

capacity is being added in that country. For example, a single foreign country might consume 100 million pounds of product annually and have one plant of 100 million pounds annual capacity. As the consumption of the product increases in this foreign country, the manufacturer there might wait until total consumption is 160 million pounds annually, before adding another minimum economic sized plant of 100 million pounds. Thus, over a period of several years the imports would increase from zero up to 60 million pounds, and then fall back to zero as the new plant is completed. Plants in the United States are playing a major role in supplying such countries with the chemicals they need to fill this gap between capacity and consumption. At the same time, lower foreign tariffs would increase this type of export by delaying the construction of additional plants abroad. Even relatively large-market countries such as Germany use this type of export from the United States. For example, Germany has produced styrene monomer since 1931 but had a temporary shortage in 1964 and 1965 while a new plant was being built there. During these 2 years the United States exported almost \$10 million yearly of this product to Germany.

This role fulfilled by U.S. exports in balancing capacity and consumption in foreign countries has often been overlooked by U.S. manufacturers. Even though U.S. exports have been high, they could have been even higher if the U.S. manufacturers had recognized these export opportunities. For example, various market forecasters in the United States predicted during the late 1950's and early 1960's that U.S. exports of such items as methanol, styrene monomer, and acrylonitrile had reached a peak and would drop because of the buildup in plants abroad.

In 1959, "Oil, Paint & Drug Reporter," a respected newspaper in the chemical marketing field, said in reference to styrene monomer, "Most producers feel that 1959 will be the peak export year—but after this year, monomer plants overseas will cut sharply into exports." Similar predictions were made for a number of other chemicals. Actually, for many such products U.S. exports increased, rather than decreased, so that by the middle 1960's the United States was not able to meet all of its export demand. At the same time, in some cases, American purchasers of the product were faced with temporary shortages because of lack of domestic capacity; for example, following is a quotation concerning methanol from the "Oil, Paint & Drug Reporter" in January 1966.

* * * export business has to be turned down and domestic buyers are on allocation.

Part of this shortage was due to increased methanol consumption caused by the Vietnam conflict, however, an important contributor to this shortage was that U.S. manufacturers underestimated the value of U.S. exports, which was four times as great in 1965 as had been shown in forecast in 1961 presented in "Chemical Week," another respected publication covering the chemical industry.

3. The United States will continue to be a major exporter of chemicals in spite of the much higher wages paid in the U.S. chemical industry than in the chemical industries abroad. A number of international trade studies provide evidence indicating that unit wage rates