

PORTER WRIGHT MORRIS & ARTHUR LLP
Attorneys & Counselors at Law

Leslie A. Glick
202-778-3022
lglick@porterwright.com

1919 Pennsylvania Avenue N.W.
Suite 500
Washington, DC 20006-3434

Facsimile: 202-778-3063
Toll Free: 800-456-7962

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The Honorable William Thomas
Chairman, Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Thomas:

On behalf of Kemet Corporation, I hereby submit comments on the following bills: H.R. 4280 Aluminum Etched Foil, H.R. 4281 Chemical RH Water Based, H.R. 4282 Chemical NR Ethanol Based, H.R. 4283 Tantalum & Articles Thereof, H.R. 4284 Tantalum Capacitor Ink, H.R. 4460, Tantalum Powder, H.R. 4296 Barium Titanate, H.R. 4297 Thermal Release Plastic Film, H.R. 4298 Silver Paints & Pastes, and H.R. 4299 Polymer Masking Material for Aluminum Capacitors.

I hope the Committee will find these comments useful when making its determinations. Please feel free to call me should you have any questions. Thank you.

Sincerely yours,

Leslie Alan Glick
Counsel for Proponent, Kemet Corp.

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I. Introduction

These comments are submitted on behalf of Kemet Electronics Corporation (“Kemet”) in regard to ten bills which propose reducing Customs duties on certain component products imported by Kemet used in the manufacture of capacitors. Each section of this brief will describe the products in detail, including the products involved, their uses, and current/projected value data. Kemet’s reasons for importing these products will demonstrate its interest in reducing the applicable Customs duties. (See Section III, Statement of Purpose.)

II. Tariff Reduction Bills

A. H.R. 4280 Aluminum Etched Foil

Aluminum Etched Foil is used in the manufacturing of anodes, and is imported from Japan. Panasonic also imports said product. The HTSUS number for aluminum etched foil is 7607.19.1000, which carries a dutiable rate of 5.3%. The value of Kemet’s dutiable imports from 1997-2001 is \$3,538.92. The estimated revenue loss based on Kemet’s projected imports (2002-2006) is valued at \$68,276.72. There is no domestic production of aluminum etched foil.

B. H.R. 4281 Chemical RH Water Based (Iron Toluene Sulfanate)

The CAS RNs contained in this product are 6192-52-5 and 1309-37-1. For reference purposes, this product will heretofore be referred to as “Chemical RH.” Chemical RH is a reddish-brown liquid. It is used in the manufacturing of cathodes and is imported from Japan. H.C. Starck, Inc./Bayer Group also imports Chemical RH. There is no further processing of the product once it has been imported. The HTS subheading is 2904.10.1000 which has a general duty rate of 5.50%. The value of Kemet’s dutiable imports from 1997-2001 is \$29,515.70. The estimated revenue loss based on Kemet’s projected imports (2002-2006) is valued at \$29,173.10. There is no domestic production of Chemical RH.

C. H.R. 4282 Chemical NR Ethanol Based (Iron Toluene Sulfanate)

The Chemical Abstract Service Registry Numbers (CAS RNs) contained in this product are 64-17-5, 6192-52-5, and 1309-37-1. For reference purposes, this product will heretofore be referred to as “Chemical NR.” Chemical NR is a liquid with a reddish-brown color. It is used in the manufacturing of cathodes and is imported from Japan. H.C. Starck, Incorporated/Bayer Group also imports Chemical NR. There is no further processing of the product once it has been imported. The HTS subheading is 2912.12.0000 which has a general

duty rate of 5.50%. The value of Kemet's dutiable imports from 1997-2001 is \$29, 515.70. There is no domestic production of Chemical NR. Projected revenue loss for the next five years would be \$25,500.

