EXHIBIT C

INTERNATIONAL TRADE COMMITTEE
REPORT TO THE BOARD OF DIRECTORS
February 8, 1972
W. F. Christopher, Chairman

Organization

To carry out the functions assigned to the International Trade Committee by this Board of Directors, a committee membership of representatives of twelve member companies has been establish d:

Allied Chemical Corporation	B. L. How, Jr.
American Cyanamid Company	J. M. Fasoli
Celanese Corporation	L. A. Guzzetti, Jr.
Chevron Chemical International, Inc.	R. E. Black
The Dow Chemical Company	L. E. Lloyd
E. I. du Pont de Nemours & Company	E. R. Kimmel
Foote Mineral Company	W. F. Luckenbach
B. F. Goodrich Chemical Company	G. W. Flanagan
Hooker Chemical Corporation	W. F. Christoph r
Monsanto Company	M. T. Foveaux
N L Industries, Inc.	W. Harcourt Woods
Union Carbide Corporation	G. C. Wells

Secretary: J. G. Tritsch

This overall International Trade Committee is assisted in its work by the following structure of subcommittees:

Economic Studies. L. E. Lloyd, Chairman
Function: To provide statistical and other data background for testimony and for developing a better means for analyzing chemical trade data.

Overseas Activities. G. W. Flanagan, Chairman
Function: To follow developments overseas which have a bearing on chemical trade and on the foreign subsidiaries of U.S. companies, to study their consequences and to recommend appropriate actions.

Antidumping. M. S. McCauley, Chairman
Function: To follow antidumping legislation and proposed regulation changes and to develop recommendations and testimony for presentation to Congress and to other government bodies.

Drawback Task Group.
Function: To study temporary entry provisions of the tariff wh re drawback is the topic of primary inter st and to develop recommendations, position papers, and testimony as appropriate on drawback, for ign trade zones, and processing in bond.

In addition to these standing subcommittees, ad hoc subcommittees or task forces are established as needed to undertake short-term proj cts. Recent ad hoc groups have included the following:

Sector Definition Group -- to develop a definition of th chemical industry sector that would be useful in international discussions and negotiations.
Drafting Group -- to prepare testimony for Ways and Means Committee hearings on the Trade Act of 1970.
Drafting Group -- to prepare brief for filing with the President's Commission on International Trade and Investment Policy.
Drafting Group -- to prepare position papers on 1972 trade policy issues.

Recent Activities

1. Testimony on temporary entry provisions of the Tariff Act before the U.S. Tariff Commission, August 8, 1969.

In this testimony, Mr. W. F. Christopher presented MCA recomm ndations on the temporary entry provisions of the Tariff Act, and, in particular, on the tentative proposals set forth in the Commission Report TC Publication 286. The testimony opposed repeal of drawback, propos d changes in drawback to improve its usefulness, opposed repeal of the Foreign Trade Zones Act and proposed amendments to expand the utility of Foreign Trade Zones, proposed expanding the privilege of proc ssing under bond, and endorsed measures facilitating customs treatm nt of containers.

2. Recommendation to the Department of Commerce on the Chemical Industry Activities of OECD, December 31, 1969.

These recommendations pointed out the value of the sector concept and endorsed the concept of an international forum of industry and governments to consult on trends and consequences of the internationalization of industry; health, safety, and shipping standards; pollution control; and production and international trade trends; and to provid industry statistical data and a continuing analysis of the structure and growth of the chemical industries of member countries. MWC-

3. Testimony on Tariff and Trade Proposals before the Committee on Ways and Means of the House of Representatives, June 10, 1970.

In presenting this testimony, Mr. F. Leonard Bryant clearly noted the need for fair competition and full reciprocity which have now become the policy foundation of the present Administration.

Mr. Bryant also summarized MCA recommendations on tariff cutting authority, support for GATT, retaliation against discriminatory trading acts, industry relief, adjustment assistance, non-tariff barriers, and export expansion. He specifically recommended amendment of the Statement of Purposes of H. R. 14870, the Trade Act of 1970, to include as an objective, "to encourage th growth of U.S. exports", and to include in the bill specific measures to implement this objective. In questioning following the presentation, the problem of non-tariff barriers and border taxes, in particular, was developed.

Another twenty months has gone by since the presentation of this testimony, with little progress yet made on the major problems of non-tariff barriers and the trade effects of differing taxation systems. But the Administration is now confronting these probl ms, and a foundation is being prepared for corrective action. Th MCA Board of Directors can take pride in being one of the pioneers in developing an awareness of the need for such action, beginning with the innovational study on "Costs of Entry" authorized by this Board in 1962. It is through work of this kind that we have developed a reputation in Washington for providing an objective "early warning" on needed actions by government.

4. Statement submitted to the President's Commission on International Trade and Investment Policy, January 19, 1971.

In this statement, MCA offered recommendations in four problem areas:

(A) Government and industry should be allies, cooperating closely in trade policy development and implementation. Establishing promptly a top level organization to concentrate on foreign economic policy matters will aid.

(B) Expanding customs unions such as the EEC must meet fully their obligations under the General Agreement on Tariffs and Trade.

(C) The U.S. should plan for ultimate adherence to the Brussels conventions on nomenclature and valuation.

