

The interests of petrochemical producers and petroleum producers are not in irreconcilable conflict. Despite its size as the nation's third largest manufacturing industry in terms of investment, the petrochemical industry's demand for petroleum raw materials is small in comparison to the quantity of oil going into the fuel and energy markets. Chemical requirements, today, take less than 5 percent of the total domestic oil consumption.

Even if a total shift to imported raw materials by the petrochemical industry were practicable, it would not significantly reduce the continued growth of oil and gas production in the United States. In fact, the petrochemical industry will require, and use, increasing quantities of domestic raw materials, even if it has greater access to foreign feedstocks.

Some of the reasons that lead us to this conclusion should be mentioned. Petrochemical plants in existence today, built to use the customary domestic raw materials, cannot use imported raw materials without being substantially rebuilt at a cost which would average many million dollars each and take more than a year. For this reason, plants using domestic raw materials today will continue to use them. If foreign feedstocks are adequately available, we believe that at least half of the new petrochemical capacity to be built in the U.S. in the next ten years will also use domestic feedstocks. Only half of the new capacity would use foreign feedstocks.

Furthermore, access-as-needed to foreign raw materials would substantially increase the growth rate of the domestic petrochemical production over what will otherwise be the case. This will result in increased demand for domestic feedstocks and fuels. On the other hand, the loss of export and domestic markets would significantly cut the petrochemical industry's growth and curtail its need for the products of the domestic oil and gas industry and depress the growth rate of that industry.

Obviously, there are a number of ways in which the Oil Import Program can be changed to meet the critical needs of the petrochemical industry. Union Carbide, along with a number of other petrochemical companies, submitted a specific and detailed plan to the Administration a year ago. But there is no need to recount the details of this, or any other proposal or to argue their merits. They are complex and technical, necessarily so because that is the nature of the Oil Import Program itself. The Executive Branch of the government already has the authority to make the necessary changes. We are ready to offer additional suggestions and to work with all concerned to develop the urgently needed long-term program.

While a long-term program is being developed, we believe it is imperative that an import-for-export plan be promptly put into effect. The concept of the import-for-export program is that U.S. exports of petrochemical products shall not have the added handicap of non-competitive raw materials costs. The act of exporting petrochemicals would establish the right to import additional oil, on an equivalent weight basis. This program has been recommended by the Secretary of the Interior and the Secretary of Commerce. It was approved by the President through a Proclamation issued on January 29, 1968. But it has not been put into effect because the necessary regulations have not been written and issued. Every week of delay increases the difficulties U.S. producers face in marketing our exports, for reasons outlined earlier. Markets once lost are not easily regained.

Implementation of the import-for-export plan will strengthen the export capability of the domestic petrochemical industry in a key way and help to assure a continuation of its essential contribution to the balance of trade. A drop of less than 1.5 percent in the petrochemical exports of \$1.5 billion will cost the balance of payments more than the cost of oil imports involved in this program. An increase in petrochemical exports can repay the balance of trade accounts several times over. A dollar's worth of oil imports can generate as much as \$20 worth of petrochemical export sales.

Conclusions

We hope the Committee will recognize the problems of the chemical industry in whatever recommendations on Trade Policy it may make to the House. We have tried to outline in rather specific terms the impact on a major American chemical firm of decisions and problems like the Kennedy Round negotiations, the European tax change and the Oil Import Control Program in an effort to be helpful to the Committee and without making detailed legislative recommendations.