

MEMORANDUM

July 20, 2006

To: Senate Committee on Finance

From: Steven R. Valentine
Preston Gates Ellis & Rouvelas Meeds LLP
Counsel to Rhodia Inc.

Re: Comments on S. 698 and S. 699, to Suspend Temporarily Duties on Methacrylamido Etheleneurac and Allyl Ureido Monomer, Respectively

Rhodia Inc. welcomes this opportunity to comment on Senator Lautenberg's bills, S. 698, to suspend temporarily the duty on methacrylamido etheleneurac monomer, and S. 699, to suspend temporarily the duty on allyl ureido monomer. Both bills were introduced at the request of Rhodia Inc., the U.S. operations of which are based in Cranbury, New Jersey.

The two chemical products that are covered by S. 698 and S. 699 are used primarily to make polymer resins that are incorporated into architectural coatings. Rhodia imports the products from France.

When the Representative Rush Holt's companion bills, H.R. 1392 and H.R. 1391, respectively, were under consideration in the House of Representatives, Rohm & Haas, a competitor of Rhodia, advised the International Trade Commission of its objection. We are hopeful that Rohm & Haas will not reiterate that objection during the Senate's consideration of S. 698 and S. 699. In case that objection is restated, though, we welcome this opportunity to refute it.

Any objection by Rohm & Haas is unfounded. Rhodia's Sipomers WAM I (CAS #90412-00-3, covered by S. 699) and WAM II (CAS #3089-19-8, covered by S. 698) are produced from unique technologies that are very different from those of any other similar monomers that are available in the market. The products are used for wet adhesion improvement of water-based coatings.

By contrast, the monomer that Rohm & Haas uses appears to be N-(2-methacryloyloxyethyl ethylene urea (CAS #86261-90-7), as evinced by their latest process improvement patent stated (EP 0 902 017 B1 and USPC 6,515, 138). The process improvement patent makes clear that the Rohm & Haas product is completely different from those of Rhodia. The Rohm & Haas monomer is used principally in pure acrylic polymer systems, as is Rhodia's WAM II. Sipomer WAM is used mainly in vinyl acetate polymer systems, where the reactivity is significantly different than either Sipomer WAM II or Rohm and Haas's WAM.

Rohm & Haas has not asserted, and cannot show, that the products covered by S. 698 and S. 699 are available in the domestic U.S. market. In fact, Rohm & Haas does not sell its wet adhesion products in the merchant market. Rather, they produce their own and use it captively.

Rhodia Inc. strongly supports S. 698 and S. 699 and urges the Committee to include them in its proposed miscellaneous tariffs legislation. Any objection by Rohm & Haas should be rejected because (1) its product is different from and has a different CAS number than those of Rhodia and (2) its product is not available in the U.S. marketplace.