

In the meantime, we believe the United States should take steps to place its domestic industry in a position comparable to that occupied by its foreign competitors. Congress should enact legislation which will impose a border tax on all imports into the United States which approximates the amount of indirect tax borne by products of U.S. manufacture. This can be accomplished within the current GATT rules.

And, as is done by indirect tax countries, all goods exported from the U.S. should be relieved of the indirect tax burden by a corresponding tax rebate. This would improve the profitability of exports and thereby encourage U.S. manufacturers to expand export sales in aid of the U.S. balance of payments position. This, too, can be accomplished within the current GATT rules.

TAX INCENTIVES TO ENCOURAGE EXPORTS

In addition to relieving exports of their domestic indirect tax burden, we believe serious consideration should be given to formulating a program of income tax incentives to encourage exports. Such incentives are increasingly being used by other nations. For example, The Journal of Commerce for May 20 of this year reports that Japanese manufacturers increasing export sales will be granted tax breaks under regulations which went into effect on May 1.

In 1966 the Action Committee on Taxation of the National Export Expansion Council recommended a program of tax incentives for exports largely free of GATT problems involving changes in administrative interpretations and enactment of new legislation. We believe this Committee's recommendations are practical and on target. They are not short-range but rather form the basis for a long-term solution to the problem of how to effectively stimulate domestic industry to export.

OIL IMPORTS

By the time these hearings end, other witnesses will have described in detail how the U.S. oil import control program, because it makes petroleum more costly in the United States than in the rest of the world, poses a serious and growing threat to the American chemical industry. U.S. chemical producers face the prospect of paying the higher domestic price for their raw materials while their overseas competitors pay the lower world price.

As a result of the Kennedy Round settlements, U.S. tariffs on most petrochemical containing and derived products imported into the United States will be reduced by fifty percent. We expect imports of such products will substantially increase. In both domestic and export markets Du Pont and other U.S. chemical producers will face lower price competition from foreign chemical producers who will continue to have the advantage of lower labor, equal or lower capital investment and lower raw material costs than domestic industry. Our raw material cost disadvantage is the result of our self-imposed controls on imports of oil. Surely, this is one disadvantage under which domestic industry should not have to labor and can further worsen our nation's already acute balance of payments problem.

The Administration has agreed to some interim changes in the program which we believe move in the right direction, but much remains to be done if the domestic chemical industry is to retain both its export and domestic markets over the years ahead. Of major importance is how to change the program to achieve a realistic and effective separation between the energy and the chemical sectors of the oil import program. The Administration should recognize the distinction between the primary fuel and energy markets of the petroleum industry, which oil import quotas are properly designed to protect, and the needs of the chemical industry for competitively priced feedstocks for the production of chemicals and plastics.

CONCLUSION

The Du Pont Company is deeply concerned about current and prospective tariff and trade policies and their impact on its domestic and export business.

Du Pont and other domestic chemical producers are forced to operate under domestic tariff levels which have been lowered to the point where they do not adequately compensate for labor, investment and production cost advantages enjoyed by their foreign competitors. We are forced also to operate under Gov-