the probable confrontations between the United States and the producing countries.

Under a system which would provide for auction of less than 100% of the import licenses, the magnitude of the exceptions and the disposition of such licenses becomes an administrative decision and introduces new avenues for special grants and privileges which have been so harmful to the present program. On the other hand, if 100% of the licenses were auctioned, many new factors could be introduced which would be disruptive to stable supply patterns developed under the present plan. In either event, an auction system would make it extremely difficult for any company to plan and carry forward a sound, efficient program of operation or to make rational decisions for domestic development and expansion.

An auction system would increase the total raw material costs to refiners. Under the present program, the financial benefit of import licenses for refiners in reality amounts to a reduction in costs. In our free enterprise economy, this is translated into reduced prices for the products sold and in this manner the consumer of refined products is properly the real beneficiary.

(16) Quotas should be determined and announced two months prior to the beginning of each quota period to permit efficiency in planning and operations.

(17) Any changes in the program should be done through a review of the total program periodically but no more often than once a year.

Statement of Warren B. Davis, Director, Planning & Economics, Gulf Oil Corp.

This statement will be limited to comments on the Oil Import Control Program and to the mandatory controls on direct foreign investment and their effect on trade.

Gulf Oil Corporation believes that the United States should follow a policy of encouraging freer trade except when free trade would adversely affect the national security. We believe that controls on oil imports are essential to national security. The Oil Import Control Program in effect since March 11, 1959, in our opinion, has been successful, to date, in controlling the overall level of imports in keeping with its national security objective. We have been concerned, however, since the control program was first established with the use of the program to accomplish objectives in addition to its basic objective. This has been done by granting special privileges to some firms and, consequently, have made the program inequitable in the awarding of allocations to individual importers. In the last three years, the use of the Oil Import Control Program to accomplish purposes beyond its basic objective has been intensified, and now even threatens to prevent the program from accomplishing its primary national security objective. We believe it imperative that no additional special privileges be granted under the program, and that a plan be devised to phase out the special privileges that now exist.

We are also concerned with the mandatory controls on direct foreign investment. Direct foreign investment consistently makes a positive contribution to the balance of payments, and restrictions on capital outflow for direct foreign investment now will reduce income on investment in future years. We believe controls on direct foreign investment should be removed, if not at once, at least by the end of the year. Aside from military expenditures, the major weakness in our balance of payments is the deterioration in the balance of trade. We believe it imperative that this balance be improved through fiscal measures to stem inflation, export promotion, and actions to offset promotion of exports by foreign countries.

General Position on Trade

Gulf Oil Corporation believes in freer trade, and has consistently supported programs to promote it. We believe, however, that restrictions on free trade are necessary whenever it threatens national security. We recognize that our national security is complex. It includes the security of all free nations of the world and our ability to conduct military operations in all areas of the world as well as the physical security of mainland United States. It involves economic and other factors as well as purely military considerations. We believe it would include maintaining the soundness of the dollar.