



PUBLIC POLICY POSITIONS

**OF THE SPECIALTY STEEL INDUSTRY OF NORTH
AMERICA**

October, 2010

The Specialty Steel Industry of North America

The Specialty Steel Industry of North America (SSINA) represents virtually all U.S. domestic specialty metals producers of high technology, high value stainless steel, superalloys and other specialty alloy products. SSINA members have production facilities in 34 locations around the United States.

Top Priorities

- Job Related Bills. As a general proposition, SSINA supports legislation which helps to create and maintain U.S. jobs. This includes legislation and regulations which provide preferences for American-made products, as well as strong trade laws to remedy foreign unfair trade practices.
- Environmental Laws and Regulations. U.S. environmental laws and regulations should be directed toward providing Americans with a clean, healthy environment while not putting U.S. manufacturers at a competitive disadvantage against foreign producers not subject to similar standards.
- Definition of Critical Materials for National Security. Superalloys and specialty steels are essential to the manufacture of air, ground and marine defense systems and as such are critical to the national defense. The SSINA supports superalloys and other specialty metals as being categorized as materials critical to national defense and supports pending legislation reaffirming that point.
- Currency Manipulation. Years of inaction have shown that tougher measures are necessary to convince countries which manipulate their currency exchange rate, such as China, is urgently needed. SSINA urges the United States Senate to pass and send to the President the recently-approved House bill, H.R. 2378.

International negotiations have failed, and cannot succeed unless U.S. trade laws provide an effective remedy which can be leveraged in the negotiations.

- Research & Development Support. Congress should make permanent the R&D tax credit. With respect to the specialty metals industry, SSINA specifically supports the Specialty Metals Processing Consortium (SMPC) and the Metals Affordability Initiative (MAI).
- Support for Investment in America. Incentives need to be provided for investment in America. The U.S. needs a border-adjustable tax system that encourages export over imports, as virtually all of our foreign trading partners have done. Our national infrastructure urgently needs rebuilding. U.S. manufacturers need a stable and globally competitive supply of energy. Manufacturing increasingly requires strong educational backgrounds, and our education system needs upgrading. Students should be trained and encouraged to consider careers in engineering, research and manufacturing. The approval process for new nuclear power plants is slow and inefficient – it should be shortened dramatically.

International Trade Policy

- Strong Trade Laws. Faced with international competition from foreign producers receiving vast government subsidies, along with “dumping” their products in the U.S. marketplace in violation of U.S. and World Trade Organization rules, SSINA member companies have been active users of our national trade laws for many

years. Enforcement of our trade laws is essential to preserving fair competition and preserving U.S. jobs.

- Circumvention/Fraud. Though SSINA members have been highly successful in winning antidumping and subsidy cases, it is crucial that foreign producer efforts to circumvent the orders and to provide fraudulent information to our government requires constant monitoring and aggressive enforcement by our government. SSINA supports new legislation such as the Wyden-Snowe bill (S. 3725) to crack down on circumvention and fraud.
- China's Undervalued Currency. It is widely recognized that the Chinese currency is vastly undervalued, by about 40 percent. This results in a major artificial competitive disadvantage for U.S. manufacturers. SSINA supports legislation to recognize that manipulation of currency exchange rates is a subsidy actionable under U.S. trade law and WTO rules.
- Raw Materials. Raw materials essential to the production of specialty metals are located all around the world. Increasingly, governments such as China have subsidized investment in raw materials and are restricting free trade in raw materials. These actions often violate World Trade Organization agreements. The U.S. government has brought a dispute settlement proceeding in the World Trade Organization against China to eliminate these trade-distorting practices.
- Cuban Nickel. U.S. law prohibits importation of products from Cuba. Strong evidence indicates that China is buying most of Cuba's nickel production, making it into stainless steel in China, then exporting it to the United States in violation of the U.S. sanctions. SSINA members do not have access to Cuban nickel because

of the sanctions. The U.S. government should either require Chinese steel makers to certify that their exports to the United States do not contain Cuban nickel, or the U.S. sanctions should be repealed so that our companies have access to Cuban nickel in the same manner as our foreign competitors do.

