

175 plants in 30 countries around the world, operated by affiliated companies in which our ownership ranges from 50 percent to 100 percent.

The implications of the Kennedy Round negotiations, as well as other economic changes such as revisions in European tax systems, will have a profound effect on the nation and on individual companies such as our own. In fact, a company like Union Carbide cannot effectively plan its long-term business strategy and capital investment policy without evaluating as best it can the probable impact of these far-reaching developments upon its own operations.

Therefore, the management of Union Carbide undertook such a detailed study and analysis, product by product, to guide its own decisions. This study, which has required many months, is sufficiently near completion to warrant certain preliminary observations. We therefore felt that it might be useful to share with the Committee and the Congress some of the findings of this detail study. It should be emphasized, however, that the viewpoints and information set forth relate primarily to Union Carbide. Although to some extent they may apply to the chemical industry as a whole, or to other companies within it, our statement is not intended in any way to speak for or represent the chemical industry.

Speaking generally as a corporation with major global interests, Union Carbide is convinced that liberalization of trade barriers over the long term is essential to the growth of world trade. Further, we believe it would be adverse to the growth and development of the U.S. economy if the trend in this direction were now to be unnecessarily impeded or reversed. More specifically we realize that the final results of the Kennedy Round may have a favorable long-term effect on the total economy. However, we recognize that in reducing such barriers, it is obviously difficult to negotiate concessions which are reasonably reciprocal and equitable as far as an individual industry or company is concerned.

Our findings and conclusions may be summarized as follows:

(a) Although the Kennedy Round may well have a long-term beneficial effect on the overall economy, our analysis shows that the tariff changes which it will bring, in combination with EEC Border Tax changes and the export tax exemption granted to EEC competitors, will have a net adverse effect on Union Carbide's profits by 1972 when the full extent of the changes has become effective. The order of magnitude of this unfavorable effect, as determined by our detailed study, totals many millions of dollars. However, for competitive reasons, some of the specific data cannot be incorporated in public testimony.

Of course, it has to be recognized that under the Kennedy Round approach, where the objective was to reduce existing tariffs on both sides by an equal percentage, the result would likely be unfavorable for corporations in industries having higher average American tariff levels, particularly for a corporation such as Union Carbide where domestic business is about ten times its exports. Furthermore, the likelihood that our estimates are realistic or even understated is increased in view of the severe overcapacity which will exist in the petrochemical industry in 1972, in Europe and in the United States.

Despite the anticipated adverse impact, we hope that between now and 1972 there will be offsetting factors, such as continued growth in petrochemical consumption and further improvements in methods, cost control, and operating efficiency. However, these favorable influences could be expected to develop anyway.

(b) Assuming that economic factors beyond our control such as raw material prices, labor rates, taxes, and nontariff barriers are or can be made relatively equal, Union Carbide does not require nor does it expect to receive through legislation or other political means any artificial or special advantage over its international competitors. All we ask is to have equality of competitive opportunity—in other words, to be subjected to handicaps or restrictions, or to enjoy 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 1970-72 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 U.S. 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 material costs for profitable operation. However, it is rendered even more serious when superimposed upon the anticipated adverse effect of the Kennedy Round and European tax changes.