the dollar of sales per dollar of employee cost. As an example, four[1] large German chemical companies, from 1960 to 1964, sold $4.93 worth of product for every dollar of employee cost. Five[2] large U.S. chemical companies having approximately the same product mix had sales of only $3.30 per dollar of employee cost over the same period. This may understate the problem, because it compares averages, and not the most efficient producers in different countries, which is the key to future competitive positions.

If the domestic chemical industry enjoyed a clear superiority in technology and productivity over their foreign competitors, the economic impact of the disadvantages of U.S. manufacture undoubtedly would not be as severe as is predicted. However, for all practical purposes, such superiority just does not exist. With respect to technology, American chemical producers have long known that whatever gap existed at the close of World War II has virtually been closed. This fact has been recognized by others. As stated by your colleague, Representative Thomas Curtis, in Part IV of his report on the Kennedy Round (Congressional Record-House, p. 8382, July 10, 1967) :

"*Chemicals is an industry in which national levels of technology are fairly equal.* European, Japanese or American hesitance to cut tariffs cannot very logically be based on claims that technological 'gaps' create disparate competitive situations * * *." (Emphasis added.)

Some of our members are convinced that to remain competitive in exports to overseas markets, the chemical industry must have access to competitively priced raw materials—which in the case of foreign feedstocks is now substantially denied under the oil import program. They believe that if these low-cost foreign raw materials continue to be unavailable to the domestic chemical industry, it faces potentially destructive competition in its export markets now and in domestic markets as tariffs come down over the next three and one-half years. They feel that some method should be devised to permit adequate access to foreign feedstocks for chemical production.

To meet competition, many U.S. firms participate in the foreign chemical markets through ownership of foreign-based companies. The annual sales of chemical and allied products by American-owned foreign enterprises are estimated at about $9 billion in 1967. The latest available figures show the total sales of foreign affiliates of U.S. chemical companies increased by about $3.5 billion from 1960 to 1965, or 16 percent per year, which compares with an average export increase of 6 percent per year for U.S. chemicals over the same period. The sales of American-owned affiliates in Europe increased from about $1.3 billion in 1960 to $2.7 billion in 1965, which represents about 6.5 percent and 9.3 percent of the total sales of chemicals in Europe in those years.

IV. U.S. FOREIGN TRADE POLICY

In analyzing the important trends in this industry and speaking to the issues now before the Ways and Means Committee, it is essential to comment on the effect of past U.S. trade policy. During the first three GATT Rounds and perhaps even into the fourth, U.S. foreign economic policy featured importantly the need to encourage the economic strengthening of the war-ravaged nations of Europe and Japan, and to promote the economic development of the more backward nations. In U.S. foreign trade policy, steps were taken to make it easier for nations abroad to share in the very large U.S. market.

Since then, the economic world has undergone substantial change. The reconstruction of Europe and Japan has been completed and the countries of those areas have made remarkable economic recovery. From positions of great weakness, they have moved to strength. Now the U.S. is in serious economic difficulty compared to other major countries with which we must compete. Economic changes have made past trade policies obsolete. It is time to formulate new U.S. trade policies based on reciprocity and anticipated situations.

It is crucial that U.S. trade policy insure the role of the U.S. as a leading member of the family of free nations but simultaneously maintain those conditions in the domestic economy which are conducive to the continued sound growth of American industry. It is essential to provide guidelines and procedures that assure these results.

[1] Bayer, BASF, Hoeschst, Cassella.
[2] Allied Chemical, Dow, DuPont, Monsanto, and Union Carbide.