Good morning, Ladies and Gentlemen. I'm Tom Mooney of The Procter & Gamble Company. It's a pleasure to be with you again to report on the work of the International Affairs Group.

One year ago, I made this report in my capacity as Vice Chairman of IAG. Our Chairman, Dr. Etcel Blair of Dow, had an unavoidable business conflict. At the time I had no expectation of a repeat performance this year, but then, neither did I anticipate Dr. Blair's retirement earlier this year, a great loss both to the chemical industry and to IAG.

As I report this year, I'm also mindful of the Fiscal Year 86/87 budget deliberations that have occurred since last September and, more specifically, of the sunset review of a number of program areas including IAG. In case you've forgotten, the survey of Directors produced 13 votes for sunsetting IAG, 15 for retaining it, with 14 neutral votes. That's akin to that get-well note sent by a corporate board of directors to its chairman and CEO who was recovering from surgery. "You have our best wishes for a Speedy Recovery," it said. "P.S. The vote on the resolution was 8 to 7."

Well, IAG got a message from that vote, and we're gratified that we will be able to hang in there for at least one more year. We're convinced that we are doing some pretty important work in the interests of the U.S. chemical industry, and I appreciate this time this morning to speak to who we are and what we're about. I'm convinced IAG represents a good bang for the buck for CMA, and I hope my remarks are helpful in shifting a few of those neutral votes to the plus side as we look ahead to next year.

IAG's roots go back to 1979. It was becoming increasingly clear back then that nations were no longer living in isolation with regard to health, safety and environmental laws and regulations. What was happening in the U.S. was being looked at very carefully by other governments and vice versa. Further, communities of nations like the European Economic Community, the United Nations, and the Organization for Economic and Cooperative Development were moving towards consensus positions on chemical evaluation and control, sometimes positions at odds with U.S. laws and regulations. With most U.S. chemical associations rather parochially focused on the U.S. regulatory scene, there seemed to be a place for an internationally focused group – and
As a general observation, IAG is concerned with the technical aspects of health, safety and environmental regulatory policies which can affect our ability to compete effectively with our foreign competitors in the world marketplace for chemicals. Some issues of concern to us may affect the freedom of U.S. companies to export. Other issues may be of more significance to U.S. multinational operations actually based in these non-U.S. world markets. In common, however, we see all IAG issues as having the following characteristics:

- First, the issue should have important health, safety, or environment policy or technical implications;
- Second, it should be international in scope, with definable potential to significantly impact the U.S. chemical industry;
- Third, it must have important regulatory, legislative or trade dimensions; and
- Last, there must be opportunity for a significant contribution by IAG to favorable resolution of the issue.

We are not a trade-focused group, although we do recognize that underlying every IAG issue is a fundamental concern about some aspect of our ability to compete fairly with foreign competitors in one world market or another.

With these criteria in mind, let's review some of our important IAG issues and activities this past year as well as check out the won/lost column.

I'll begin with an update on our initiative noted last year regarding development of an international consensus document on sound scientific criteria for the classification of chemicals as carcinogens, mutagens, and teratogens. In 1985, we were faced with the prospect of confusing and scientifically unsound criteria falling into place as Europe implemented its hazardous chemicals labeling requirements. Looking for some common industry "high ground," we gained the commitment of our colleagues in both Europe and Canada to a joint working party charged with developing an appropriate, scientifically sound proposal to lay on the table as a counter to approaches being considered by European regulators. Under the able leadership of Dr. Ed Sowinski of Uniroyal and Dr. Bernhard Broecker of Hoechst, an outstanding document was developed in record time. That paper had just gained CMA and SOCMA approval at the time of my report last year.

