

AGENDA
REGIONAL MEETING OF THE MCA BOARD OF DIRECTORS
9:00 a.m., Wednesday, March 13, 1974
Del Monte Lodge, Pebble Beach, California

- I. Opening Remarks and Introduction of Guests
- II. Minutes of Meeting of February 12, 1974, Including Financial Statement for Eight Months ended January 31, 1974
- III. Business Items:
 - (a) Report of the Membership Committee
 - (1) NIPRO, INC.
 - (2) Weyerhaeuser Company, Chemical Division
 - (b) Proposal to Retain Economic Consultant to Supply Chemical Industry Data in Reference to the Pending Industrial Reorganization Act (Attachment)
 - (c) Proposed MCA Position Paper on Multinational Chemical Companies (Mailed to Directors on January 22, 1974)
 - (d) Appointment of Committee Members (Attachment)
- IV. Special Report Relating to EPA Effluent Limitations Guidelines for Chemical Manufacturing - Mr. George J. Hanks, Jr.
- V. Report on Meeting of Executive Committee Members with EPA Administrator Train (Attachment)
- VI. Report of Director of Government Relations
- VII. Report of the President
- VIII. Remarks of Guest Speaker - Mr. Charles de Bretteville, Chairman and Chief Executive Officer, The Bank of California

Next Meeting of the Board of Directors - 3:30 p.m., Monday, April 8, 1974,
The Madison, Washington, D. C.

CMA 036319

MINUTES of the two hundred twenty-ninth meeting of the Board of Directors of the Manufacturing Chemists' Association, Inc., held at the Del Monte Lodge, Pebble Beach, California, Wednesday, March 13, 1974, at 9:00 a.m. There were present:

Directors:

Werner C. Brown, Chairman	
Harold E. Thayer, Vice Chairman	
Warren M. Anderson	James A. Hughes
Harry W. Buchanan	William W. Huisking
C. C. Candee	Edward R. Kane
E. E. Chipman	Lloyd G. Lillico
Thomas C. Dabovich	Robert H. Malott
George S. Dillon	Harry D. McNeeley
William C. Douce	Robert L. Mitchell
William J. Driver	Robert M. Morris
Carl A. Gerstacker	Donald D. Pascal
James M. Gill	Robert T. Powers
John R. Hall	Peter C. Reilly
John W. Hanley	George W. Russell
John M. Henske	Jack B. St. Clair

Alternates:

James G. Affleck (for George W. Russell)
 William H. Bricker (for James A. Hughes)
 J. Earl Burrell (for Joseph A. Neubauer)
 Orell T. Collins (for Robert T. Powers)
 C. Preston Cunningham (for John W. Hanley)
 Leo H. Johnstone (for William C. Douce)
 Gordon Kiddoo (for Donald G. Stevens)
 James E. Magoffin (for Harry D. McNeeley)
 John M. Martin (for Werner C. Brown)
 Thomas E. Reilly, Jr. (for Peter C. Reilly)
 William S. Sneath (for Warren M. Anderson)
 Raymond C. Tower (for Robert H. Malott)
 E. A. Von Doersten (for John R. Hall)

General Counsel:

Lloyd Symington

Secretary-Treasurer:

George E. Best

By invitation:

David B. Barlow, Chevron Chemical Company
 R. L. Brandenburger, Monsanto Company
 David N. Clark, Neville Chemical Company
 E. Philip Comer, Foote Mineral Company
 Herschel H. Cudd, Amoco Chemicals Corporation
 B. B. Daily, The Dow Chemical Company

Lee V. Dauler, Neville Chemical Company
Charles de Bretteville, The Bank of California
T. P. Dougan, The Upjohn Company
K. R. Fitzsimmons, Shell Chemical Company
William J. F. Francis, Kerr-McGee Chemical Corp.
John L. Gillis, Monsanto Company
Roger W. Gunder, Stauffer Chemical Company
G. J. Hanks, Jr., Union Carbide Corporation
Norman J. Hearn, Union Carbide Corporation
T. G. Hughes, Chevron Chemical Company
Emerson Kampen, Great Lakes Chemical Corporation
James W. Kent, Chevron Chemical Company
A. T. Look, The Dow Chemical Company
H. Barclay Morley, Stauffer Chemical Company
John Morrisroe, Pilot Chemical Company
Thomas B. Nantz, The B. F. Goodrich Company
R. E. Nippes, PPG Industries, Inc., Chemical Division
Donald C. Oskin, FMC Corporation, Chemical Group
William K. Park, E. I. du Pont de Nemours & Company
George L. Parkhurst (Retired), Chevron Chemical Company
D. C. Phinney, Productol Chemical Company
L. John Polite, Jr., Essex Chemical Corporation
George F. Polzer, Witco Chemical Corporation
R. Prideaux-Brune, Chevron Chemical Company
Luther S. Roehm, Merck & Co., Inc.
Fred Rosewater, FMC Corporation, Chemical Group
John Rutherford, Hooker Chemical Corporation
Walter H. Sachwitz, Airco, Inc.
R. Thorn Savage, Standard Oil Company of California
Burwell G. Shepard, Jr., Rohm and Haas Company
William M. Stover, MCA
H. O. Thomas, Stauffer Chemical Company
Norman J. Travis, United States Borax & Chemical
Corporation
E. A. Vistica, Witco Chemical Corporation
Harry B. Warner, The B. F. Goodrich Company

Chairman Brown welcomed all to the Board's West Coast Regional Meeting, thanked the host companies and committees for their part in making it a most enjoyable occasion, and called for self-introduction of those present in turn.

I. MINUTES OF FEBRUARY 12, 1974, MEETING

Minutes of the February 12th Board meeting, as distributed, which included the financial statement for eight months ended January 31, 1974, were duly approved.

