

**THE SUPERALLOYS COMMITTEE
of the Specialty Steel Industry of North America**

**POSITION PAPER ON
INTERNATIONAL TRADE**

INTRODUCTION

The Specialty Steel Industry of North America's Superalloys Committee is a Washington, D.C.-based trade group representing approximately 90 percent of U.S. producers of high-performance materials or superalloys. While superalloys are primarily nickel-based materials, some contain other alloys, such as cobalt or iron, as the predominant element.

These materials are designed to withstand high temperatures or corrosive environments. Because of their unique alloy content and unlike other steels or nonferrous alloys, they have the ability to perform under rigorous conditions and possess properties (thermal, magnetic and electrical) that are well tuned to suit these particular conditions. The applications for superalloys are in the production of gas turbine engines and other aviation/aerospace components, power generation gas turbines, nuclear reactor components, environmental protection equipment, oil and gas extraction, human orthopedic implants and many other critical high-performance applications. Given the material's complexity, there are few producers of superalloys in the world. The U.S., however, is the world's leading producer.

Along with being the world's leading producer, the U.S. also is the world's largest market for superalloys. While U.S. producers supply most of the domestic demand for these materials, the industry also exports a substantial volume of its production to a number of markets. Indeed, members of the Superalloys Committee export more than 25 percent of their production worldwide.

Based on industry statistics, more than 35 million pounds of nickel alloys were exported from the U.S. in 2003, with an estimated value of more than \$300 million. The European Union received nearly half of the exports. The industry also exports significant volumes to other markets, including Canada, Mexico, Japan, Korea, Singapore and Israel. Developing markets for these products (alloys) include the emerging economies of the former Soviet Union, Mainland China, and India. Given its strong export orientation, the industry is in favor of liberalizing trade by eliminating import tariffs and any other non-tariff barriers.

IMPORT TARIFFS

The Superalloys Committee believes the United States should seek the elimination of import tariffs worldwide. The committee historically has taken an aggressive position in favor of tariff reductions in prior trade negotiations, such as the Uruguay Round, and supports additional reductions in the ongoing Doha Round of negotiations. The committee is willing to seek complete elimination or further reductions in foreign U.S. tariff levels, even at the expense of the remaining U.S. tariffs on superalloys.

Currently, U.S. tariff rates on superalloys generally do not exceed 30 percent. The corresponding tariff rates for the European Union are either comparable or lower than the current U.S. tariff rates, while the tariff rates for Canada and Israel (with a few exceptions) have already been eliminated. In contrast, the tariff rates in Japan and Korea are nearly double those of the U.S. rates. Moreover, the tariff rates in some of these major markets are higher for nickel-based alloys than those of other alloys. Tariff rates in other export markets for which the U.S. industry is trying to expand its sales are even higher.

The Committee is willing to forfeit the existing U.S. tariffs for the complete elimination of import tariffs in its principal export markets, even though in some instances the U.S. tariffs may be higher. The U.S. industry would particularly benefit from the elimination of tariffs in those markets that imposes significantly higher import tariffs, such as Japan and Korea. Because the U.S. industry is export-oriented and has limited import competition, the elimination of import tariffs on superalloys would provide a highly competitive, export-oriented U.S. industry with significant opportunities to expand its overseas sales to both existing and new markets, thereby improving the industry's overall economic health and well-being. To this end, the Committee strongly supports the complete elimination of all import tariffs, in the context of upcoming Doha round of multilateral trade negotiations. The Committee, however, does not support a unilateral elimination of U.S. tariffs without similar concessions in the industry's principal export markets. The industry would support a zero for zero outcome of the tariff negotiations.

Export Controls

Given the strong export orientation of the U.S. industry, the Committee is sensitive to the adverse impact unilateral export controls can have on the industry's competitive position in world markets. In recent years, U.S. national security export controls on superalloys have been liberalized in conjunction with the broader liberalization that has been taking place internationally in the export control arena. The Committee encourages further movement in this area, consistent with overall U.S. national security objectives. At the same time, the Committee does not support unilateral export controls designed to serve U.S. foreign policy interests that are not supported by U.S. trading partners. Such controls rarely achieve their objectives, and merely result in the loss of business for U.S. firms.

Technical Standards

Although non-tariff barriers have not been a problem for the superalloys industry in its principal export markets, to the extent that producers are subject to technical standards overseas, the Superalloys Committee is in support of seeking harmonization of technical standards in the context of international bodies such as the International Standards Organization.