Pittsburgh, PA and ATI Allvac, Monroe, NC (both Allegheny Technologies companies); Carpenter Technology Corporation, Reading, PA; Crucible Specialty Metals, Syracuse, NY; Electralloy, Oil City, PA; Haynes International Inc., Kokomo, IN; ThyssenKrupp Mexinox SA de CV, San Luis Potosí, S.L.P., Mexico; North American Stainless, Ghent, KY; Outokumpu Stainless, Inc., Schaumburg, IL; Precision Rolled Products, Inc., Florham Park, NJ; Latrobe Specialty Steel Company, Latrobe, PA; Universal Stainless and Alloy Products, Bridgeville, PA; and Valbruna Slater Stainless Inc., Fort Wayne, IN.

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AMM CHINA SUMMIT

September 17, 2007

Remarks by:
David A. Hartquist
Kelley Drye Collier Shannon
Counsel to SSINA

AMM China Summit
A Focus on Free and Fair Trade
Session IV: Trade Law

A Discussion About New Cases and Likely Impact and Outlook on the Industry

I. IMPORTANCE OF CHINA TO U.S. STAINLESS STEEL INDUSTRY

Trade with China is front-page news these days. Headlines recently have been dominated by stories about pet food and toothpaste contamination, pirated CDs, and lead paint in toys. China's trade practices are vitally important to the U.S. specialty steel industry.

Why do I say this? Does a healthy specialty steel industry really matter to the U.S. economy? As many of you know already, stainless steel is used in more places than most people realize: in every cell phone and computer that is manufactured today; in equipment used to process foods and pharmaceuticals; in the manufacture of orthopedic implants and surgical equipment; in the manufacture and use of electronic diagnostic equipment like CT scanners. The list is endless, and as you know, much is taken for granted by the consuming public. Stainless steel is also used in almost every U.S. military platform, whether it is the stainless wire for bomb springs and tank fuses or flat-rolled armor plate for ground vehicles such as Humvees used to protect our troops in Iraq and Afghanistan. Our concern today, though, is that over an extended period of time, the U.S. could gradually lose its domestic stainless steel manufacturing base. Our industry is facing powerful new entrants in the stainless steel marketplace, and even though worldwide capacity exceeds demand, we are still seeing new facilities being added around the world, in India and Russia, but especially in China -- despite attempts by the Bush Administration to discourage foreign government subsidies.

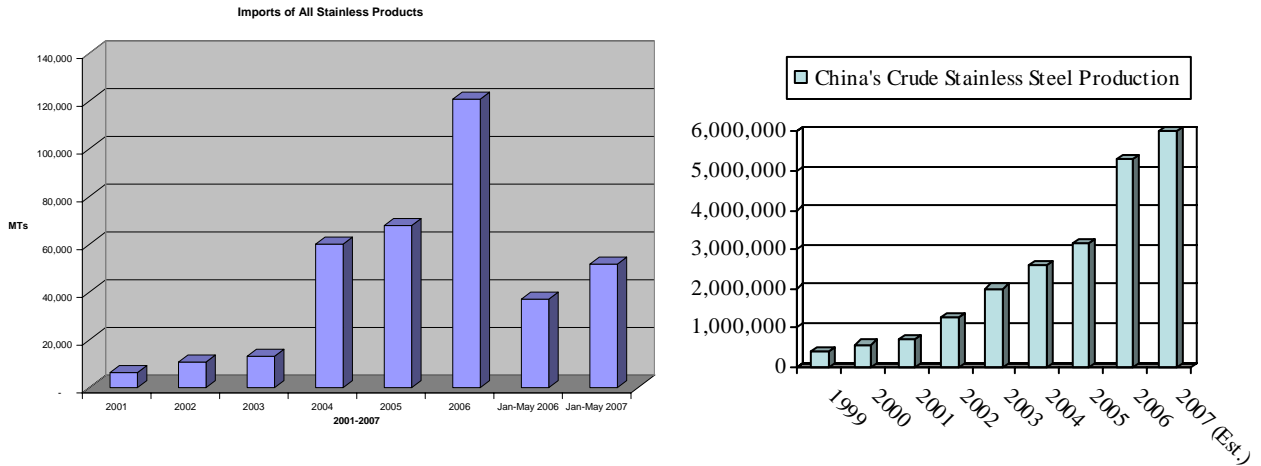
2006 was a watershed year for the Chinese steel industry -- China became the world's largest producer of stainless steel, increasing output more than 60 percent (or three million tons) year-on-year. To policymakers in Beijing, 2006 was also significant because a fundamental

objective was accomplished; namely, China ended its 20-year streak as a net importer of steel products. While China remains a net importer of stainless at this time, this deficit is not likely to persist, as China continues to expand stainless steel production capacity at a staggering rate: output is expected to grow an additional 1.5 million tons to reach 6.5 to 7 million tons in 2007.

