

lation or other political means any artificial or special advantage over its foreign competitors, assuming that the economic factors beyond our control such as raw material prices, labor rates, taxes, and non-tariff barriers, are or can be made relatively equal.

We ask only for equality of competitive opportunity; in other words, to be subjected to the handicaps or the restrictions or to enjoy the advantages no greater or no less than those affecting the foreign chemical producers.

Unfortunately, such equality does not yet exist as far as the petrochemical industry is concerned. The price trend of raw material feedstocks from petroleum and natural gas in the United States as compared with foreign prices is such that by 1970 to 1972 our foreign competitors will have a decided advantage in terms of raw material cost because of the fact that under the oil import control program the domestic petrochemical industry has only limited access to foreign feedstocks.

This would be a source of concern in any event to a chemical company like Union Carbide which is so dependent upon economical raw materials for profitable operation.

However, it is rendered more than ever serious when superimposed upon the anticipated adverse effect on Union Carbide of the Kennedy round and European tax disadvantaging.

The oil import control program restricts the imports of foreign oil. For areas east of the Rocky Mountains imports are restricted to 12.2 percent of production and the bulk of our consumption must be supplied by domestic sources.

The program produces and protects a difference between the U.S. price of crude oil and world market price. As a result oil averages \$1.25 per barrel higher in price in this area of the United States than elsewhere in the world. This is a price differential of 3 cents a gallon or 60 percent above world price.

The forced usage of domestic crude oil at its higher price does not work a hardship on companies in the U.S. energy market. Energy products such as gasoline and heating oil, while more costly in bulk than foreign products, are sold only in the United States and are protected against imports by the same quota program.

But the program poses a clear and present danger for the U.S. petrochemical industry. Petrochemicals are made from oil and natural gasolines. These raw materials are subject to the oil import control program and their cost to the chemical industry inevitably reflects the higher domestic price of petroleum. The quota protected price differential for oil, 60 percent higher at home, would be critical if not fatal in petrochemical production where in many cases raw material costs account for more than 50 percent of the cost of the basic price.

Furthermore, U.S. petrochemical products have only a slinking level of tariff protection in the domestic market. Foreign petrochemicals, on the other hand, need no import quotas for their shipments to the U.S. market and are not restricted in their access to low cost oil from the Middle East or South America.

For this reason adequate access to foreign feedstocks is fundamental to the health and growth of the domestic petrochemical industry.

A great deal is at stake. First, the continued growth of U.S. exports of petrochemical products. Petrochemicals currently contribute more