(D) In its own self-interest, the U.S. should terminate speedily the mandatory controls on U.S. foreign direct investments. In cooperation with other nations, the U.S. should work for the establishment of international investment rules.

5. Statement to be submitted to the Subcommittee on Foreign Commerce and Tourism of the Senate Committee on Finance in r gard to S. 2754, the Export Expansion Act of 1971, February 1972.

This statement reflects the earlier MCA testimony on export expansion, emphasizing, among other things, an end to foreign investment controls, greater industry-government liaison, competitive credit availability, tax aids and an end to freight rate disparities.

6. Participation in International Meetings.

The International Trade Committee has provided observers and technical advisors to government representatives at international meetings:

OECD, Special Committee for Chemical Products:
Paris, France, September 25-26, 1969. W. F. Christopher

ECE, Chemical Industry Committee:

Geneva, Switzerland, January 29-February 2, 1968	G. W. Flanagan
Geneva, Switzerland, September 21-23, 1970	J. G. Tritsch
Geneva, Switzerland, September 22-24, 1971	J. G. Tritsch

7. Consideration of an International Association of Chemical Companies.

Because international considerations have become increasingly important to MCA member companies, and because progress on international issues has been impeded by lack of appropriate international forums for dialogue and debate, consideration has been given to the organization of some form of an international association for the chemical industry, perhaps like the International Iron & Steel Institute. Further consideration for such an association could provide a strengthened ability to confront and resolve the complex problems of the chemical industry in the interdependent economic world of the seventies.

<u>Present Trade Legislation</u>.

1. S. 2592, H. R. 10914, the Foreign Trade and Investment Act of 1972.

This legislation, introduced by Senator Hartke and Representative Burke, reflects the policy position of AFL-CIO and has strong labor support. It proposes increased taxation of overseas operations, controls on the export of technology, new limitations on overseas investment, elimination of TSUS 807 provision for foreign assembly of U.S. components, and a system of quota provisions to limit imports. The bill aims directly at the multinational corporation. The bill is extreme, and for this reason is not expected to be taken up by the Congress. However, because of the strength of the support for it by organized labor, it is entirely possible that whole sections of this legislation may be seriously considered in the form of amendments to other bills.

2. S. 2754, "Export Expansion Act of 1971".

This legislation, introduced jointly by Senators Magnuson and Inouye, includes several provisions for strengthening the export expansion program of the Department of Commerce and for improving the export competitiveness of U.S. industry. Public hearings were held January 24-27, 1972, with additional hearings expected later this month. The International Trade Committee recommends that written testimony be filed with the Senate Committee reflecting MCA previous policy recommendations for trade expansion.

3. Administration Trade Legislation.

In addition to the currency conversion legislation expected shortly, an inter-agency task force is working on the draft of new comprehensive trade legislation to be submitted to this Congress. This new "Trade Act of 1972" is expected to include:

- A request for substantial new authority to reduce tariff and non-tariff barriers.
- The setting in motion of a new round of trade negotiations.
- Provision for the negotiation or discussion of differing national treatment of multinational corporations and the problems arising therefrom.
- Approval of the Separate Agreement on Chemicals, negotiated during the Kennedy Round and providing for the elimination of the American Selling Price method of valuation, or perhaps authorization for a new try at another Agreement to do the same.
- Liberalization of imports from Communist countries, including the granting of most-favored-nation treatment to at least some East European countries.
- Improved tariff adjustment and adjustment assistance provisions.
- Tariff preferences for LDC's.

<u>Present International Trade Committee Activities</u>

1. Monitoring of legislation. This work is summarized above.

2. Maintaining contacts and monitoring the work of administrative agencies as this affects the chemical industry.

Personal contacts and relationships are maintained with the Office of the Special Representative for Trade Negotiations, the Office of the Assistant to the President for International Economic Affairs, the Tariff Commission, and Department of Commerce offices concerned with international commerce.

3. Development of Position Papers.

A task force of the International Trade Committee is now completing the editing of position papers on twenty issues important to our industry. Thirteen of these represent restatements of positions already developed, with some updating in consideration of recent developments. The other seven are new statements. All are intended to provide MCA and MCA member companies with an information base to respond to issues that will be debated and acted on over coming months. At the decision of this Board, these position papers could be authorized as a "positive trade policy stat ment for the chemical industry". Or they may be left as an internal resource of MCA for use as appropriate in responding on specific issues as they arise. In any case, the International Trade Committee does not feel that we should wait for issues, and then react. This is not the philosophy that has earned us a reputation for anticipating issues, and providing "early warning" of their development. So we are attempting now to think through the developing situation and to provide constructive positions on those issues which will significantly affect our industry. These twenty issues are: (new statements indicated by asterisk)

Tariff adjustment and adjustment assistance
Adoption of the Brussels Tariff Nomenclature
*Countervailing duties
Drawback
*Antidumping
East-West trade
Expansion of Customs Unions
Export Expansion
Foreign Direct Investment Controls
*GATT functions
*Tariff preferences for LDC's
Industry liaison with government
Multinational corporations
Ocean freight rates
*Effects of pollution control costs on competitive position
Retaliation against discriminatory trade acts
*Standards
Tariff reductions
Taxation systems
*Technology

Critical issues of trade policy will be debated and decided on over coming months. The work of our International Trade Committee will enable MCA to participate in the resolution of these issues constructively for our industry and for our country.