Recent Chinese press reports say Chinese capacity is 10 million tons. It's only a matter of time before all this new Chinese capacity, purportedly built to service the growing Chinese market, ends up being dumped into world markets with Chinese government support, as the Chinese economy begins to slow. If supply begins to exceed demand in China, and we believe it will, it is also possible that countries currently exporting this product to China will begin dumping their products into the U.S. market, as they have done so many times in the past.

A look at the data shows us clearly why this is the case: imports from China are rising faster than our exports to China. Today, for every six dollars of merchandise we buy from China, the Chinese buy only one dollar from us. Specifically, in our industry, in a period of less than three years, China has become a major exporter of stainless steel flat-rolled products – a core commodity product of US producers. China is now the number two offshore source of stainless flat-rolled products in the US market, having increased its exports to the US by over 500% in the past year. In stainless long products (bar, rod, wire), which are critical to numerous aerospace and defense programs, Chinese imports have increased by almost 100%.

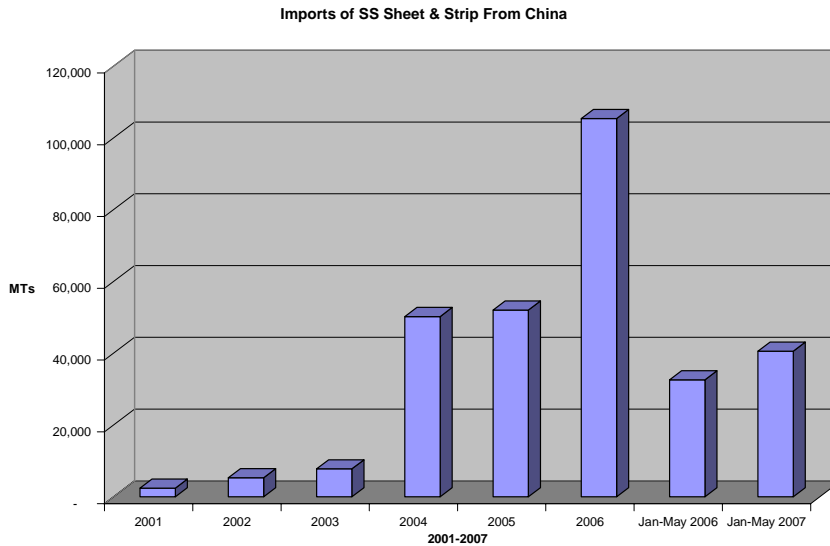
A. Production Capacity in China and Impact on U.S. Import Levels



As these tables show, production capacity in China in the stainless steel industry has grown substantially in recent years. In the past several years alone, capacity grew by more than 350 percent, to an estimated 6 million MTs in 2007. During this same period, imports into the U.S. grew by almost 850 percent to almost 121,000 MTs – over 250 million lbs. It looks like these trends will continue – and as you can see, any increase in productive capacity in China has a significant impact on the level of imports into the U.S.