Since then, the IAG Criteria Document has been given broad distribution to both government and private sectors all over the world, with very favorable reaction, I might add. Formal publication is upcoming in the Journal of Regulatory Toxicology and Pharmacology. Finally -- and I find this significant -- I'll note that the prestigious International Agency for Research on Cancer has judged the document worthy of inclusion in its data base as IARC looks to reviewing and updating its own carcinogen classification criteria.
Now recall that hazard labeling concerns were in fact the root cause of our initiating this scientific exercise in the first place. Well, the time wasn't ripe for labeling debates with Europe last year, so we focused the working party goal on addressing appropriate scientific criteria for hazard identification, not on the relative merits of differing approaches to product labeling. We have, however, used this interval to press the Labeling Task Group of the CMA's Health & Safety Committee to give higher priority to the issue of chronic hazard labeling. This has happened, and with the IAG Criteria Document as a key building block, that task group is making good progress working through the ANSI consensus system.

A second important issue on our agenda is also labeling related -- specifically, I'm talking about a draft EC Commission Directive on the labeling of preparations. It's called the General Preparations Directive -- GPD for short.

The European Community has been somewhat ahead of us in the labeling of hazardous chemical substances. Moving beyond substances, the EC Commission is now developing a scheme for the labeling of all preparations sold in Europe. In U.S. terms, we're talking formulated product mixtures. Because of the approach currently being considered for identifying chemical substances as "hazardous," the Commission's draft scheme seems destined to lead to the majority of preparations being identified as "hazardous" in some respect. The real problem is that once a preparation is identified as "hazardous," there are further requirements for label identification of those component chemical substances, by percentage and using CAS or IUPAC chemical nomenclature, responsible for the hazardous properties of the preparation. Many companies have expressed serious concern about the potential loss of important proprietary information under this labeling scheme, a concern well justified in IAG's view. There are many more important flaws in the draft GPD as it presently stands, but I'll not cover those in detail this morning.

Given these concerns, many of them shared by our European industry colleagues, our next consideration was what, if anything, we could do about it. The European industry view was almost fatalistic, that is, the matter was in the hands of the competent authorities and the Commission would simply not be open to industry input regarding its draft GPD. However, nothing ventured, nothing gained. We therefore presented our views in writing to the Office of the U.S. Trade Representative, the eventual result being a precedent-setting opening of the draft GPD for bilateral discussions between USTR and the EC.
As a consequence of this constructive initial meeting, the Commission has acknowledged that we indeed share some important concerns regarding confidentiality and the need for greatly simplifying the mechanisms for identifying preparations as hazardous. The next round of discussions is expected to be held in Washington next month, and IAG will again be represented as part of the official USTR delegation.

I've covered these first two issues in some depth in order to register a point which I feel may be overlooked as the value of IAG is weighed. It's easy to say that these are European, not U.S., chemical industry issues. Well, for those of us who operate in Europe or export to Europe, it should be obvious that they are our issues as well. Once past the first mental block, it's then easy to say that the matter properly should be handled by our resources in Europe working through their appropriate trade associations. Good point -- and that certainly is to be encouraged.

However, what our experience with these two issues is teaching us is, first, that we don't always all think alike or assess an issue in the same way just because we all work for the same company. Second, sometimes informed U.S.-based involvement opens up some constructive options simply not available to our European colleagues -- case in point, the precedent-setting reopening of an onerous draft Commission Directive for further discussion. I'm convinced this simply would not have happened if left to European-based industry initiatives alone. I'm not ready to put either issue into the "won" column yet, but these are at least two games that we have managed to get back into and take two extra innings. I'm confident that IAG's involvement in both will have made an important, positive difference before these issues are resolved.

I'd like now just to touch briefly on some other important matters on IAG's agenda, all covered in greater depth in our written report. Specifically --

- As a continuing priority, we are staying as close as we can to emerging new chemical control laws or to important changes in existing ones. Canada and Japan, respectively, are the focus of our attention in these two categories. Incidentally, IAG was the only non-Japanese trade organization to respond to an initiative from the Japanese Ministry of International Trade and Industry to comment on the merits of various existing regulatory schemes for the control of chemicals. I'll note here that industry groups from both Canada and Japan are planning to meet with IAG for bilateral discussions on this subject in Washington in November.

