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Petrochemicals Industry: Carrying the Banner for Economic Progress
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Thank you, Stuart, for that kind introduction. I'd like to also thank my good friend and partner, Mohammed Ahmad Husain of the Kuwait Oil Company – and his entire team – for organizing such an excellent conference.

We meet in a country that stepped onto the world stage in 5000 BC as Dilmun ... one of the greatest trading empires of the world. Along with the rest of the Middle East, you have the distinction of being one of the earliest centers of civilization, world affairs and education.

Today, the Middle East is rising once again – not just as a major oil-producing region, but as a significant economic force in the world.

New industries are emerging, from petrochemicals and finance to insurance and information technology. And billions are being poured into infrastructure and higher education. Your fortitude has opened the doors to investment and opportunity, and to mutually beneficial relationships – like the ones we are building right here and right now.

Every time I visit the region, the landscape is different. But it is not just the soaring towers, that command your skylines that impress me.

I am most impressed by the leaders – many who are here today – because you are truly dedicated to economic growth, diversification and sustainable development.

You are carrying the banner for economic progress, and it is you who will determine the platform for success in the Gulf Cooperation Council ... one that retains your culture while strengthening your future.

Because we are in Bahrain, which means “two seas,” I’d like to talk briefly about “two integration challenges” that we face in the global petrochemicals industry, and to share with you “two actions” that Dow is pursuing.

The Two Challenges

I’d like to focus on:

First, the challenge of globalization ...

And, second, the challenge of human progress.

The Challenge of Globalization

I'll begin with a little history. Last century, the U.S. was the “king” of the petrochemicals industry, largely because it developed the technologies to convert the by-products of oil and gas into the building blocks for chemicals and plastics. At Dow, for example, it meant the birth of many successful product franchises.

Eventually, the U.S. expanded into overseas markets, and by the 1980s, companies from Europe and Asia joined the fray, signaling the start of a global industry.

This century, however, marks a seismic wave of globalization which has created a single global market. This was driven by the growth of emerging economies ... the manufacturing and purchasing power of Asia ... and the escalating demand for our products.

While globalization means better trade and improved standards of living, it has also spawned tougher competition and record-high energy prices around the world, creating a great deal of challenge and change.

Historically, the petrochemicals industry has walked down the path of low-cost, which is why the center of gravity is now moving to the Middle East. You hold the world's largest and most affordable reserves of oil and natural gas. Your proximity to high-growth markets is ideal. Your reforms are making investments easier.

But, to grow and succeed over the coming decades, your company and mine will need more than affordable feedstocks. To stay low cost ... and to compete on the world stage ... we also need to fully engage with each other at the global level.

Many of the issues we face today can be resolved much faster by working together ... issues like global supply chain, new market development, best practices, and a competent global workforce.

Take supply chain, for example. Collaboration between all of the involved parties can have a positive impact on operational cost efficiency, capital reduction and even capital avoidance ... and also lead to a better understanding about the tradeoffs between the three.

Similarly, the co-development of new markets and downstream industries can help tackle and mitigate future over-supply concerns by generating more demand for petrochemicals products.

As for best practices, it is our foremost desire, and that of many industry organizations, to share proven best practices for the environment, health and safety of our people and communities.

And finally, the supply of top talent – including chemical engineers (my favorite), continues to fall short of needs. Personally, I believe that we are headed toward a major tug-of-war for global talent. The pay differential for emerging economies versus mature geographies is closing quickly at 40 to 50 percent per year – and demand is quickly exceeding supply.

Given this trend, your richest resource is quite possibly your abundance of young people, not your oil. This is not, however, a regional issue. It is a global issue, because it is smart people who drive success, employed people who drive healthy economies, and committed people who discover solutions to world problems.

And that brings me to the next key challenge that we face as an industry ... the obstacles to human progress.

2. The Challenge of Human Progress

The most serious challenges ahead for our industry are the forces that will shape the world to come. One only needs to think about the global credit crisis, rising oil prices, and their combined impact on commodity and food prices around the world.

Even in Saudi Arabia, where inflation was nearly Zero for a decade, it is forecasted to approach the double-digits by year end.

Other key issues, of course, include climate change; clean water; public health; and affordable housing.

Such challenges will increasingly intersect with the core competencies of the petrochemicals industry ... science, technology, and innovation ... putting us in a unique position to provide important solutions.

Chemistry, in fact, is directly responsible for 90% of the products we touch every day ... from shoes and medicines to cars and computers ... and even the water that we drink.

Indeed, chemicals are life, and are integral to our way of life.

They are essential to human progress, and we have an obligation as an industry to deliver sustainable solutions to society, and future generations.

The Two Actions

This leads me to the two actions that Dow is taking to address the challenges of human progress and globalization.

First, we are implementing a strategy that is transforming Dow for the 21st century. And second, we are accelerating success through collaboration and long-term strategic relationships.

We believe — and are organizing our company around the belief — that success for Dow is tied into our ability to diversify . . . to partner . . . to network within our industry . . . and to create patterns of investment that deliver value not just to us, but to humankind as well.

And to that end, our strategy is focused on four key components of competitive advantage:

- financial discipline
- growth,
- people ...
- and the integration of sustainability into everything we do.