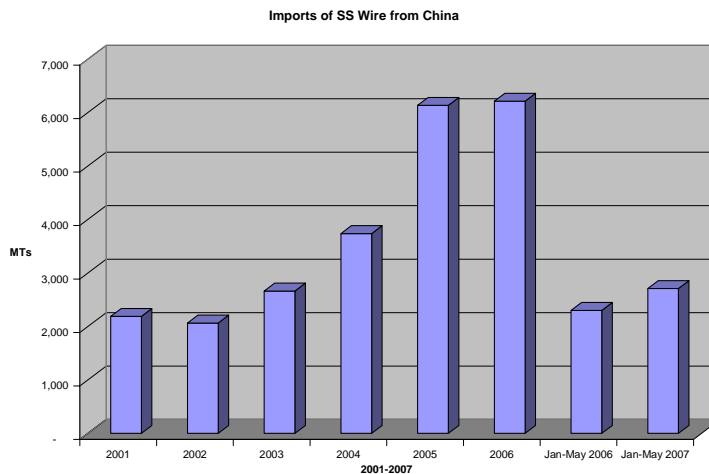
1. Sheet & Strip

Sheet & strip is by far the largest category of imports from China of stainless products, about 87 % of total imports, and the numbers speak for themselves. In only five years, imports have gone from less than 2,500 MTs to over 100,000 in 2006 – a 4,200 % increase. In just 3 years, we've seen a 1,200 % increase, and a 100 % increase from 2005 to 2006 alone. Not surprisingly, YTD 2007 is 24 % ahead of 2006. If recent trends continue, imports will exceed 1.5 million MTs by 2010.



2. Wire

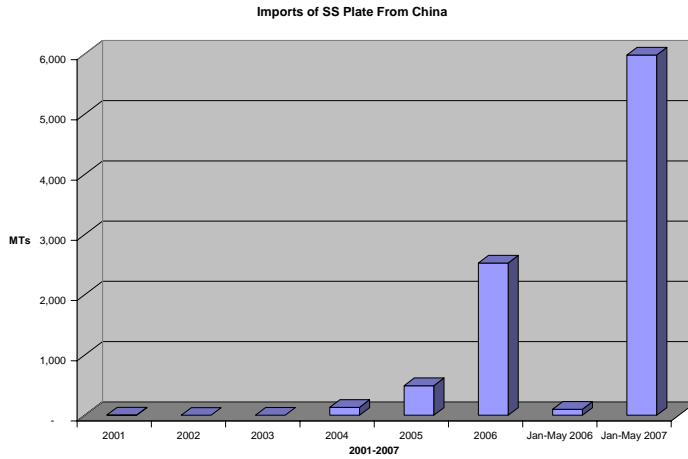
Growth in Chinese imports of SS Wire have followed much the same pattern as other major product categories – showing an almost 200 % rate of growth in 5 years, and over 100 % in only 3 years. YTD 07 is almost 20 % ahead of last year.



3. Plate

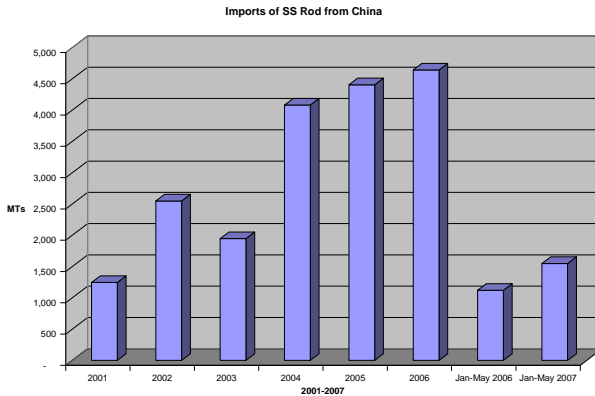
Imports of SS Plate show a bit of a different story – but equally alarming. While imports last year were only about 2,500 MTs (or about \$10 million), they were less than a 150 MTs only

3 years ago, and zero in 2002 and 2003. So in this product category, we have seen a rapid escalation in a very short period of time.



4. Rod

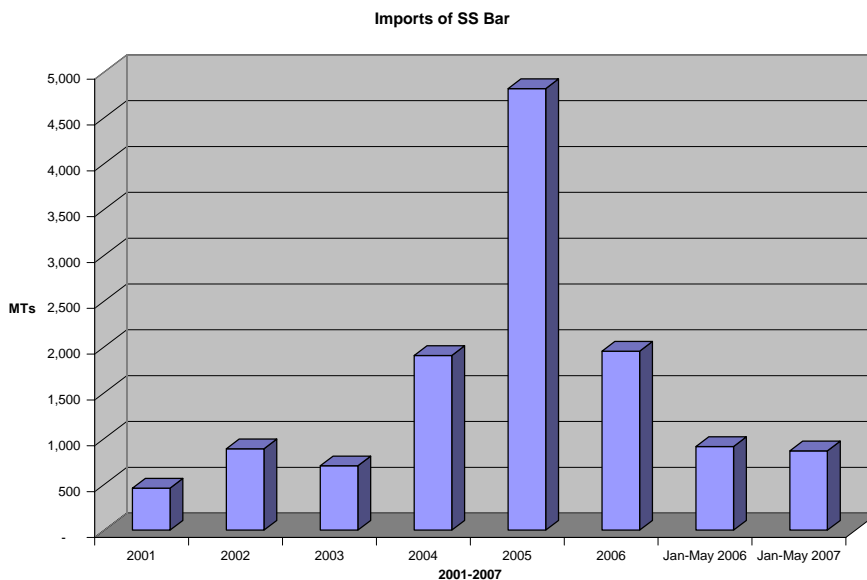
In the Rod sector, while the import quantity from China has grown by 140 % in the past 3 years, the value of imports has grown twice as fast – increasing from \$1.9 million in 2003 to almost \$9 million in 2006 – a 353 % increase.



