

[In millions of dollars]

Year	(1) Trade balances, iron and steel, SITC-67	(2) Trade balance, chemicals, SITC-5	(3) Total U.S. export-import trade balances	(4) Net U.S. balance of payments (liquidity basis)
1950.....	281	(1)	1,423	-3,580
1951.....	188	646	4,065	-305
1952.....	430	497	4,483	-1,406
1953.....	237	457	4,900	-2,152
1954.....	386	718	4,818	-1,550
1955.....	541	774	4,059	-1,145
1956.....	595	899	6,322	-935
1957.....	856	1,029	7,608	520
1958.....	410	1,012	4,660	-3,529
1959.....	-156	1,069	2,005	-3,743
1960.....	174	1,270	5,540	-3,881
1961.....	97	1,317	6,249	-2,370
1962.....	-42	1,353	5,283	-2,203
1963.....	-135	1,376	6,208	-2,670
1964.....	-109	1,668	7,758	-2,798
1965.....	-606	1,633	6,113	-1,335
1966.....	-748	1,719	4,777	-1,357
1967.....	-812	1,839	4,718	-3,575

¹ Not available.

Sources: Cols 1 and 2—1965-67, Census Bureau of Department of Commerce. Census Bureau has not published redefined figures for prior years. Earlier data from OECD, as most nearly comparable; cols. 3 and 4—Department of Commerce.

It should be noted that the rate of growth in the chemicals balance of trade indicated above has slowed down considerably in recent years. From 1951 through 1960, and from 1961 through 1967, the growth rate of exports was 6 to 7 percent. However, the growth rate of imports speeded up from 3 percent in the first of these periods to more than 10 percent in the last seven years.

It may be appropriate at this point to examine some of the major reasons for this historical favorable balance of trade generated by chemicals and also to evaluate the future environment.

III. Competitive Developments in the European Chemical Industry

Based on announced or completed expansions of petrochemical facilities in Europe, we anticipate that the production will far exceed demand for basic petrochemicals by the early 1970's. This will also be the situation in the U.S. The following table showing projected capacities and estimated consumption in 1970, based on studies conducted by Marketing Research groups,¹ highlights the magnitude of these important changes:

[Billions of pounds]

	Consumption	Capacity
Ethylene:		
Western Europe.....	11.4	20.1
United States.....	15.3	20.2
Low-density polyethylene:		
Western Europe.....	3.3	6.6
United States.....	3.6	4.5
Ethylene oxide:		
Western Europe.....	1.2	2.2
United States.....	3.2	3.4
Benzene:		
Western Europe.....	6.4	8.5
United States.....	7.7	11.9

As a result of this coming major shift in the European supply-demand relationship, aggravated by excess capacity in the U.S., competition in the chemical markets of the world's must inevitably become more and more intense. We anticipate pressure not only in our domestic markets but in third countries as well, and it will be on a "cut-throat" price-cutting basis because of this extreme excess of capacity. As a result, European producers will be forced to virtually disregard

¹ Both our own as well as outside firms.