- IAG also continues to track U.N. activities relevant to the chemical industry. Of primary concern has been a U.N. project to develop a Consolidated List of Products Banned or Severely Restricted by governments worldwide. As far as the scorecard is concerned, I have to acknowledge that we haven't had much success either in discouraging generation of the Consolidated List in the first place or in influencing the content, format, or quality of the list, given that its preparation
is now a certainty. We've also had some involvement with the U.N. Centre for Transnational Corporations, which sought CMA/IAG involvement in a meeting cosponsored with the U.N. Environment Programme in Geneva late last year to discuss post-Bhopal plant and worker safety aspects of multinational chemical corporations. After concluding that UNCTC was basically dealing from a stacked deck, TAG declined that invitation to participate. It's of interest that, following the IAG decision, the U.S. Department of State declined to attend as did the International Chamber of Commerce and CEFIC, the European Council of Chemical Manufacturers Federations. Obviously, both U.S. industry and government relationships with the UNCTC are a bit edgy, but we're hopeful that continuing dialogue will be useful in smoothing the waters somewhat in the year ahead.

In a new role this past year, IAG has assisted the CAER and CHEMTREC Programs with some international advocacy, primarily involving IAG professional staff. With Technical Department involvement, these subjects have been talked with chemical associations in Canada and Mexico, with meetings in prospect with Brazil, Germany, France, England, and the Scandinavian Bloc. This activity has also involved interaction with the World Environment Center as a conduit for further international distribution of these important programs.

Finally, in support of all of our activities, we continue to give priority to strengthening past communication links and developing new ones with other chemical associations as appropriate, both U.S. and worldwide. We also continue to strengthen our ties to various agencies of the Federal Government, primarily EPA and the Department of State, to provide opportunity for effective advocacy of IAG's views on important health, safety, and environmental issues of international consequence.

Looking to the future, I'd like to close with brief comments on both program content and personnel.

First, program content. Few of the issues I've discussed in my review will be put to bed in the immediate future. Next year's report will almost certainly cover new developments in each of these areas. Perhaps the new program dimension in my discussion this year was the increased involvement of IAG in international advocacy for CMA-developed programs or policies initially developed for U.S. domestic purposes. Certainly CAER and CHEMTREC are proving to be of great interest to others beyond U.S. borders, and IAG will be looking very carefully at how best it can serve industry interests worldwide in an advocacy capacity.

Finally, Personnel. Dr. Blair's retirement was certainly a loss to IAG, and I want to acknowledge with deep appreciation the years he served so conscientiously as our Chairman. He was committed to our work, and was a real believer that IAG was fulfilling an important need not otherwise being addressed within the chemical industry. But let me note that Dr. Blair was not our only loss to retirement. Also gone from our roster are Don Smith of DuPont, Tom Carmody of Union Carbide, Vic Denslow of Amoco, and Jim Michael of Exxon, as well as our dedicated staff executive of many years, George Ingle, in mid-1985. All were extremely knowledgeable veterans on the issues and a match for Dr. Blair in their
commitment to achieving IAG's goals. Collectively, they represent a great loss to IAG, and provide those of us left with an important rebuilding challenge. Like all the committees of CMA, we need competent, committed, informed members if we are to make a difference. I ask those of you whose companies are not currently involved with IAG but whose business is truly international in scope to consider seriously becoming part of the new International Affairs Group.

As I close, I'll express the hope that the 15 of you who voted to retain IAG are feeling good about your vote. As for the 13 sunset votes, I hope you're saying things would have been different if you had only known how much IAG manages to accomplish with so few dollars in the budget! For the 14 in the middle, I hope this report is at least a first step toward providing you with enough insight into IAG to enable you to take sides. We'll hope the vote will be a plus. Thanks very much for your attention.

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