Bar

Bar products represent the smallest category of imports from China, and are the only category where we've seen an actual decline in imports in 2006 compared to 2005 (dropping from around 5,000 MTs to just under 2,000 MTs) – but this is because there was a surge in

imports in 2005. The 5-year growth rate still exceeds 300 %. YTD 07 is also slightly below 2006, but the value of imports in 2007 is up significantly.



So as these charts show, the Chinese stainless steel industry has increased its exports to the U.S. in a very rapid and substantial way, and all projections indicate that this will continue – unless we act.

II. GOC ROLE IN CHINESE STAINLESS INDUSTRY

How does this happen so easily? How can productive capacity grow so rapidly in China and find its way so easily here? The answer is, “Beijing.” It should come as no surprise to anyone here that the Chinese government has identified stainless steel as a “key” product to China’s economic development. The GOC is actively promoting certain industries that it considers to be “pillar industries” (such as the automotive and construction industries), as well as certain basic industries that these pillars depend upon – in this case, steel, and more to the point, stainless steel. China has implemented a variety of policies over the years to give its stainless steel industry an unfair edge in the world marketplace, including: the restructuring and consolidating of various smaller steel enterprises to establish larger ones; and the renovating and

upgrading of older steel enterprises – including the construction of two stainless smelting and hot rolling centers for TISCO and Baosteel.

In addition, provincial and municipal governments have actively supported their local stainless steel producers. For instance, Shanxi Province supported TISCO's investment in a 500,000 ton renovation project, as well as the expansion of its stainless steel production capacity to 1.5 million tons (in 2004); and TISCO signed a memorandum of understanding with officials from the city of Luliang to help it build a RMB 25.2 billion integrated steel complex.

A. Subsidies

The GOC for many years has actively been involved in direct and indirect assistance to the stainless industry, and its support has taken many forms, such as debt-to-equity swaps, and preferential policy loans from state-owned banks. You can find two reports on Chinese subsidies on the SSINA website, www.SSINA.com. I'd like to share just a few examples with you:

- In 1999, TISCO transferred US \$241 million in non-performing loans owed to its state-owned creditor bank to an asset management company, in exchange for equity in TISCO.
- Baosteel also participated in this process and benefited from massive debt-to-equity swap deals with Baosteel Pudong Steel (US \$241 million), Baosteel First Steel Co. (US \$ 96 million), and Maeishan.
- The GOC also wrote off US \$310 million in NPLs when 46 steel companies merged and 18 went bankrupt, and
- The Government extended loans to TISCO and Baosteel to expand their production capacity, including Baosteel's US\$900 million investment to convert its subsidiary, Shanghai No. 1 Steel Works, into a stainless steel producer. The Government also subsidized interest payments on these loans for at least 3 years
- In September 2004, TISCO began construction of a 1.5 million-ton cold-rolled stainless sheet production line at an estimated cost of US \$3.2 billion, including US \$2 billion in bank loans. The company planned future projects to reach a capacity of 2 million tons of hot-rolled stainless steel sheets by 2008, with its capacity reaching 3 million tons of stainless steel and 12 million tons of carbon steel by 2010.
- And as recently as 2005, Baosteel funded one half of the US \$1.2 billion cost of a new stainless steel production facility with subsidized loans from state-owned banks.

a. Commerce Treatment of Recent Subsidy Allegations

How has Commerce been treating these kinds of subsidies? No CVD case on stainless steel has yet been filed, but a review of recent cases gives us a good idea of what to expect. In just three months, (May, June and July 2007), Commerce initiated 6 CVD and AD cases against China, covering over \$1.4 billion in imports, including paper, pipe and tube, nails, tires and paper sacks.

