

**CORROSION RESISTANT CARBON STEEL FLAT PRODUCTS
FROM GERMANY AND KOREA**

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CHECK AGAINST DELIVERY

Stefan Grünhage - ITC Testimony

Good afternoon, Chairman Williamson and Commissioners.

I am Stefan Grünhage, Head of Distribution Service and Senior Manager of Sales Strategy and Planning for ThyssenKrupp Steel Europe AG. My title describes my responsibilities well – sales, strategy, planning, including corrosion resistant products. I am here from Duisburg to offer information to aid in your decision making with respect to Germany.

Production Capacity

ThyssenKrupp Germany can only sell what it has the capacity to make. Presently, for CORE this is about five million tons annually, as set forth in the business plan we provided to the commission. The plan reflects our operational adjustments of practical production capacity to projected demand, for example: the closing of a blast furnace. The plan projects total CORE sales of about 5 million tons in fiscal year 2012-2013. Thus, realistically, under normal operating conditions, our CORE capacity utilization was at 94% in 2011 and is slightly above that today.

This is all CORE capacity. Non-subject CORE is a large and growing proportion of our sales – especially Micro-alloys developed in response to evolving customer demands; five years ago they were a quarter of CORE production, today they are one third. It is misinformed to consider all CORE products to be fungible. These Micro-alloys tend to be advanced high strength steels

for the most demanding applications, such as hot formed auto parts. It is not easy to simply shift production between these products; it requires significant advance planning and scheduling, and we will not abandon established customers that have set this trend to increase non-subject production.

EU as Home Market

With no tariffs or even the possibility of trade barriers, and nearly all using the Euro as a common currency, ThyssenKrupp's home market in my mind is the entire EU. Proximity matter's; transportation is at preferential rates for shipments within the EU; product standards and specifications and financing are essentially uniform throughout. These are fundamental reasons why this customs union was formed. Germany is central to it, as the main economic engine of Europe. But none of our EU sales are exports in any meaningful sense – commercially, they are closer to sales between states in the United States. The EU accounts for 93% of our total CORE shipments in 2011. So I find it incorrect that petitioners label ThyssenKrupp as export-oriented.

TKS USA

ThyssenKrupp exports small volumes of CORE products to the United States, less than one percent of our total CORE shipments. In recent years, about half have been of Granocoat, an

excluded carbon CORE product. What remain primarily are so called “Prep tons” to temporarily support TKS USA as it becomes a qualified supplier and ramps up production. Let me explain:

ThyssenKrupp has adopted a local supply strategy, where we invest in production near the customers. This reduces transportation and logistics cost, avoids currency exchange risks, and greatly enhances customer relations. In the United States, this strategy led us to build TKS USA in Calvert, Alabama. This was a 5 Billion \$ investment in flat rolled steel production, both stainless and carbon – 1,4 Billion \$ of which relates to CORE production.

My colleagues will tell you more about this investment. Our sales plan is to have TKS USA displace imports from Germany. However, customers must be serviced while TKS USA passes rigorous qualification tests that can take over a year. The new mill also needs customers once it is qualified and it comes on line. These related goals are accomplished with so-called “Prep tons” – these are temporary imports from Germany for TKS USA’s customers. These prep tons explain the small increase in subject imports from Germany since 2010.

Shipments of prep tons will end in 2014. Minimal exports will continue after that, but these will be of electro-galvanized CORE, since TKS USA makes hot dipped galvanized CORE. In the market, hot dipped galvanized has steadily replaced electro-galvanized over the past decade because hot dipped galvanized is less expensive and its performance characteristics have improved. We only make electro-galvanized in Germany, so we will continue exporting it to a few customers in low volumes since TKS USA cannot make these products.

