



# **APEC Workshop on the Advancement of Trade in Information Technology Products**

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**SIA**

SEMICONDUCTOR  
INDUSTRY  
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# Presentation Agenda

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- **MCOs in the ITA Context**
  - Multi-Component (MCO) Integrated Circuit (IC) Goal
  - Need for Attachment “B” Coverage
  - Multi-Component ICs from an HS Perspective
  - MCO Definition & Criteria
- **Ascertaining Import Status of MCOs under ITA**
  - Standard Customs Procedures
  - Linkage of Advance Product Information to Cargo and Import Documents.

# The MCO IC Goal

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- MCOs are new semiconductor products that do not enjoy zero tariff treatment under the original ITA , while falling outside the IC definitions for HS headings 8541 and 8542
- They are classified under various HS parts subheadings (e.g. parts of smart phones (8517.12), gaming consoles (9504.10), medical devices (9018.11-20))
- As has been true for semiconductors over decades, MCOs are essential building blocks for IT products
- That is why we are seeking to have these semiconductor devices included in the ITA
- Current draft multi-country ITA expansion proposal calls for coverage under “Attachment B”, not “Attachment “A”

# MCOs - Need for Attachment B Coverage

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- MCOs are subject to a changing universe of classifications.
- ITA Attachment A is not flexible enough to accommodate this dynamic technology.
- ITA Attachment B is designed to accommodate exceptional items like MCOs via a short positive list of items that obtain duty-free treatment based on product descriptions... *wherever they are classified*.
- To accommodate rapidly evolving MCO technologies and uses, ITA should cover MCOs under the more flexible Attachment B.
- The semiconductor industry is asking governments to classify MCOs under HS8542 at the WCO as part of the HS2017 Review.

# Multi-Component ICs from an HS Perspective

HS Chapter 85 note 8(b)(i) – (iii) as follows:

## ❖ Monolithic IC

(i) Monolithic integrated circuits in which the circuit elements... are created in the mass... on the surface of a semiconductor or compound semiconductor material...and are inseparably associated;

## ❖ Hybrid IC

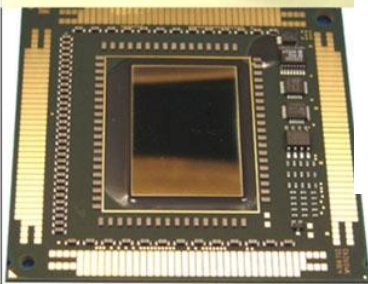
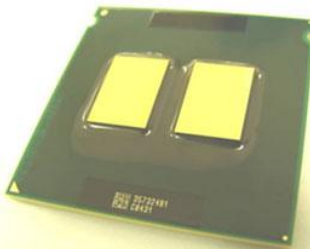
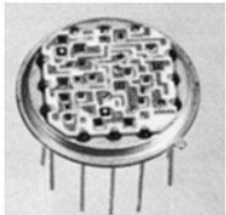
(ii) Hybrid integrated circuits in which passive elements... obtained by thin- or thick-film technology, and active elements... obtained by semiconductor technology, are combined to all intents and purposes indivisibly...on a single insulating substrate... These circuits may also include discrete components;

## ❖ Multichip IC

(iii) Multichip integrated circuits consisting of two or more interconnected monolithic integrated circuits combined to all intents and purposes indivisibly, whether or not on one or more insulating substrates, with or without leadframes, but with no other active or passive circuit elements.

## ❖ Multicomponent IC

**Not covered** in Chapter 85 note 8(b)



# The World Semiconductor Council MCO Definition

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Multi-component integrated circuits (MCOs) are:

1. a combination of **one or more** monolithic, hybrid, and/or multi-chip **integrated circuits**
2. with **at least one** of the following components: silicon-based sensors, actuators, oscillators, resonators and/or combinations thereof, and/or components performing the functions of articles classifiable under heading 8532, 8533, 8541, and/or inductors classifiable under heading 8504,
3. **formed to all intents and purposes indivisibly** into a single body like an integrated circuit,
4. **as a component of a kind used for assembly onto a printed circuit board (PCB) or other carrier**, through the connecting of pins, leads, balls, lands, bumps, or pads.

**Note:** The definition also includes technical notes that define key terms such as "components," "silicon based," "silicon based sensors," "silicon based actuators," "silicon based resonators," and "silicon based oscillators."



# Criteria to be Applied to MCO Imports

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1. Must include an integrated circuit
2. Must be multi-component (distinct from multi-chip)
3. Must be indivisible
4. Must be for mounting onto a PCB or other carrier

# MCOs - Establishing ITA Duty-Free Status

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**Question:** How can Customs identify MCOs for purposes of ascertaining duty-free treatment if they are included in ITA expansion?

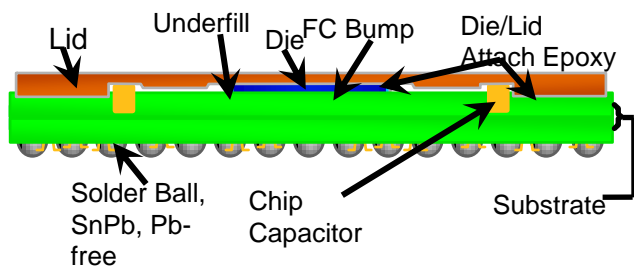
**Answer:** The 4 preceding MCO criteria can be addressed through normal, longstanding customs administrative procedures/practices, including:

- Providing authorities in advance with descriptive/illustrative information
- Meeting(s) between a company and Customs officials to provide education on its particular MCO products and related uses
- Ensuring that commercial invoices and entry documents contain descriptive information, marks, numbers and/or manufacturer's item numbers, symbols or brands sufficient to enable customs authorities to ascertain that an imported item is an MCO and thus entitled to ITA duty-free treatment.
- Linking product and documentary marks and numbers to show that products described for import are the ones actually being imported
- Obtaining advisory opinions or rulings on the dutiable status of an item



# Examples of Advance Product Information

✓ Descriptive or illustrative information describing the article, its use and operation, and assembly into downstream products



Product Specifications	
Essentials:	-----
Memory Specs:	-----
Graphics Specs:	-----
Package Specs:	-----
Options:	-----
Advanced Technologies:	-----

✓ Applicable part, product code, or other applicable product identifiers, e.g.:

Item Reference No.: “XVXG198476”  
Part No.: “12345678”

- ✓ Breakdown of components or materials
- ✓ Product samples

- Data Sheets
- Bill of Material
- Block Diagrams
- Etc.



# Conclusions

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- MCOs should be included in the ITA just like other ICs.
- The semiconductor industry asks that governments support the MCO Attachment B (“wherever classified”) proposal
- The MCO definition has clear criteria that can be objectively and consistently applied under standard customs operating procedures in any classification situation
- Customs inspections/analysis would be the same as for regular semiconductors