II. REPORT OF THE SECRETARY-TREASURER

Exhibit A, attached hereto.

III. BUSINESS ITEMS

(a) Report of the Membership Committee As chairman of the Membership Committee, Mr. Candee reported the committee has examined the qualifications of two applicants and recommends their election.

ON MOTION, duly made and seconded,
it was,

VOTED: That the following be elected to
membership in the Association:

NIPRO, INC.

Weyerhaeuser Company, Chemical
Division

(b) Proposal to Retain Economic Consultant to Supply Chemical Industry Data in Reference to Pending Industrial Reorganization Act
Subject proposal, made jointly by the Economic Policy Review Committee and the Legal Advisory Committee, was furnished in advance with the tentative agenda. In reporting on the Executive Committee's favorable recommendation, Chairman Erown indicated members of the Executive Committee place principal emphasis on updating the chemical industry statistics assembled some years ago by Jules Backman for general use as needed, rather than primarily in connection with pending legislation.

ON MOTION, duly made and seconded,
it was,

VOTED: That the proposal to retain an
economic consultant to supply chemical
industry data as outlined in Exhibit B,
attached hereto, be approved.

(c) Proposed MCA Position Paper on Multinational Chemical Companies This proposed position paper was mailed to Directors on January 22, 1974. Chairman Brown reported it has been considered and favorably recommended by the Executive Committee.

ON MOTION, duly made and seconded,
it was,

VOTED: That the position paper, "Multi-national Chemical Companies - A Positive Economic Force for the Nation," attached hereto as Exhibit C, be approved.

(d) Appointment of Committee Members Appointments were approved as listed in Exhibit D, attached hereto.

IV. REPORT ON MEETING OF EXECUTIVE COMMITTEE MEMBERS WITH EPA ADMINISTRATOR TRAIN

Distributed with the agenda was a record of the meeting of Executive Committee members with Russell E. Train, Administrator, Environmental Protection Agency, at his invitation, on February 21, 1974. This record, including Dr. Kane's prepared remarks and Mr. Driver's follow-up letter dated February 27, is attached hereto as Exhibit E.

Replying to a question about Mr. Train's reaction to the forceful industry presentation, Chairman Brown assessed it as sympathetically favorable, but with little inclination to depart from a relatively rigid pattern for effluent guidelines. Mr. Train's professed ignorance of MCA past criticism and recommendations was taken to manifest faulty internal communication within EPA. Mr. Train was said to be undisturbed by the possibility of legal challenge in this connection.

V. SPECIAL REPORT RELATING TO EPA EFFLUENT LIMITATION GUIDELINES FOR CHEMICAL MANUFACTURING

As indicated in Exhibit F, attached hereto, Mr. G. J. Hanks, Jr. (Union Carbide Corporation) reported on circumstances leading to legal action by a number of chemical companies, collectively and separately, contesting the present course of effluent guidelines development and seeking judicial review. Specifically, the suits already entered pertain to guidelines for inorganic chemicals manufacturing, already published, with similar action contemplated for the organic chemicals and plastics categories when these guidelines issue if they are likewise unacceptable.

Mr. Hanks expressed conviction that there is ample basis for challenging the inorganic chemicals guidelines on technical grounds, and that a sufficient number of companies is involved to bring out all of the points of criticism to be made.

Chairman Brown indicated there is no present plan to have MCA enter into this litigation. Comments of several Directors from companies not now participating made it clear that they would appreciate an arrangement whereby other MCA members can be apprised of developments. Accordingly,

ON MOTION, duly made and seconded,
it was,

VOTED: That Mr. Symington establish liaison with the legal firm handling the companies' suits against EPA on effluent limitation guidelines for chemicals manufacturing, in order to serve as a point of reference for information and guidance to interested member companies.

Chairman Brown also urged that member companies inform Mr. Driver of actions taken on this matter.

VI. REPORT OF DIRECTOR OF GOVERNMENT RELATIONS

Mr. Stover's report is attached hereto as Exhibit G.

Referring to pending trade legislation and, in particular the aspect of export controls, Chairman Brown indicated that if queried at Senate hearings, the Chemical Industry Trade Advisor plans to respond that the chemical industry opposes all types of control.

VII. REPORT OF THE PRESIDENT

Mr. Driver supplemented his Staff Report, attached hereto as Exhibit H, with a brief description of research projects - concerning environmental or occupational aspects of fluorocarbons, phosgene, and vinyl chloride, funded by voluntary subscriptions from both member and non-member companies, being conducted under MCA administration. Findings in each case will be publicly disclosed.

VIII. REMARKS OF GUEST SPEAKER

As arranged at the behest of the Program Committee, Mr. Charles de Bretteville, Chairman and Chief Executive Officer, The Bank of

California, addressed the Board on the current and prospective economic climate on the West Coast. His prepared remarks are attached as Exhibit I.

* * *

Chairman Brown adjourned the meeting with an expression of appreciation to Mr. de Bretteville and to all in attendance for their participation.