- Customs. The recent shift in priorities within Customs and Border Protection to protecting the homeland has created an environment within which foreign exporters of steel products and their U.S.-based customers can avoid the traditional scrutiny normally provided at the border. Domestic steel producers have become increasingly aware of the fact that importers are evading the payment of antidumping and countervailing duties through a variety of circumvention schemes. Customs and Border Protection cannot ignore its trade enforcement functions, particularly in high priority areas such as antidumping duty enforcement. SSINA supports the continued funding of customs trade enforcement at levels adequate to ensure proper administration of the trade remedy program, including funding for training, import specialists and cargo inspectors.
- Buy America. The Buy American Act establishes a preference for the use of domestic end products for supplies and construction materials used in the United States. The Act has also given rise to other provisions of law that have established preferences for domestic producers in connection with certain government infrastructure programs, including most recently, the 2009 Economic Stimulus Program. These programs continue to provide welcome relief to a manufacturing sector that has been battered by the collective impact of unfair

trade and recession. SSINA supports implementation of these programs consistent with U.S. international obligations.

Manufacturing Specialty Steel in America

- Framework for Revitalizing American Manufacturing. SSINA supports President Obama's Framework, which contains many features helpful to revitalize American manufacturing. But more is needed.
- Encourage Investment. We must restructure our income tax system so that investment is encouraged in manufacturing. We should create a globally competitive border adjustable tax system that encourages exports over imports, as virtually all of our foreign trading partners have done.
- Energy. We must develop a system that provides a stable and globally competitive supply of energy to manufacturers. Our country desperately needs a national energy policy that encourages capital investments required to provide a clean, stable energy supply. The scope of this initiative should encompass all significant forms of energy generation, not just alternative energy technologies.
- Environment Regulations. We should change the manner in which new environmental regulations are created and imposed on the manufacturing base. Regulations should be based on good science, be predictable, be globally competitive, and represent a reasonable balance between costs and benefits.
- Research and Development. Government funded basic research is critical. There are many examples of successful partnerships between government, universities and the private sector. The role of the private sector is primarily to commercialize R&D.

- Education. Manufacturing increasingly requires strong educational backgrounds. We need to start in the elementary schools encouraging students to consider careers in engineering, research and manufacturing.
- Infrastructure. We must enhance our competitiveness by rebuilding our national infrastructure. This includes highways, bridges, airports, and our electricity grid. There is a direct relationship between the quality of infrastructure and the competitiveness of manufacturers.

Environmental Priorities

- Climate Change. SSINA opposes cap and trade and similar greenhouse gas (GHG) control legislation. If legislation is adopted, it must include appropriate mechanisms to reduce the burden on American manufacturing, which is among the most energy efficient in the world, and avoid the environmentally adverse flight of production to countries without similar regulations and with less energy/GHG efficient industries.
 - SSINA supports the National Association of Manufacturers litigation challenging the EPA’s “endangerment” finding and other agency efforts to regulate GHG emissions from stationary sources.
- Chemical Regulatory Reform. SSINA is monitoring legislation pending in Congress to overhaul the nation’s regulatory system. While SSINA supports the reasonable regulation of chemical substances to promote confidence in the safety of products, we are concerned about the potential burdens such legislation could impose on industry, particularly manufacturers of specialty steels that have long been recognized as safe.

- Regulation of Air Emissions. SSINA supports pollution prevention efforts, jointly developed by the US EPA and steel industry over the last several years and finalized in 2007, to reduce the presence of potential air contaminants in the scrap stream. Preventing pollution at the source (such as by removing mercury switches from automobiles or minimizing the presence of oily fluids in scrap) before melting scrap metal in the steelmaking furnace is the only practical way of controlling potential air contaminants. SSINA is cooperating with new EPA requests for information regarding air emissions at specialty steel mills, but is concerned that current EPA efforts to revisit the regulation of steel industry air emissions will cause existing pollution prevention programs to fail and result in less cost-effective means of controlling air pollution.

