I will proceed to our conclusions on page 13, Mr. Chairman.

It is our belief that Secretary Udall, to whom authority over oil import policy has theoretically been delegated by the President, is unaware of or unwilling to confront the fact that excessive oil imports are the principal factor in our Nation's payments deficit.

We believe, as a matter of fact, that the Interior Department has yet to relate the payments crisis with its oil import policy. Yet, it is the petroleum trade deficit which is the biggest single element in our Nation's chronic payments deficit.

The Department itself recently supplied figures indicating that the petroleum trade deficit exceeds $1.6 billion per year. Instead of moving to trim this deficit by a more effective oil import program, the Department is presently authorizing imports greatly in excess of the 12.2 ratio, which I just mentioned, including makeup imports for Mideast supplies which the Arabs denied us during 1967.

The result is that imports will soon increase by more than 400,000 barrels daily—at a time when the administration itself is declaring that the world money system may depend upon America's willingness to trim her payments gap.

We fail to comprehend how leading spokesmen for this administration can come before this very committee to urge drastic measures aimed at closing the payments gap, including a 10-percent surtax, on grounds that such measures are essential to free world economic order, and at the same time sanction Interior Department plans to increase oil imports substantially.

Even the most stringent measures to achieve payments equilibrium can be thwarted by an oil import policy which, under Mr. Udall, bears less and less relation to its national security purpose.

U.S. oil imports have not been effectively curtailed under the mandatory imports program. During the past 9 years, there has been a history of continuous liberalization in import flow. Recent administrative actions based on purposes other than national security threaten to ruin the program's effectiveness.

Consequently, U.S. oil policy is failing to cope with the problems of imports. All the criteria by which the success of the imports program was to be measured, as set forth in the security clause of the Trade Expansion Act, indicate its abject failure in terms of purpose.

There is mounting economic distress on the part of the domestic nonintegrated independent oil producer segment of the U.S. oil industry, even while integrated companies are enjoying record earnings. There is, in consequence, a rapidly accelerating trend toward concentration in this industry.

Crude oil prices have deteriorated throughout most of the period of the program. This has led to a worsening depression of domestic exploration and drilling activity, which in turn is being reflected in lower crude oil reserves and defense-vital reserve-productive capacity.

In short, this administration has proved totally unwilling or incapable of resisting the pressures for ever-higher imports. Mr. Udall appears determined to consider the 12.2 ratio a floor rather than a limit, and we suggest to you that he has no intention, absent a congressional directive, to begin administering the oil import program in a manner consistent with its purpose.