

TESTIMONY OF YOUNG-IL, BAEK

Good afternoon. My name is Young-il Baek, and I am a manager in the overseas marketing department of POSCO. I have worked for POSCO as a member of trade affairs team for over three years. I appreciate the opportunity to appear before the Commission today to present this subject.

POSCO is the world's fifth largest steel company, and sells a wide-variety of steel products including CORE in the home market and to markets all over the world. Korea is POSCO's largest market for CORE and normally accounts for 60 to 70 percent of our shipments. As for export markets, POSCO primarily export to countries in Asia due to their close proximity and other growing economies such as Turkey, Mexico, and Brazil. POSCO has also maintained a steady and consistent presence in the U.S. market since the original investigation in 1992. However, in recent years POSCO has continued to diversify into a broader market arena and as a result, our level of exports to the United States has steadily declined. This trend will continue in the future as POSCO wants to reduce risks due to overdependence on a few markets.

POSCO's sales of CORE to the U.S. market are exclusively to the automotive sector, mainly to Kia, Hyundai, and Volkswagen. However, POSCO's supply of CORE to the automotive sector has continued to decline

during recent years as the U.S. automotive companies have increasingly expressed a preference for domestically-produced CORE. Their reason has nothing to do with the quality of POSCO's CORE, but rather is due to the long lead times, transportation costs, and logistical issues associated with importing from Korea. Due to their dependence on continuous production schedules, the U.S. automotive companies are increasingly buying from the U.S. domestic producers who can deliver their products much faster and with lower transportation costs and fewer logistical issues associated with importing from Korea. We expect this trend to continue in the future and as a result expect our exports to the U.S. to continue to remain at relatively low levels.

Another important reason why we expect our exports to the U.S. to continue to remain low is our recent investments in production facilities in Mexico. Specifically, in June, 2009 POSCO-Mexico's first production facility commenced commercial production of CORE. The continuous galvanizing line has a production capacity of 400,000 tons. Additionally, POSCO-Mexico is in the process of constructing a second production facility in Mexico, which will have an additional capacity of 500,000 tons. Given its close proximity to the U.S. market, POSCO expects to increase its service the US market from its Mexico facilities.

Another important development for POSCO is that the Department of Commerce recently revoked the CORE AD order on POSCO in March of last year. The revocation was based on the fact that POSCO consistently had *de minimis* dumping margins. The revocation occurred only in March last year, and I would like to note that since the revocation of the AD order, POSCO has not materially changed its level of exports to the U.S. market. CVD margins have always been *de minimis*. POSCO has continued to ship its products to the U.S. market in small volumes. This is because POSCO's strategy of diversification is not impacted, and has never been impacted, by the existence of the AD and CVD orders. This will not change if the orders are revoked.

I would also like to address the issue of POSCO's recent capacity additions. In April of last year, POSCO added a new continuous galvanizing line at its Pohang plant. The total capacity for this new line is 826,000 short tons. However, of that new capacity, 341,000 short tons is for the production of non-subject pickled and oiled hot-rolled steels. The new CORE capacity from this new line is thus 485,000 short tons. This new capacity was added chiefly to serve the construction and household appliances industries in the domestic and emerging markets. The Pohang plant did not have continuous galvanizing line before the construction of the

new facility and Gwangyang plant's galvanizing lines are producing CORE mainly to meet the soaring demand for the automotive industry.

Additionally, POSCO had planned to build a new CORE plant in Gwangyang in 2009, but those plans were abandoned and POSCO has no plan to build this plant at this time.

Finally, I would like to briefly address imports from China into Korea. Imports of CORE from China have not had much impact on POSCO's sales in the Korean home market because the quality of the steel is not at the same level as POSCO and is primarily targeted to the construction industry, especially for those who do not require high safety standards such as light weight steel, structural steel and roofing panel.

Again, I appreciate the opportunity to present this case before the Commission today and will do my best to answer any questions you may have.