George E. Best

George E. Best
Secretary-Treasurer

Certified correct:

Werner C. Brown

Werner C. Brown
Chairman of the Board

EXHIBIT A

REPORT OF THE SECRETARY-TREASURER
March 11, 1974

Dollar amounts rounded from tabular details
 (\$000)

INCOME & EXPENSE

June 1, 1973 - February 28, 1974 - 9 months (75%)

		Percent of budget
Income - Membership Fees	\$1,767	100.113%
Other	<u>263</u>	103.14%
	\$2,030	100.49%
 Expense - Operations	 \$1,362	 73.74%
Projects	<u>136</u>	47.89%
	\$1,498	70.30%

ASSETS

(As of February 28, 1974)

Cash	\$ 71	
Investments	2,230	
Miscellaneous	<u>4</u>	
	\$2,305	

MANUFACTURING CHEMISTS ASSOCIATION

STATEMENT OF FINANCIAL POSITION

February 28, 1974

BALANCE SHEET

Assets

Cash

National Savings & Trust - Commercial Account	\$ 63,556	
National Savings & Trust - Payroll Account	6,000	
Imprest Funds	1,800	
(Petty Cash, Chem. Forum Luncheon Fund & Postage)		\$ 71,356

Investments

Bank Certificate of Deposit	\$ 100,000	
U. S. Government Securities	997,373	
U. S. Government Agency Securities	777,109	
Corporate Securities	355,300	2,229,782

Deposits

U. S. Government Printing Office	\$ 200	
American Airlines	425	625

Accounts Receivable

Travel Advances	\$ 663	
OCITA	2,159	2,822
		\$2,304,585

Liabilities & Fund Balances

Liabilities

D. C. Use Tax	\$ 75
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Reserve

Deferred Compensation	100,000
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Fund Balances

Restricted (Schedule I (e))	\$ 350,192	
Unrestricted - From Previous Fiscal Years	\$1,322,156	
- Current Fiscal Year	532,162	1,854,318
		2,204,510
		\$2,304,585

INCOME & EXPENSE

To Date
9 Months

Budget
For Year

INCOME

Membership Dues & Entrance Fees	\$1,767,156	\$1,765,000
Income from Investments	126,631	120,000
Publication Sales	69,368	82,000
*(1) Meetings & Special Funds (Schedule I (d))	66,653	53,000
Miscellaneous	193	-
Total Income	\$2,030,001	\$2,020,000

EXPENSE

Management	\$ 303,155	\$ 371,690
*(2) Technical - General	429,565	664,420
Technical - Chemtrec	119,708	158,490
Public Relations	303,451	442,050
Government Relations	153,232	235,270
Information Service	53,020	75,480
Office Administration	135,708	183,290
Total Expense *(3)	\$1,497,839	\$2,130,690
Income less Expense	\$ 532,162	\$ (110,690)

FOOTNOTES:

*(1) Net Income on Completed Projects

*(2) Budget increase approved by Board of Directors October 1973, for support of the Office of the Chemical Industry Trade Advisor (OCITA) \$70,000

*(3) Total General Program Expense to Date -

Fiscal Year 1973-74 Budget Program Expense (above)	\$1,497,839
Expenditures from Project Funds carried over from previous Fiscal Year (Schedule I (c))	1,000
	\$1,498,839

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SCHEDULE I - RESTRICTED FUNDS & MEETING ADVANCES

February 28, 1974

	Balance	Current Fiscal Year			Balance
	<u>June 1, 1973</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>February 28, 1974</u>
	(a)	(b)	(c)	To Income (d)	(e)
<u>Carry-Over of Budgeted Funds</u>					
Information Service	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -
 <u>Non-Budgeted Funds & Meetings</u>					
Meetings, Workshops & Symposia	\$ 71,928	\$141,794	\$126,544	\$ 66,653	\$ 20,525
Tank Car Mileage Compensation	27,395	1,148	4,195	-	24,348
Epidemiological Investigation	4,797	(2,667)	2,130	-	-
Odor Threshold Determination Fund	-	1,400	1,400	-	-
Mercury in the Environment	3,632	(3,114)	518	-	-
Vinyl Chloride Research - Inhalation	62,852	62,500	42,307	-	83,045
Vinyl Chloride Research - Epidemiological	-	91,940	49,213	-	42,727
Phosgene Safety Research	34,095	3,500	17,087	-	20,508
Fluorocarbons Research	6,000	104,000	67,110	-	42,890
Phthalate Esters Research	16,000	2,000	2,676	-	15,324
Total - Non-Budgeted Funds & Meetings	\$226,699	\$402,501	\$313,180	\$ 66,653	\$249,367
 <u>Plastics Group Financial Package</u>	\$ 80,502	\$ 60,000	\$ 39,677	\$ -	\$100,825
	<u>\$308,201</u>	<u>\$462,501</u>	<u>\$353,857</u>	<u>\$ 66,653</u>	<u>\$350,192</u>

