



SPECIALTY STEEL INDUSTRY OF NORTH AMERICA

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Vibrant Specialty Metals Industry Critical to America's National Defense Specialty Metals Executive Testifies before U.S.-China Commission

(Washington, DC) (June 23, 2005) –China's entry into the production of specialty metals, coupled with the U.S. government's lack of attention to the critical role they play in national defense, should be sounding alarm bells among military specialists involved with weapons systems, according to testimony presented today by the chairman of the U.S. specialty metals industry group.

Dr. Jack Shilling, appearing at the invitation of the U.S.-China Economic and Security Review Commission on behalf of the Specialty Steel Industry of North America (SSINA), explained how U.S. government policies in place today may weaken America's defense capability by enabling the transfer of significant technology and manufacturing capability to China. In responding to specific questions posed by the Commission, Shilling pointed to the indifference of some Department of Defense policymakers to the critical role that specialty metals play in national defense; China's ambitious and unchallenged strategy of importing technology; and its aggressive pursuit of specialty metals production capability.

Shilling explained that Defense Department analysts and procurement officers fail to recognize and even mention the U.S. specialty metals sector as important to the defense industrial base. Additionally, according to Shilling, a short-sighted, non-strategic search for lower costs benefits foreign producers of commodity specialty metals products while putting the U.S. industry at risk.

“While this disregard for the importance and health of the specialty metals industry may not yet have materially damaged our industry's R&D to date, the handwriting is on the wall,” said Shilling. “If the DOD does not stand up and support the specialty metals industry as being critical to national defense, and if the U.S. government does not create a climate that encourages investment in our industry, there is a very good chance that, over time, this industry could move offshore, both from a manufacturing as well as R&D standpoint.”

Shilling explained that defense applications account for less than 10% of revenues in the specialty metals companies, making the overall health of the industry of critical importance to

national defense. “Our industry only seeks a level playing field on which to compete,” he continued. “It does not need protection. However, the field is not level currently, and to make matters worse, instead of standing up and supporting our industry, some representatives of the DOD openly suggest that our industry is not important to the country’s defense capabilities. Over the last ten years, we have witnessed a disturbing trend that could result in the gradual dissolution of the domestic specialty metals defense capability.”

Shilling noted that currently China is incapable of making most, if not all, specialty metals required for leading edge defense applications. But he warned that China is aggressively seeking western technology and offering up access to its market in return for technology.

“It has taken our industry decades to develop the basic processes required to make high quality specialty metals for demanding non-defense related applications, e.g., commercial aerospace, and transferring these basic technologies to China would greatly facilitate Chinese mastery of more leading edge technologies,” Shilling testified.

“It is also very important to understand that technology development travels with the manufacturing process,” he continued. “Our plants in the specialty metals industry are our laboratories. It is thus naïve to think that manufacturing of these materials could be transferred to China while technology development is kept here in the U.S.”

Jack W. Shilling, Ph.D., is Executive VP, Corporate Development and Chief Technical Officer, Allegheny Technologies, headquartered in Pittsburgh, PA.

The U.S-China Economic and Security Review Commission was created in October 2000 to monitor, investigate, and submit to Congress an annual report on the national security implications of the bilateral trade and economic relationship between the United States and the People’s Republic of China, and to provide recommendations, where appropriate, to Congress for legislative and administrative action. The Commission is composed of 12 members, three of whom are selected by each of the Majority and Minority Leaders of the Senate, and the Speaker and the Minority Leader of the House. The Commissioners serve two-year terms.

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, Middletown, OH; Allegheny Ludlum Corporation, Pittsburgh, PA and Allvac, Monroe, NC (both Allegheny Technologies companies); Carpenter Technology Corporation, Reading, PA; Charter Specialty Steel, Fond du Lac, WI; 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; Special Metals Corporation, Huntington, WV; Techalloy Central Wire Group, Mahwah, NJ; Timken Latrobe Steel, Latrobe, PA; Universal Stainless and Alloy Products, Bridgeville, PA; and Valbruna Slater Stainless Inc., Fort Wayne, IN.

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