The first CVD case filed with Commerce against China was Coated Free Sheet Paper, initiated in May 2007. The case was filed in reaction to an 800% increase in imports from China in just two years, valued at \$224 million in 2006. This was the 1st departure in the 23-year practice of not applying CVD to a nonmarket economy country. Commerce found CVD margins ranging from 23 – 100%, and the following subsidies were found to be actionable: certain grant programs; GOC policy-lending programs; direct loans; income tax exemption or reductions; VAT duty exemptions (on domestically-produced and imported equipment); and VAT rebates in certain economic zones. Certain debt-equity programs were not found to be actionable because Commerce could not determine whether GOC banks were actually involved, and unfortunately, Commerce rejected currency manipulation as an actionable subsidy, claiming petitioners did not sufficiently allege certain elements necessary for imposition of CVD duty.

In two other recent cases, Circular Welded Carbon Pipe and Welded Carbon Rectangular Pipe & Tube, which were initiated in June and July of this year, while Commerce did not initiate on currency manipulation, it did initiate on numerous preferential lending programs; income tax programs (involving exemption or reduction on corporate and local taxes for FIEs); and R&D credits. Four types of subsidies that Commerce is actively investigating in these cases are particularly relevant to the stainless steel industry; they are: 1) the rebate of AD legal fees in certain provinces; 2) VAT rebates and exemptions; 3) exemption of payment of staff/worker

benefits for export-oriented cos.; and 4) provision of goods/services for less than adequate remuneration (including HR steel, electricity, natural gas, water, land).

In the most recent CVD case (initiated on August 7), Off-Road Tires, Commerce included many of the same programs mentioned above in its investigation, including numerous grant and loan programs (such as Discounted Loans for Export-Oriented Enterprises, Loan Forgiveness and Preferential Lending for State Owned Enterprises (SOEs), GOC Income Tax Programs, and Provincial Grant Programs.

Notably, Commerce initiated an investigation into the GOC's "Currency Program" and its "Foreign Currency Retention Scheme." It did not, however, initiate on the "Managed Exchange Rate Export Subsidy," or currency manipulation, because, according to Commerce, Petitioners did not sufficiently allege the elements necessary for the imposition of a CVD duty and did not support the allegation with reasonably available information.

B. Currency Undervaluation

Commerce has not yet initiated a CVD inquiry into currency undervaluation – decisions with which we do not agree. The undervaluation of the Chinese yuan gives the Chinese a built-in competitive advantage – we estimate over 40 % -- based upon government manipulation of its currency. SSINA is joining with other manufacturing industries in challenging China's currency practices to eliminate the gross undervaluation. We will follow the Off-Road Tires investigation into the GOC's "Currency Program" and its "Foreign Currency Retention Scheme" very closely. We are also pursuing Congressional legislation to make it clear that currency manipulation is a countervailable subsidy and an element of dumping.

III. CONCLUSION

Is there a crisis today in the specialty metals industry? No, but there could be if we don't act soon, and specifically focus on China's practices. Subsidization of the industry is likely to

continue unabated, as the Chinese government recently adopted an official policy that requires it to continue subsidizing its stainless steel producers. The consequences of these actions have been profound. The growth of the Chinese stainless steel industry to the point of excess capacity has been at the expense of its international competitors. The economic stability of the international stainless steel market and the financial viability of U.S. stainless steel producers demand that the Government of China end its policy of subsidization of the Chinese stainless steel industry.

As you know the Commerce Department administers antidumping investigations against many different foreign countries. Currently, Commerce has 62 antidumping orders on imports from China, representing 27 percent of the antidumping duty orders the U.S. has in effect globally – this despite that China supplies only 15 percent of U.S. imports.

Assistant Secretary of Commerce for Import Administration, David Spooner, has said that the U.S. is fully committed to enforcing trade laws and agreements with China, and we are encouraged by the response so far by the Agency regarding the myriad subsidies the GOC is providing various industries. Our challenge going forward, then, is to remain vigilant and watchful, and to keep the growing threat from China in check so that our industry remains competitive on a level playing field around the world.