CMA 036328

SCHEDULE II - EXPENSE
BUDGET PROGRAM

	MANAGEMENT		TECHNICAL				PUBLIC RELATIONS		GOV'T RELATIONS		INFO SERVICE		OFFICE ADMIN		TOTAL TO DATE 9 MONTHS	
	EXPENSE	BUDGET	GENERAL		CHEMTREC		EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET	EXPENSE	BUDGET
	10	10	19	18	7	7	12	12	9	8	3	3	11	11	71	69
Employees (Actual Authorized																
OPERATING EXPENSE																
Salaries & Related Expense	\$181,761	\$181,238	\$255,558	\$253,312	\$ 76,610	\$ 74,775	\$140,760	\$142,650	\$ 96,840	\$111,000	\$ 35,736	\$ 36,075	\$ 94,945	\$ 90,225	\$ 882,210	\$ 889,275
Retirement Plan	20,014	26,962	23,141	32,236	-	-	8,934	11,325	6,319	12,757	6,342	7,778	4,530	8,693	69,280	99,751
Hosp. Ins. & Health Plan	1,549	2,453	3,042	4,200	486	1,560	1,693	2,715	838	2,025	471	885	1,380	2,385	9,459	16,223
Legal Fees & Expense	58,294	19,875	1,090	7,500	-	-	-	-	11,208	11,250	-	-	-	-	70,592	38,625
Consultants&Investment Serv.	-	1,875	-	-	-	-	-	-	-	-	-	-	-	-	-	1,875
Audit	2,750	1,725	-	-	-	-	-	-	-	-	-	-	-	-	2,750	1,725
Rent & Premises Expense	8,488	8,558	16,696	16,913	4,835	4,882	14,326	14,415	8,285	8,348	5,231	5,243	12,319	12,405	70,180	70,763
Taxes & Insurance	4,963	5,917	9,509	10,672	22,400	18,397	5,760	7,132	4,535	4,755	1,496	1,770	6,054	6,525	54,717	55,169
Supplies & Gen. Office Exp.	4,106	3,750	12,429	10,275	1,796	2,400	6,243	6,450	4,248	4,875	488	525	4,695	6,187	34,005	34,462
Furniture & Equipment	520	750	1,003	1,050	499	750	124	562	-	375	56	517	5,587	4,635	7,789	8,639
Printing	2,328	1,800	-	-	-	-	3,363	2,513	417	525	42	-	1,009	750	7,159	5,588
Telephone & Telegraph	3,506	4,065	8,885	7,545	10,732	13,028	6,317	5,228	4,265	3,480	1,005	1,162	3,526	4,642	38,236	39,150
Postage	1,640	1,687	14,249	14,625	361	675	24,878	24,750	3,777	4,125	515	900	1,515	750	46,935	47,512
Travel & Entertainment	4,485	3,750	15,168	18,000	1,671	2,063	18,018	16,875	5,618	4,875	533	750	39	150	45,532	46,463
Meeting Expense	5,429	8,250	507	675	-	-	83	547	1,380	1,500	-	-	-	-	7,399	10,972
Periodicals, Books, etc.	282	300	992	1,125	260	263	1,071	1,125	5,226	5,625	1,066	975	34	60	8,931	9,473
Organizational Memberships	1,421	2,063	2,575	1,912	58	75	752	750	276	937	39	30	75	60	5,196	5,827
Contingency	1,619	3,750	-	-	-	-	-	-	-	-	-	-	-	-	1,619	3,750
Operating Expense Totals	\$303,155	\$278,768	\$364,844	\$380,040	\$119,708	\$118,868	\$232,322	\$237,037	\$153,232	\$176,452	\$ 53,020	\$ 56,610	\$135,708	\$137,467	\$1,361,989	\$1,385,242
PROJECTS																
Technical																
Air Quality			227	15,000											227	15,000
Water Resources			10,000	11,250											10,000	11,250
Multi-Committee Transportation			1,474	2,025											1,474	2,025
Multi-Committee Publications			23,020	37,500											23,020	37,500
* Trade Advisor			30,000	52,500											30,000	52,500
Public Relations																
Community Relations							8,910	9,750							8,910	9,750
Consumer Information							11,209	18,000							11,209	18,000
Environmental Quality							15,883	18,000							15,883	18,000
Internal Publications							14,959	16,500							14,959	16,500
Media Relations							5,619	4,500							5,619	4,500
Audio/Visual							-	2,250							-	2,250
Academic - Industry Study							1,621	1,500							1,621	1,500
College & High School Awards							3,225	9,750							3,225	9,750
Education Exhibits							1,953	3,000							1,953	3,000
Education Publications							7,750	11,250							7,750	11,250
Project Totals	\$ -	\$ -	\$ 64,721	\$118,275	\$ -	\$ -	\$ 71,129	\$ 94,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,850	\$ 212,775
COMBINED TOTALS	\$303,155	\$278,768	\$429,565	\$498,315	\$119,708	\$118,868	\$303,451	\$331,537	\$153,232	\$176,452	\$ 53,020	\$ 56,610	\$135,708	\$137,467	\$1,497,839	\$1,598,017

* Reflects budget increase approved by Board of Directors October 9, 1973,
for support of the Office of the Chemical Industry Trade Advisor \$70,000

CMA 036329

Proposed Retention of Economic Consultant to Supply the
Economic Data for the Chemical Industry's Position on
the Industrial Reorganization Act (Hart Bill - S. 1167)

LEGAL ADVISORY COMMITTEE
ECONOMIC POLICY REVIEW COMMITTEE

Senator Hart has introduced a bill (S. 1167) intended to facilitate the breaking-up of large corporations in a number of industries, including the chemical industry. Hearings before his Subcommittee on Antitrust and Monopoly of the Senate Judiciary Committee began last year and will continue during this year and next. There have already been two series of hearings on the general merits or demerits of the bill, and one series devoted to communications, particularly the Bell System. A series on the automobile industry will begin February 26. The chemical industry is not likely to have its day in court for many months to come.

While there is little prospect of the enactment of S. 1167 in its present form, there is a danger that some elements of it may become law. Moreover, the Hart hearings are a forum in which major industries are under public attack, and the chemical industry should be ready to defend itself. It is not possible at this point to predict the character of the hearings on our industry. As in the case of the Bell System, one major company may be chosen for attack. Or, as seems likely to be the case with the motor industry, our entire industry may be exposed to rigorous review. It is not known at present whether MCA will be asked to appear--nor has it been decided whether, if not asked, MCA would choose to volunteer its testimony.

However, it seems to the above Committees the course of prudence to be prepared for all contingencies. Accordingly, we propose that MCA engage Prof. Steven Lustgarten of Baruch College as a consultant to assemble and organize data demonstrating that the chemical industry is not in need of deconcentration under Senator Hart's proposed "Industrial Reorganization Act" - that it is, in fact, highly competitive, open to new entrants, and a force restraining rather than sustaining inflation (the detailed proposal of Prof. Lustgarten is appended).

The proposal is budgeted for a cost of \$17,637. This figure does not include the cost of printing. The decision whether to print the study and in what form is a separate question, to be decided when it is completed.

