

to our domestic market for their petroleum exports and it must be recognized that it is also in the interest of our national security that our allies and friends have healthy and expanding economies. It is believed, however, that taking all factors into consideration, our national security requires the maintenance of some reasonable balance between imports and domestic production at this time. In light of the foregoing considerations, our recommendations are framed with the objective of limiting imports in order to maintain such a balance and yet to allow other nations to participate in the growth of our domestic demand to a degree consistent with our national security.

An attempt was made to attain a reasonable balance through the voluntary program recommended by the committee. The attempt failed. The President was advised by the Director of the Office of Civil Defense and Defense Mobilization that in his opinion "crude oil and the principal crude oil derivatives and byproducts are being imported in such quantities and under such circumstances as to threaten to impair the national security," and mandatory controls were imposed under the authority of the Trade Agreements Extension Act of 1958.

In my judgment, the recent Mideast crisis had no harmful impact on our economy or on our ability to carry on the conflict in Vietnam largely because the United States was not dependent upon foreign oil. Our oil industry was healthy and capable of meeting the increased demands placed on it, including assistance to Canada and Western Europe.

Shortly after the mandatory program began, it was felt that the national security aspects of the program made it necessary to recognize the relative security of Western Hemisphere oil production which could be delivered directly to the United States by land. Recognizing this fact of life, the Presidential proclamation was almost immediately amended to exempt from licensing requirements oil imported overland from the country of origin. Even imports from Canada and Mexico, however, have been controlled.

Flexible controls on oil imports maintained through administrative techniques under the mandatory program have worked extremely well for nearly a decade in my opinion. I submit that experience under three Presidents shows clearly that the flexibility inherent in the present program has enabled us to achieve its national security objectives.

I wish to stress that the national security foundation of the mandatory oil import control program requires that we preserve to the greatest extent possible a vigorous, healthy, petroleum industry in the United States, while we, at the same time, prevent serious dislocations in oil industries elsewhere which also have an impact bearing on our own security. Our security also includes the security of other areas. This philosophy, most recently, was the basis for activating the voluntary agreement under the defense production act to assure adequate petroleum supplies to Western Europe and other free countries of the world a year ago during the Middle East crisis.

Other oil producing areas, particularly those in the Western Hemisphere, are our good customers for exports of all products, Canada and Venezuela most notably. We are convinced and emphasize therefore that imposition of rigid controls pursuant to fixed formula would not only result in serious repercussions in our foreign relations, but would adversely affect continued growth of our exports by inviting retaliatory action on the part of our major trading countries.