

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

| | | |
|-------------------------------------|---|----------------------------------|
| Steel Concrete Reinforcing Bar from |) | Inv. Nos. 731-TA-873-875, |
| Belarus, China, Indonesia, Latvia, |) | 877-880, and 882 (Second Review) |
| Moldova, Poland and Ukraine |) | |

**Testimony of Kirils Polovenko
Trade Remedies Adviser to the Executive Director
Telecommunication and IT Department Head,
JSC Liepajas Metalurgs**

1. Good afternoon. My name is Kirils Polovenko of Liepajas Metalurgs. I am the director of IT and the Trade Remedies Advisor to the Managing Director. I have been with LM for 16 years. I would like to address in a little more detail the different technical standards applicable to the EU and the United States, Thermex production process LM uses for rebar, and the implications this has for selling rebar in the United States.

2. As my colleague Alex Zaharin explained a few moments ago, currently LM produces rebar in Latvia using the Thermex process. The Thermex process involves cooling the rebar using a water-quenching process. The water quenching allows us to obtain the necessary mechanical properties that would

otherwise require a billet with a more demanding (and expensive) chemical composition.

3. The rebar we currently produce using the Thermex process does not meet ASTM standards. First, as mentioned, the billet has a different chemistry from the billet used when producing air cooled rebar for the U.S. market. Second, the rib pattern is different. To produce air cooled rebar for the U.S. market we would need to use a different roller. As my colleague Alex mentioned, LM has the ability to produce air cooled rebar, and has done so in the past. However, the cost is higher. In addition to the higher cost of billet itself, there are efficiency costs involved in producing to two different standards.

4. Currently, we are able to sell our Thermex rebar throughout the EU, as well as to our principal export markets in Algeria and Russia. However, the United States has never accepted our Thermex product. We submitted with our prehearing brief examples of customer orders that expressly stated “no Thermex.” This was a requirement on all of our sales to the United States for the past 20 years, and it is my understanding that this has not changed.

5. I am aware that in this morning’s testimony the domestic industry asserted that there are producers who are able to sell Thermex rebar in the United States. As I mentioned a moment ago, the Thermex process uses water-quenching to achieve certain mechanical properties that otherwise would require a more

expensive billet. The resulting rebar is more porous, and therefore more prone to rust. Given the fact that the rebar takes approximately 30 days, via ocean transport, to reach the United States, rust can be a problem. It may be that domestic producers, who can ship directly from the mill, do not incur this problem. Whatever the reason, all we can say is that our customers in the United States (as well as in Canada) have always refused to accept Thermex.

6. Thus, in order to re-enter the United States market, we would need to produce air cooled rebar. This would require us to shift between production processes – one for the United States, and one for all of our other markets. Given the fact that we have been able to operate at full capacity over the past five years by serving our existing markets, and given all of the other economic factors that Alex discussed in his testimony, it makes no sense for us to undertake this additional cost.

7. In conclusion, while the different standards in the United States are not an impossible technical barrier, the Thermex standards issue is an additional, incremental reason why we have chosen not re-enter the U.S. market and why we do not anticipate doing so in the foreseeable future.

8. I would be happy to answer any questions you have.