MCA
EC - 2/12/74
BD - 3/13/74

EXHIBIT C

MULTINATIONAL CHEMICAL COMPANIES

-- A POSITIVE ECONOMIC FORCE FOR THE NATION

CMA 036331

The Multinational Company --

A Positive Force in World Trade

World trade has exerted an increasing influence over all our lives in recent years. Although it is highly complex and difficult to understand, the world of exports and imports... of balance of payments...of exchange rates for the world's currencies...has a direct influence on our jobs, on our taxes, on the prices we pay for the things we buy, on the inflation that eats into our paychecks.

The complexities of world trade today have brought with them the development of what is generally called the "multinational company", or MNC. There are many definitions of the MNC, but for our purposes we have defined it here simply as a company which owns and operates manufacturing facilities in one or more countries outside its home country.

In the pages that follow we attempt to explain the importance of the MNC and world trade by focusing on one industry -- the chemical industry -- and by analyzing the world trade and investment activities of this important industry.

We believe the facts show that the building and operation of overseas chemical plants by U.S. companies has been good both for the U.S. and for the host countries within whose

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borders these plants are located. These facts have been gathered from and with the co-operation of the major U.S. chemical MNC's. We believe they fully merit your attention.

/s/
William J. Driver
President
Manufacturing Chemists Association

CMA 036333

U. S. Multinational Chemical Companies

	1966 (dollars in millions)	1970 (dollars in millions)
They sold (in the U.S. and for export):	\$ 22,103	\$ 28,213
They earned (after taxes):	2,102	1,753
(which included, from foreign affiliates):	312	462
Their total assets were:	21,606	28,696
They exported:	1,640	2,143 (up 31%)
(about half of these exports were shipped to their own affiliates):	768	1,110
(some of these were intended for resale):	316	440
(some for further processing):	265	283
(and some was capital equipment for use by affiliates):	53	NA
At the same time, they imported:	764	832 (up 9%)
(of this, about one-third came from their own affiliates):	287	254
(and of the amount imported from other than their affiliates):	477	578
(two-thirds was raw material for further processing):	353	391
(and only one-third was manufactured goods):	123	188

CMA 036334

Finished manufactured goods imported from the overseas affiliates of U.S. multinational chemical companies for resale in the U.S. thus amounted to: Less than 1% of the industry's domestic and export sales

In the process of all this, they employed in the U.S.	665,000	725,000 (60,000 new U.S. jobs)
While employing foreign nationals in their overseas facilities numbering:	220,000	250,000 (30,000 new jobs overseas)

Source: Special Survey of U.S. Multinational Companies, 1970, U.S. Department of Commerce, Washington, D.C., Tables 1, 2, 3, 4 and 5, 1966 and 1970 (November, 1972). Data is for 41 U.S. chemical companies classified as multinational companies. Only data for these 41 companies is included in this tabulation.

Why Do Companies Become MNC's?

Typically, a U.S. chemical company takes the first step to becoming a "multinational" corporation when it perceives a market abroad for a product it makes and decides to export that product, usually employing sales agents or brokers to do the selling. If the product fills a need, the export volume grows, resulting in increased production and more American jobs. (If it doesn't fill a need, the company soon drops out of that market).

As the market grows, competitors are attracted; success spawns competition. To serve the newly developing market, the U.S. manufacturer then either tries to increase his exports, depending on his sales agents or brokers (and competing less and less successfully against aggressive local manufacturers), which is most often a losing fight, or is obliged, to continue participating, to establish local production and sales facilities of his own, becoming a true local supplier, able to offer the same (or better) service and delivery as other competitors in that nation.

The companies called "MNC's" have elected to go the latter route when exports from the U.S. are no longer competitive. Somewhat suprisingly they have discovered that establishing their own sales force and manufacturing facilities in a country almost always increases the export of U.S. products to that country.

Why do exports from the U.S. increase when a chemical company builds a plant abroad? Because

*The company then has a more aggressive sales force devoting time to a single firm's products

*These salesmen sell a variety of other products made and exported by the company in the U.S. so they can offer "a complete line"

*The local manufacturing plant often imports semi-manufactured materials from the U.S. parent company for further processing.

ts. *The parent company and other suppliers send machinery and equipment for the new plant.

These factors combined more than offset what would otherwise cause a decrease in exports as the result of foreign manufacture. Thus, exports from a U.S. chemical company generally rise following the opening of an overseas plant, creating domestic jobs in the United States rather than eliminating them.

When a Company Refuses to "Go Multinational"

When a company decides not to build a plant in another country to supply the market it has helped develop, what happens?

Usually local competitors -- firms from other countries, or firms native to the host country -- step in to take advantage of the situation; one or more such competitors build local

plants and make and sell the product in question as a local supplier, outdistancing the exporter on a variety of counts. The volume of his exports dwindles; and often he is forced to withdraw from the market entirely. Many specific examples of the effect of a "no-go" decision of this sort have been documented. The net effect invariably is a reduction of the U.S. jobs involved in making the exported product.

Fact: Most countries pursue policies aimed at providing jobs for their own populations. They therefore not only offer incentives to companies to build plants locally but adopt laws (tariffs, import quotas, deposit guarantees, and the like) which in effect force the building of local plants as the "entry ticket" required for participating in local markets. Thus building local production facilities is often the only means of participating in a given market on a permanent basis.

Fact: Most U.S. chemical companies prefer to serve foreign markets by exporting the products of American plants, as long as foreign government regulations and competitive factors permit. Exports of chemical products from the U.S. grew by some 31% between 1966 and 1970 (see chart, p. 3). A substantial proportion of these exports are to overseas affiliates -- materials shipped to these affiliates for further processing.

How Important Are Imports?

Imports are as important as exports in the overall economy of every country. Imports to the U.S., for example, provide foreign countries with dollars to buy American exports. And where these imports are injurious to the jobs of U.S. workers, safeguards are available.