Concerning these U.S. sales, our universe of potential customers has been narrowed by global raw materials volatility. ThyssenKrupp does not have captive raw materials supplies. Since 2010, raw materials – especially iron ore and coal – can no longer be purchased under long term contracts. This caused us to require steel contracts with quarterly surcharge mechanisms, which meant that the automotive sector became our sole U.S. customer base, as no others would accept the surcharges, particularly with five month lead times required for our U.S. shipments. Thus, today, our only U.S. customers are automotive. This means our U.S. sales essentially are unaffected by demand trends in other sectors like construction.

Non-U.S. Exports; Tagal and Galmed

ThyssenKrupp has hot dipped galvanized CORE mills in Spain and China. Both serve their local markets and neither ship to the United States. Given that China and Spain are not subject to antidumping orders, you have a very good indication of what is likely to occur with respect to CORE imports from Germany following revocation. If we were going to behave as petitioners claim following revocation, we would already have flooded the market from Spain and China. Of course, we did not do so. And we have no plans do so.

Our non-U.S. CORE exports from Germany, as small as they are, have been limited to China for two years, despite the fact that there are no trade barriers against German CORE exports in any market, except the United States. There is no basis for believing that we would shift these shipments from China to the United States if the antidumping order is revoked. The exports from

Germany to China serve our international auto customers that globally require the same CORE products that we make only in Germany. These limited exports from Germany to China are indicative of the composition of our small exports from Germany to the United States if the antidumping order is revoked, as the United States market is to be served by production in Alabama just as soon as the product is available from Alabama.

No Price Magnet

You heard a lot this morning about prices in different markets, as if the United States were a high-price magnet poised to draw in a flood of German steel after revocation. Let me describe to you how someone in my position looks at that argument.

First, factually it is wrong. Over the past five years, sometimes prices in the United States have been higher than in Europe, and sometimes lower. The spreads are either way not dramatic and tend to be a function of fluctuating exchange rates as much as anything else.

Petitioners also are very wrong about how different markets' comparative prices affect ThyssenKrupp's sales decisions. From the production side, there must be available capacity – and we are running close to full capacity. We are not going to abandon customers in the EU market just to chase temporary price differentials.

More basically, it is illogical for petitioners to argue that we compare ex-mill prices in the United States with ex-mill prices in Germany and choose to sell to the higher of the two. Someone has to pay to move the steel across the Atlantic. At about 90\$ a ton, transportation costs from Germany are significant. We also incur higher credit and service costs on U.S. sales.

Then there are lead times – about 5 months for our U.S. sales, as all our production is made to order, making inventory levels meaningless in this review. Customers will not wait that long when they can buy immediately from a nearby U.S. mill, without the risks of market prices having changed by the time the material arrives. This alone gives U.S. mills significant price premiums over imports from Germany.

In my experience, the price magnet theory is not realistic. In the real world where I help to set ThyssenKrupp's sales strategies and plans, it simply does not hold up. Given customers' all-in acquisition costs and concerns, for the theory to have any credible basis in fact, it would require near permanent price differentials over 25% - and that is just not realistic.

Gloom and Doom

Petitioners also have greatly exaggerated conditions in the European economy as I see them for sales planning and strategy purposes. My job requires that I keep a close watch on European demand indicators. The recession of 2009 affected Europe like it did the United States, but not as badly in Germany. And most of Europe, including Germany, has been in sustained recovery for

the past two and a half years, and I expect this will also be the case for the foreseeable future. It is slower than we would like, but it is moving in the right direction and, for ThyssenKrupp, the economic fundamentals are sound. Auto production is not soaring, but it is relatively stable, as is construction. Import levels are low and we expect an EU countervailing duty order to soon be imposed on organically coated CORE products from China. Looking forward, customer inventories are low and restocking is soon to commence at significant levels, meaning increased EU shipments for at least the next two quarters.

Certainly there is nothing occurring in the EU market that would likely lead to a flood of steel exports into the United States. Consider that at the depths of the economic crisis in 2009 there was no flood. Instead, CORE imports from Germany dropped to their lowest level in 2009, with market shares below 2008 and 2007. In fact, they have been at very low levels throughout the economic ups and downs of this review period. This will not change with revocation, as Alabama's production completes full ramp up.

Thank You