D. H.R. 4283 Tantalum & Articles Thereof

The tantalum articles under H.R. 4283 include tantalum top/bottom shield, tantalum pan, tantalum crucibles, tantalum rod, and tantalum wire. A tantalum top/bottom shield is part of a sintering furnace lining that allows the furnace to achieve higher temperatures and provide a clean atmosphere for processing tantalum anodes. A tantalum pan is the crucible that contains the tantalum anode during the sintering process. All of these products are produced by Ningxia Non-Ferrous Metals Smeltery and are imported from mainland China. The tantalum crucibles are also produced by Sunshow Corporation and are imported from Japan. The alternate domestic supplier of the aforementioned tantalum articles is H.C. Starck, Incorporated, a division of Bayer Group located in Newton, Massachusetts. The main reason for purchasing the imported products is because on several occasions these critical business materials have suffered extended lead times from the U.S. supplier, making it essential to have an alternate source.

E. H.R. 4284 Tantalum Capacitor Ink

H.R. 4284 Tantalum capacitor ink includes Graphite Paste P5900 and Graphite Ink (AP Carbon) P7300. Neither product has an applicable Chemistry Abstract Service Registry Number (CAS RN). Graphite Paste P5900 and Graphite Ink P7300 are produced by Johnson Matthey and are imported from the United Kingdom. There is no further processing done on the product after importation. Both products are used in the manufacturing of dielectric. They are classified under HTS subheading 3207.30.0000 and have a general duty rate of 3.10%. The estimated value of Kemet's dutiable imports based on the past five years (1997-2001) is \$53,757.45 for Graphite Paste P5900 and \$2,511.19 for Graphite Ink P7300. The estimated revenue loss based on Kemet's projected exports between 2002-2006 is \$37,181.96 for Graphite Paste P5900 and \$1,711.20 for Graphite Ink P7300. Other importers of the products and alternate domestic sources are unknown.

F. H.R. 4460 Tantalum Powder

The tantalum powder under H.R. 4460 is produced by Ningxia in China and Showa Chemicals in Japan. Alternate domestic suppliers of tantalum powder are H.C. Starck and Cabot Corporation. Kemet Corp. imports these products due to their technological superiority over the domestically produced competitors. No other producers have the quality and consistency of material that these importers possess.

G. H.R. 4296 Barium Titanate

H.R. 4296 covers the following products: Barium Titanate (BT-01) and Barium Carbonate Titanate Zirconium Dielectric Formulation (BCTZ-3). BT-01 is a barium titanate made from a chemical process, whereas BCTZ-3 is a barium titanate formulation, commonly known as "dielectric." BCTZ-3 is manufactured by Nippon Chemical Industrial Co., LTD and

imported by Japan Chemical Industry. BCTZ-3 is also manufactured by Sakai Chemical Industry Co., LTD and imported by Sakai Trading Co. LTD. Sakai Chemical also manufactures BT-01. Both products are imported from Japan. The alternative domestic producer of BCTZ-3 and BT-01 is FERRO Electronics Materials, in Niagara Falls, NY. The HTSUS number for barium titanate is 2805.22.2000. The projected use is valued at \$537,000 for BCTZ-3 and \$127,000 for BT-01.

Barium Titanate products are imported because the material needed by Kemet is manufactured by a different process in Japan that is not available in the U.S. The BCTZ-3 formulation is specific to the manufacture of ceramic capacitors with Base Metal Electrodes, which compete directly with Japanese capacitor manufacturers. The imported barium titanate material is produced such that it has a finer grain structure that is used for thinner layer ceramic capacitors, so as to make Kemet capacitors more competitive with the Japanese.

H. H.R. 4297 Thermal Release Plastic Film

H.R. 4297 covers the following products: Revalpha #31981, Revalpha #319Y-40M, Revalpha #31950M, Revalpha #3195MS, and Revalpha #319Y-4MS. Thermal release plastic film is made from common plasticizers and resins that are available worldwide. It is used as a base on which to build the ceramic capacitor and then it is discarded. It does not become a tangible part of the finished product. Thermal release plastic film is produced by Nitto Denko Corporation and imported from Japan. Germany is another source of this import. There are no manufacturing facilities for this product in the U.S. The HTSUS number for thermal release plastic film is 3919.10.2020, which has a general dutiable rate of 5.8%. The dutiable value of Kemet's product is \$266,800 while the projected use is \$4,600,000.