The U.S. chemical industry imports much less than it exports; it thus makes a positive contribution to the nation's balance of trade. But it does import a variety of key products, especially raw materials, without which it could not operate. The United States is lacking or deficient in important minerals such as chromium, manganese, and platinum, for example, and relies heavily on other

countries for petroleum-based raw materials as well. The bulk of these imports is processed further in U.S. plants, providing jobs for American workers even as they also provide products for domestic sale and exports.

Imports, in sum, are important to U.S. jobs and to the U.S. standard of living.

Are imports of Finished Goods By the U.S. Chemical Industry Significant?

U.S. chemical companies typically import raw materials and some semi-finished products for further processing. They also buy some semi-finished or manufactured goods for resale in the U.S. Raw materials make up about two-thirds of these imports, and semi-finished or finished goods the other third. In total, however, imports of finished goods by the U.S. chemical industry amount to less than one per cent of their total sales.

Another factor is "third country exports" -- products made in a second country by an affiliate of an American MNC and exported to a third country. Third country exports typically amount to 15 to 20 per cent of a foreign affiliate's sales-- and such sales often precede the establishment of another affiliate as a local supplier to another new market.

Top 25 Chemical Companies

1972

(Dollars in millions)

	<u>Sales</u>	<u>Net Profit</u>	<u>Capital Spending</u>	<u>R&D</u>
DuPont	\$ 4,366	\$ 414	\$ 516	\$ 255
ICI	3,972	255	324	145
Hoechst	3,758	105	459	141
BASF	3,707	128	286	124
Bayer	3,493	142	355	175
Union Carbide	3,261	205	244	70
Montedison	2,777	(782)	384	95
Akzo	2,551	58	157	90
Rhone-Poulenc	2,443	56	389	124
Dow Chemical	2,404	189	359	105
Monsanto	2,225	122	168	92
Ciba-Geigy	2,139	27	194	135
Shell Chemical	1,548	na	249	na
Hoffmann-La Roche	1,538	281	na	186
Allied Chemical	1,501	65	128	29
Celanese Corp.	1,385	44	128	52
Cyanamid	1,359	109	72	44
Exxon Chemical	1,327	na	na	na
Solvay	1,180	51	171	32
Pfizer	1,093	103	86	44
DSM	1,056	35	90	16
Merck & Co.	958	148	69	80
Hercules	932	70	77	28
Sandoz	901	62	81	80
Occidental	831	43	50	na

(Identify foreign companies by printing in second color)

How Competitive is the World Chemical Business?

Since most chemicals are sold in bulk as commodities they are different from automobiles, sewing machines, and shoes because they are not subject to changes in style, operating preferences

Chemical MNC's and the U.S. Balance of Payments

U.S. chemical exports traditionally exceed imports, helping to compensate for deficits in other trade areas. In fact, the industry as a whole has been one of the leading positive contributors to the U.S. balance of trade for a generation. The chemical industry's contribution to the nation's balance of trade rose from about \$1.7 billion in 1966 to \$2.1 billion in 1972, and has totaled a whopping \$19 billion over the past 10 years, according to the Department of Commerce.

In addition, other overseas activities of the industry also contribute substantially to the nation's balance of payments (total outgo in funds from the U.S. compared to total income in funds to the U.S.). In 1966, the Department of Commerce says, the chemical industry provided the U.S. with additional income (aside from trade) of \$302 million for fees and royalties, \$178 million for patents and know-how, and \$124 million for service charges and rentals. Although firm figures for recent years are not available, indications are that the income from these sources is growing at about 14 per cent, compounded annually, which would place the 1972 contribution at well over \$1 billion.

Do Foreign Currency Transactions by Chemicals MNC's weaken the U.S. Dollar?

U.S. chemical companies keep only enough funds available abroad to conduct their business. Most of their money is in plants, inventories, and accounts receivable -- not in cash or other forms that lend themselves to speculative practices. They simply do not keep large amounts on hand with which they could speculate. It is common practice to manage these funds defensively to try to avoid losses due to currency adjustments, but under today's system of almost daily adjustment of the dollar's value, there is little or no chance to profit from speculating on future revaluations.

However, as a number of responsible governmental studies have already confirmed, multinational companies are not causing weakness of the U.S. dollar abroad.

Do Chemical MNC's Get a 'Tax Break' By Producing Abroad?

No.

MNC's are subject to all the taxes imposed by the countries in which they operate. As indicated in the table on page 9, the effective corporate income tax rate in a group of the leading trading partners of the United States is quite comparable to that of the U.S. -- 48 per cent.

The U.S. MNC is allowed a credit against its U.S. tax on foreign income for the foreign taxes paid. Thus, the U.S. MNC pays taxes based on whichever is higher, the U.S. or foreign rate. In other words, if the tax in a foreign country is less than the tax in the U.S. on the same income, the total tax payment equals what the tax would have been if the income had been earned in the U.S.

This "evening up" -- equalizing the tax load -- is a basic principle of traditional U.S. tax policy, which has aimed at a "policy of neutrality" -- that is, the principle that income should bear the same tax burden regardless of where it is earned. In applying this policy the U.S. has long allowed a U.S. parent corporation to deduct the amount of foreign income tax it paid from its U.S. income tax. Otherwise income earned abroad would be subject to double taxation. The U.S. tax system recognizes that the country in which income is earned should have first call on taxing that income. The tax policies of most major nations today are based on the avoidance of double taxation.

If MNC's Leave Their Profits Abroad, Aren't Those 'Tax Havens'?

No -- and this is widely misunderstood. Foreign operations need to expand, they need more working capital because of inflation and other factors -- and funds for these needs are usually derived from earnings. Thus it is usually impossible for a parent company to bring back to the U.S. all the earnings of a foreign subsidiary. If the parent company were required to pay U.S. income taxes on the current retained earnings of its foreign subsidiaries, the added tax burden would either jeopardize the financial position of foreign subsidiaries (by forcing them to repatriate funds needed for normal business operations), or require the tax on earnings staying abroad to be paid out of domestic U.S. funds.