Legislation

- Manufacturing Agenda. House leadership has launched a “Make it in America” agenda and has identified/targeted for action up to 20 pieces of legislation aimed at strengthening domestic manufacturing. Several non-controversial bills have already been passed by the House (e.g., bills related to workforce training, export assistance for clean energy technologies, and a miscellaneous tariff bill). SSINA supports the “Make it in America” initiative and its goal of revitalizing domestic manufacturing.
- Highway Bill. The current surface transportation bill expires in December. Despite pressure to pass a full six-year reauthorization bill, Congressional efforts have been delayed due to revenue concerns and a lack of support from the Administration. SSINA supports expeditious passage of a six-year reauthorization

bill to fund critical infrastructure projects and continue the momentum created by the Recovery Act.

- Trade Law Enforcement. Several pieces of legislation designed to facilitate stricter enforcement of U.S. trade laws are pending in Congress. A bipartisan Senate bill—S. 3725, sponsored by Sens. Wyden (D-OR), Snowe (R-ME), and Schumer (D-NY)—would provide the Department of Commerce with additional tools to enforce existing anti-dumping (AD) and countervailing duty (CVD) laws. Additionally, a pending House bill—H.R. 5393, sponsored by Rep. Kissell (D-NC)—would provide Customs with necessary resources to combat fraudulent activities. While specifically focused on textiles, Rep. Kissell's proposal would be beneficial to all domestic manufacturers. SSINA strongly supports any and all legislation designed to strengthen our trade laws and ensure they are enforced to the fullest extent possible.
- Energy/Climate: Senate efforts to pass comprehensive energy and climate legislation—largely stalled since the House passed Waxman-Markey in June 2009—were briefly reinvigorated this summer by the Gulf oil spill. While passage of a more narrowly focused oil spill/energy efficiency bill remains possible, Senate Majority Leader Reid announced prior to the August recess that the Senate will not consider a cap-and-trade bill (either economy-wide or utility-only) or a Renewable Energy Standard this session. Additionally, legislation authored by Sen. Rockefeller (D-WV) to delay by two years EPA action to regulate greenhouse gas emissions from stationary sources may receive a floor vote this fall.

National Security

- Defense. The Specialty Metals Amendment is domestic sourcing law passed by Congress that encourages U.S. producers of specialty metals to invest in the manufacturing capacity, process technology, research and development necessary to meet the evolving material needs of the military. The Amendment accomplishes this objective by providing U.S. specialty metals producers a core of business in connection with various weapons and military aircraft. The Amendment is consistently under attack, including from within the Department of Defense, as a result of regulatory definitions and interpretations that undermine the intent and effectiveness of the law or that severely limit its scope. The recent definition of production, which permits qualification of armor plate that is merely quenched and tempered in the U.S., is an example of how Department of Defense-issued regulatory definitions can weaken this law. SSINA has historically resisted efforts to weaken or repeal this law, and will continue to do so.
- Industrial Policy. In February 2009, the DoD Strategic Material Protection Board ruled that specialty metals are not materials critical to national security, eliminating a national security reason for the Department of Defense to ensure a long-term domestic supply of such materials. SSINA rejects the underlying premise of this report and has argued that not only are specialty metals critical to the national security, but that the Department must pursue policies intended to ensure long-term domestic supplies of these materials. The policies should include: (1) proper implementation and enforcement of domestic sourcing requirements in the procurement of weapons systems; (2) government

encouragement and support of research and development in the area of strategic materials; and (3) the development of rational stockpile policies that will enable timely supply of strategic metals in times of national emergency.

Contact:
Skip Hartquist
Counsel, SSINA
dhartquist@kelleydrye.com
202.342.8450