tically with market forces than do tariffs. The foreign exporter cannot surmount quotas no matter how much he increases his efficiency, reduces his costs, or otherwise improves his product.

Quotas would tend to place domestic producers in a monopolistic position and remove the competitive spur to search for and to supply technological developments. We could expect higher material costs to domestic consuming industries producing goods for domestic consumption and export. In the final analysis this would require higher domestic prices to ultimate consumers and a less competitive position for goods exported by the United States.

I would like to comment on one other serious drawback as it appears to me of quotas as they affect my area of responsibility and that is their inflexibility. For example, if quotas on lead and zinc were required by law, situations would likely arise that would result in chaotic on-and-off quota determinations out of phase with requirements. Similarly, under the present system of regulating petroleum imports the President can mage changes as needed to cope with problems as they arise, such as those originating from changing supply-and-demand conditions. Enacting petroleum import control regulations into law would freeze the system into a rigid, inflexible pattern which could not be modified except by further act of Congress.

Trade restrictions have been covered in general; however, I should expand on one point. I am speaking of an exception under the General Agreement on Tariffs and Trade. Quotas are illegal under GATT except for certain specified circumstances. One of these exceptions is the national security of the nation involved; oil falls under this exception. Imports of oil from abroad are controlled—and are permitted entry only within a quantitative restriction.

I would like to state here my firm view after administering this program for the last seven and a half years that in the present world petroleum situation oil imports should be controlled in the interests of our national security. That is the paramount—the only—reason why such imports are controlled. In no sense does this position alter my views with respect to opposing trade barriers generally. But in the case of oil, our security would be jeopardized unless we have a strong, healthy, domestic oil industry, capable of meeting any demand. Adequate domestic supplies depend upon exploration and discoveries and these activities will not be carried on in the absence of an adequate market for domestic production.

The relationship between our national security and adequate supplies of oil is clear. On this score, it suffices to point out that oil is practically the sole source of energy for transportation—both civilian and military.

As members of this committee well know, after an experience with a voluntary program a mandatory oil quotas program was instituted in 1958. We had 10 years of experience under three Presidents and three administrations with this program.

It was with these circumstances in mind that in 1957 the President's Special Committee To Investigate Crude Oil Imports reported to President Eisenhower as follows:

> Your committee recognizes that there are important foreign policy aspects to the problem of limiting petroleum imports. The oil reserves and production capacities of other free nations, as well as our own, are important to our national security. A number of countries inevitably depend in varying degree upon access