In the latter case funds would be diverted at least in part from capital ordinarily used to finance plant expansion in the U.S. The effect could thus be a reduction in U.S. plant expansion, the result of forcing U.S. parent companies to commit more U.S. funds to keep their foreign subsidiaries competitive.

The effect of requiring U.S. income tax on current earnings abroad and eliminating the credit on U.S. income tax for income taxes paid abroad would be to increase the effective rate on most foreign earnings to more than 70 per cent. Discrimination against foreign operations of this type would seriously injure the ability of U.S. corporations to compete in world markets, seriously restrict U.S. investment abroad, and in consequence reduce the flow of foreign earnings to this country, among other effects.

The U.S. Congress has periodically reviewed the method of computing foreign tax credits, and by law (the Revenue Act of 1962) has long since eliminated any practical advantage to the use of "tax haven" operations by U.S. business to avoid income taxes.

	<u>Foreign Income Tax</u>	<u>Foreign Withholding Tax on Dividends*</u>	<u>Effective Foreign Income Tax Rate</u>
Canada	51%	\$ 4.40	55.4%
France	50	1.50	51.5
Germany	44	5.10	49.1
Italy	46	1.60	47.6
Japan	44	3.40	47.4
Netherlands	47	1.60	48.6
U.K.	<u>40</u>	<u>5.40</u>	<u>45.4</u>
Average for Group	45.9%	\$ 3.29	49.3%

*Per \$100 earnings net after taxes assuming 60% payout
as dividends

Why Export U.S. Know-How? Why not Keep It in the U.S. and Make U.S. Jobs?

This kind of proposal is based on the notion that any know-how worth having originates in the United States, and that if this know-how were simply restricted to the U.S. it would result in the creation of jobs in the U.S. and not elsewhere. It is a popular misconception. In the years immediately after World War II U.S. science was dominant in the world. But in the world of 1973 the pendulum has swung the other way -- U.S. scientific discoveries are now only a fraction of the world total.

Here are some facts about research in the chemical industry -- and know-how today results primarily (and almost exclusively) from organized research efforts:

-- Based on their expenditures for research and development, only three of the top ten chemical research organizations belong to U.S. companies; the other seven belong to non-U.S. companies.

The \$1.7 billion spent by the U.S. chemical industry in a recent year represented 40 per cent of the total spent in the free world for research and development of new chemicals and related products.

--A study of 30 great innovations of the past 30 years, of which 19 were chemical, showed that 11 were based on foreign

discoveries or developments.

Technology is usually not sold or exported when it is new, exclusive, and unique; generally it is used in the U.S. first. Typically, one U.S. chemical company found that foreign investments to produce new products occurred an average of 10 years after the first U.S. plant construction.

To protect their heavy investment in research, companies take out patents, in the U.S. and abroad, on their discoveries. It is a little known fact, however, that in most countries, if a patent is unused in that country for a number of years it becomes subject to compulsory licensing or lapses, and can be used by anyone in that country so inclined.

Because of the high cost of research, multiple use of the result -- the building of second and third plants based on the same technology -- is often necessary to defray the costs, usually to supply markets in

parts of the world not accessible to products from the first plant. These second or third plants may be built by the company which performed the research, or by a foreign licensee.

Finally, it should be pointed out that all technology quickly becomes available worldwide -- through publication in the scientific literature, through communication between individual scientists, through licensing. Technology is for sale worldwide and the market is highly competitive. If a buyer in a foreign country cannot buy know-how advantageously from the U.S., he can usually buy it in Europe or Japan.

The licensing abroad of U.S. inventions brings income back to the United States, so the refusal to license usually means that this income goes to some other country. Likewise, building a plant abroad means income in increased exports of equipment, parts and materials for the plant as well as raw materials and intermediates for the manufacturing operation once it is built. If the plant is built by a foreign company, this income goes to another country.

A flat refusal to "export" U.S. technology would hurt the U.S. as much as anyone.

Examples of "foreign" technology important to U.S. industry:

Penicillin

Radar

Synthetic rubber

Urethanes

Polyester

Low-density polyethylene

Radial tires

Basic oxygen steel process

Float glass

Wankel engine

"Why Not Bar U.S. Companies from Investing Abroad and Building Plants There? Then We Could Export U.S. Products to Those Markets and Keep the Jobs in the U.S."

This notion is built on a false premise -- the presumption that if U.S. companies did not build plants abroad, those markets could be supplied by U.S. exports. In reality, the economics of competing in a foreign country generally favor local manufacturers and discourage imports -- so that if U.S. companies do not build plants for local manufacture, companies from some other nation will.

Foreign countries are interested in creating jobs for their own people, not for U.S. citizens -- just as Americans are interested in creating jobs in the U.S. rather than elsewhere. For this reason, often the only effective way to market U.S. chemical products in a foreign country is by building a chemical plant there; and as noted, in the experience of the U.S. chemical industry this invariably stimulates exports to that country of other chemical products.

"Let's Stop U.S. Companies from Building Plants Abroad, using Cheap Labor, and then Sending the Products Back to the U.S., Putting U.S. Workmen Out of Work".

The vast majority of U.S. multinational companies don't do this. Let's look at the facts:

In 1970, according to a U.S. Department of Commerce study, the overseas affiliates of U.S. MNC's produced \$115 billion worth of goods overseas. Of this total only \$7.5 billion was re-exported back to the U.S.:

-- \$2.6 billion represented transportation equipment covered under the U.S.-Canadian Automobile Agreement;

-- \$3.1 billion represented petroleum products and other raw materials either unavailable or in short supply in the U.S.; and

-- \$1.8 billion represented the re-export of manufactured items back to the U.S. -- 1.5% of total MNC overseas production. (In the chemical industry, less than 1% of overseas production was re-exported back to the U.S.; see page 3).