Companies that are focused on being sustainable, are companies that have the greatest chance of being successful. It is what earns us the license to operate.

This approach has been our philosophy for 111 years, and it has only intensified in the past decade.

Back in 1995, for example, we launched an ambitious set of 2005 Sustainability Goals in the area of environment, health and safety.

Despite the naysayers, we achieved most of our goals in the process. For example:

- We cut energy intensity by enough to save Dow around \$5 billion U.S. with just \$1 billion in investment
- And, we reduced our CO2 footprint by more than 20% between 1990 to 2005. Imagine this ... If Dow were a stand-alone country, it would have surpassed the requirements of the Kyoto Protocol by more than three-fold.

And now, we are entering our second decade of sustainability goals that once again push the envelope.

This time, they reach beyond our fences to address several world challenges.

This time, they tie our R&D efforts to the mega-trends and challenges of the world, and filter our work through the lens of sustainability.

And this time, we are more engaged than ever before with external organizations to accelerate results, such as the Blue Planet Run Foundation to help build awareness and raise funding for clean water.

And here, let me just tell you that our sustainability platform has invigorated our workforce – at every level. It infuses people with a purpose, a passion and pride about their work – because they understand how they are making the world a better place. They understand this is their legacy.

And in the process, they are becoming stronger ambassadors for the chemical industry.

That is critical because perceptions of our industry are not always favorable – despite the value that we deliver, and despite the fact that we are the safest industry in the world.

The industry is sometimes viewed with suspicion due to poor or careless practices by a small minority of companies, which can make it more expensive to operate across the industry – and even shut down important projects that help solve world problems.

But most of all, there is a lack of awareness – even among government officials – about the positive contributions we make.

At Dow, we are committed to locking arms with all of you across the industry to build the reputation of our industry ... to share best practices ... and to pull companies into the circle of Responsible Care®.

Last year in Dubai, for example, we launched the Responsible Care® Global Charter – a blueprint for taking this initiative forward in the years ahead.

And in March, Dow became a founding member and partner of the Emirates Environmental Group to support various programs for sustainable development.

Furthermore, we are partnering with the Emirates Diving Association to assist with coastal cleanup campaigns and the preservation of marine life.

In addition, on the People side of our strategy, we committed over \$2 million US to support the Young Arab Leaders cross-cultural dialogue, and our company's Foundation also committed additional funding to the non-profit Lothan Youth Achievement Center in Kuwait. Furthermore, we continue to explore ways to infuse higher levels of science education and international experience into the region -- and are discussing, for example, several options with the King Abdullah University of Science & Technology (KAUST).

Such commitments are often the outcome of several strategic partnerships we have formed – and continue to form – in the Middle East ... relationships that will enable Dow and our partners to enjoy new platforms of growth.

We are doing this through Joint Ventures to grow existing franchises, which will give us the cash flow to diversify downstream with Market Facing businesses. We often call this an “asset light” strategy because it lightens our asset load.

In the Middle East, where we have been active for 30 years, our joint venture model has been very effective . . . among them . . . EQUATE in Kuwait . . . MEGlobal, with its headquarters in Dubai . . . and three Arabian Chemical Companies in Saudi Arabia and the United Arab Emirates.

All are delivering tremendous value for both partners . . . and we expect the same performance from our announced JVs . . . with Saudi Aramco ... with Petrochemical Industries Corporation ... with Libya's National Oil Company ... and with the Oman Oil Company. In all cases, we have found that value-creating partnerships are paramount to achieving success here . . . and these partnerships are based upon a strong relationship of trust and of mutual benefit.

Our partners, for example, bring advantaged feedstocks, a regional perspective, and proximity to high-growth markets . . . while Dow brings critical capabilities like global reach, technology, products, market channels, and over 100 years of operational experience in petrochemicals.

Together, we integrate the best of both worlds: profitability and growth . . . skilled, high-paying jobs at our production, research, and information technology centers . . . and the ability of our partners to diversify their economies, expand their portfolios, and grow throughout the world.

At the same time, they have the ability to leap-frog technology. They have the benefit, in many cases, of getting the head start by tapping into existing technologies that took many years for Dow to develop. And by tapping into our top talent as well, who act as mentors for many.

But we have even higher expectations . . . expectations that we can also integrate our strengths in ways that address the human obstacles of our century, enabling the chemical industry to assume its rightful place as the pre-eminent enabler of progress and solutions.

This is not an abstract concept. The continued growth and prosperity of the Middle East and the world depends on sustainable development in the fullest sense of that word. And sustainable development, in this century, depends on the contributions of the petrochemical industry.

With it, we get:

. . . job creation and talent development

. . . stronger communities . . .

. . . improved safety and security . . .

. . . and, of course, the responsible coexistence of industry and the environment.

In closing, I mentioned earlier that all of you are carrying the banner of economic progress. But it is actually all of us who carry that banner. Together, we can integrate the visions and capabilities of our industry in dramatic and revolutionary new ways.

Together, we can engage at the global level, and address the challenges of human progress – faster than any of us could do alone.

And together, we can aim higher than ever before.

As that wise Middle East proverb says, “One hand cannot clap” ... but many hands can make a world of difference.

Thank you.