The Revalpha products mentioned above are unique, patented, and specifically designed for electronic applications. They are a necessary and mandatory component for Kemet in the manufacturing of ceramic capacitors. Over the past five years, domestic manufacturers have been unsuccessful in their attempts to copy Revalpha because of the patents that protect its adhesive and release characteristics. Each side of the release film has a different patented coating, which is designed to activate and reactivate the adhesive characteristics under various temperature ranges. The first heat exposure activates the adhesion characteristics and the ceramic capacitors (chips) are formed, a re-heat of the product releases the chips. Domestic producers have also failed to design or produce another material which possesses the same or similar characteristics that meet the performance standards required by Kemet Corp.

I. H.R. 4298 Certain Silver Paints and Pastes

H.R. 4298 covers the following materials: P6100 Silver Paint, P7500 Silver Paint, P7402 Silver Paste. All three products are produced by Johnson Matthey and imported from England. At one time, the paints were produced by Kemet Corp.'s facility in Mauldin, South Carolina. However, Kemet Corp. decided to remove itself from the paint/paste manufacturing business and acquire the products through the marketplace. The aforementioned paints/pastes were developed by and belongs to Johnson Matthey. Kemet Corp. worked with DuPont to develop a similar prototype in England, but Kemet Corp. took its business elsewhere

due to DuPont's slow response in development. Kemet Corp. also discussed developing similar products with Heraeus Holding Group, but Heraeus declined to develop products that would meet Kemet Corp.'s requirements because the price per volume ratio of the business did not warrant the cost of their investment and development.

Some of the silver products are supplied to Kemet Corp. by domestic manufacturers. Ferro Corp. in Vista, CA supplies Kemet Corp. with silver products, but not silver paints. Ferro's New Jersey facility supplies Kemet Corp. with silver flakes that were originally used to manufacture the silver products that Johnson Matthey currently supplies to Kemet Corp. Acheson Colloids (owned by National Starch and Chemical) in Port Huron, MI, currently supplies Kemet Corp. with a silver product that will soon be replaced by another domestic supplier. Acheson's product is used in the same business as Johnson Matthey's products, but not in the same application. Lastly, Loctite Corp. (owned by Henkel) in San Diego, CA supplies Kemet Corp. with a silver adhesive that does not directly compete with the Johnson Matthey silver products.

The silver paints/pastes are classified under HTSUS number 2843.10.0000 which carries a general duty rate of 5.5%. The projected use of P6100 silver paint is valued at \$2,020,000. The projected revenue loss based on Kemet's imports of P4700 silver paint and P4702 silver paste are \$216,000 and \$61,400 respectively. The dutiable value of Kemet's imports is \$111,1000 for P6100 silver paint, \$18,880 for P4700 silver paint, and \$3,400 for P4702 silver paste.

J. H.R. 4299 Polymer Masking Material for Aluminum Capacitors

The CAS RN is 111-96-6. For reference purposes, this product will heretofore be referred to as "UPICOAT." UPICOAT is yellow or brown as a viscous liquid and colorless as a liquid. It is used in the manufacturing of non-conductive masking for aluminum capacitors and is imported from Japan. Other importers are unknown. There is no further processing on the product once it has been imported. The HTS subheading is 2904.41.0000 which has a general duty rate of 7.50%. The value of Kemet's dutiable imports from 1997-2001 is \$40,248.68. The estimated revenue loss based on Kemet's projected imports (2002-2006) is valued at \$308,955. To the best of our knowledge, there is no domestic production of UPICOAT.

III. Statement of Purpose

The proposed bills will help to remedy adverse effects that the Information Technology Agreement-1 (ITA-1) has had on Kemet's capacitor sales. Under ITA-1, which was vigorously opposed by Kemet, Kemet is put at a competitive disadvantage because capacitor manufacturers from China and Japan are able to ship the finished capacitors to the U.S. duty-free. Previously there was a high duty. Meanwhile, Kemet must pay duties on the component parts it imports from China, Japan and other countries (while these countries can purchase the materials duty free domestically) which make it more difficult to compete with these duty-free imported finished capacitors. We hope that the Committee will report the above referred bills favorably to the full House for passage in order to allow Kemet to be a viable industry participant.