Legislation to halt so-called "runaway plants" would not be opposed by the major multinational chemical companies, but slapping punitive taxes on all overseas operations to stop this relatively rare occurrence would be misguided and severely injurious to U.S. business world-wide.

Rapid surges of imports have had a serious impact on some U.S. domestic markets. These problems, serious as they are, and injurious as they are to those whose jobs are affected, should be resolved by trade measures, trade negotiations, and adjustment assistance, not by attempts to "punish" the MNC's, which are a major force for developing U.S. exports, major balance-of-payments contributors, and whose overseas

activities are only a minor factor in U.S. imports.

Why Don't MNC's Build Plants in the U.S.? If They Build Abroad, What Money Is Left to Build Plants Here?

A 1972 study showed that between 1960 and 1970 major U.S. chemical companies increased their worldwide assets by \$17.2 billion -- \$14.2 billion representing increases in U.S. plant and equipment, and \$3.0 billion representing plant investment in a foreign country. The study also showed that the chemical industry actually overinvested in U.S. plant capacity during the 1960-1970 period; only 76 per cent to 85 per cent of total U.S. chemical plant capacity was used during that period.

Do Chemical MNC's Generate Jobs in the U.S.?

Commerce Department figures show that U.S. multinational chemical companies employed 665,000 Americans in 1966 and 725,000 in 1970, thus generating 60,000 new jobs in the U.S. in four years.

Another study -- involving only the larger multinational companies, whose sales accounted for 46 per cent of the industry's total sales -- showed that these internationally active companies increased their U.S. employment over a 10-year period (1960-1970) by 134,000.

The study showed that in 1970 these companies shipped 57 per cent of their exports to their overseas affiliates, indicating

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that overseas affiliates are a major factor in exports and thus in generating U.S. jobs.

In fact, a number of independent studies indicate that over the long pull companies engaged in international trade and manufacturing generate substantially more jobs than those who confine their activities strictly to the U.S.

MULTINATIONAL CHEMICAL COMPANIES -- THEIR ROLE IN INTERNATIONAL UNDERSTANDING

When an American chemical company builds a man-made fibers plant in Indonesia, or a plastics plant in Colombia, or a chemical complex in Germany, the economic contribution of that plant is only the tip of the iceberg.

In terms of U.S. dollars invested, jobs provided (in the host country and in the U.S. as well), contribution to the U.S. balance of payments, taxes paid (both to the host country and to the U.S.) and other contributions, manufacturing plants built abroad by the multinational chemical companies do make a major economic contribution to both nations.

But their social impact is perhaps even greater. The effect on a developing society of agricultural chemicals which dramatically increase crop yields has been amply documented. Even in advanced societies the impact of chemical technology can be significant, as for example in the development of the rocket fuels that enabled man to reach the moon.

Chemicals serve all industries and are an integral part of any effort to raise the standard of living, anywhere in the world.

One little-noticed effect of building chemical plants in other countries is the effect they have on international understanding.

The employees of multinational chemical companies frequently move from one country to another -- Costa Ricans to Brazil, Mexicans to Argentina, Americans to South Africa, South Africans to Switzerland, Swiss to England, English to Japan -- and as know-how is passed from one nationality to another and one person to another, the peoples of one nation get to know those of another, and to understand their needs and their ways.

How can we measure the breadth of international understanding built up in the world by the daily commerce of the multinational companies?

If international understanding is a bulwark for peace, then the multinational companies are a powerful force for peace in the world, and their ability to operate on a people-to-people rather than government-to-government level should be fostered, and protected.

Multinational Chemical Companies...A Positive Economic
Force for the Nation

* Exports

Chemical MNC's generate massive sales of U.S. products abroad; 57 per cent of the exports of these companies are shipped to their overseas affiliates

* Jobs

Chemical MNC's generate jobs in the U.S. -- 60,000 new U.S. jobs between 1966 and 1970 -- and abroad -- 30,000 new overseas jobs between 1966 and 1970

* Balance of Payments

Chemical MNC's have long provided one of the few positive balances in the U.S. trade picture -- a positive balance of \$2.1 billion in 1972, a total positive balance of \$19 billion for the past 10 years

* World Competition

Chemical MNC's have compiled this record in spite of rugged worldwide competition in the industry. Only three of the world's 10 largest chemical companies are U.S. companies. The severity of the competition is measured by the fact that the number of U.S. chemical companies among the biggest 50 in the world shrank from 21 in 1963 to only 16 in 1971

* International Understanding

In conveying modern know-how from nation to nation, operating on a basic people-to-people level, chemical and other MNC's generate an untold amount of international understanding that government-to-government contacts cannot.

COMMITTEE MEMBER APPOINTMENTS

(a) Education Activities Committee

Robert C. Busch, Diamond Shamrock Corporation -- As Chairman*
J. Richard White, Merck & Co., Inc. -- As Vice Chairman*
Edwin A. Butenhof, Eastman Kodak Company

(b) Industrial Relations Advisory Committee

Peter M. Alexander, E. I. du Pont de Nemours & Company
Clair L. Brandrup, American Cyanamid Company

(c) Insurance Committee

Michael R. Imbriani, Philadelphia Quartz Company
Win C. Zacharias, The Dow Chemical Company

(d) Solid Wastes Management Committee

W. C. Holbrook, B. F. Goodrich Chemical Company
Romuald Michalek, Engelhard Minerals & Chemical Corporation

(e) Transportation and Distribution Committee

L. L. Dintiman, Union Carbide Corporation
I. C. Dickerson, Phillips Petroleum Company
L. G. Kuntz, Amoco Chemicals Corporation

* Effective June 1, 1974

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