Mr. BUSH. But you find that your raw materials essentially are cheaper when you build a plant abroad?

Mr. GERSTACKER. I would be delighted to comment on this. The chemical industry has been attempting to tell everyone who would listen this problem for sometime. The cost of petroleum raw materials in our country today is 50 percent, not one-fifth, but 50 percent, higher than the cost of those same raw materials in Europe.

Mr. BUSH. You are not talking about crude oil?

Mr. GERSTACKER. I am talking about crude oil.

Mr. BUSH. Is 50 percent higher?

Mr. GERSTACKER. Is 50 percent higher in the United States than it is in Europe.

Mr. BUSH. Laid down in, say, some port in the Netherlands?

Mr. GERSTACKER. Yes, sir.

Mr. BUSH. How about gas?

Mr. GERSTACKER. Well, gas of course has been cheaper in this country than it has been there depending upon which part of our country you are discussing. Gas is very high cost in Michigan or States that don't have it. It is quite low cost in the gulf or Arkansas and those places.

On the other hand, you are probably aware there have been new major discoveries in the Netherlands and offshore the United Kingdom and other regions, so I would imagine in the future that the gas costs will come down rapidly in the Common Market also but gas itself is not as major a raw material as is crude and the derivatives from crude for the petrochemical industry.

Mr. BUSH. In your testimony you mentioned labor rates. What percentage is labor of this total again? You probably have that in your testimony and I didn't hear it.

Mr. TURCHAN. The variation is tremendous. In other words, we are talking primarily today about benzenoids and then we stress primarily the small volume ones which they are extremely labor connected. Conversely when you talk about the petrochemical end and the part that Mr. Gerstacker was referring to in which we are at a decided raw material cost disadvantage here labor is a small part.

This is very important that you bring this up, sir, but you have to be careful about averages. Averages are strictly arithmetical and that is all. There is a very wide spectrum in our industry.

Mr. GERSTACKER. Just so long as there is no confusion, the labor costs are lower in other parts of the world than they are here. Now, you will see foreign people making the statements that their labor costs have been rising faster than ours. There are even some U.S. people who have been confused by this.

Let's explain this statistically. If you start with a $1 an hour labor rate and raise it 10 percent you have gone up 10 cents. Here we start with $4 and raise it 3 percent and you have gone up 12 cents, so the gap is widening. It is not narrowing. And all of these arguments have been on a percentage basis.

The truth is that the gap in rates has been widening ever since World War II. We do have this plant in Holland and I can assure you that the true cost of labor, including all fringes, including productivity, is about half in that plant as to a comparable plant in this country.

Mr. BUSH. You wouldn't term this industry as labor intensive, would you? Because of the technological aspects of your business it would not be labor intensive compared to a shoe plant.