THE NEED FOR AN OIL IMPORT CONTROL PROGRAM

Gulf Oil Corporation believes that an Oil Import Control Program is necessary to our national security. In fact, we are convinced there is more need for the program now than when the voluntary program was established in 1957. We were doubtful of the need for a mandatory control program at that time, but the world oil industry has undergone significant changes since 1957. On January 1, 1957, petroleum reserves in the Free World outside the U.S. were estimated at 177 billion barrels, or about five times the 36 billion barrels of the United States. On January 1, 1968, Free World reserves outside the U.S. were estimated to be 341 billion barrels, or about 8.5 times the 40 billion barrels of U.S. reserves. Since 1957, eight countries which had no crude production in 1957 have become producing countries. Also, some countries with insignificant production in 1957 have had new discoveries which have resulted in a sharp increase in production. The number of companies with substantial petroleum production outside the United States has also increased sharply in the last ten years, and in view of the number now exploring for oil, the number of producers is almost certain to increase further. The desire of each producing country to maximize production and the necessity for each new producing company to develop its reserves and sell some oil to recover its large investments caused crude productive capacity to increase even more rapidly than the substantial growth of demand. This surplus has brought about a sharp drop in the price of foreign oil, and without controls foreign oil would displace much of the U.S. crude in U.S. markets or else force its sale at prices substantially below cost and thus discourage the exploration necessary to maintain productive capacity essential to national security.

BASIC OBJECTIVES OF AN OIL IMPORT CONTROL PROGRAM

The basic objective and only legal basis for the Mandatory Oil Import Control Program is to prevent the importation of petroleum and petroleum products in such quantities as to impair the national security. However, as already pointed out, our national security is complex. Consequently, we believe more specific objectives are necessary. At the Department of the Interior Oil Import Hearings in March, 1965 and again in May, 1967, we listed eight specific objectives that should be continually considered in designing the import control program. We think these objectives are still sound. They are:

1. Provide sufficient protection for the domestic production industry to prevent a decline in its share of U.S. petroleum requirements in areas where it can develop sufficient capacity to enable it to share in future growth.
2. Provide for participation in the U.S. market of crude petroleum produced by friendly foreign nations, particularly those of the Western Hemisphere, to keep those nations and their resources oriented to the Free World.
3. Prevent increases in the prices of petroleum products not in keeping with our national security objective.
4. Prevent in any way a shift of control of U.S. foreign-producing operations to foreign countries.
5. Provide the necessary encouragement to investment in a refinery, transportation, and distribution system which will be prepared to utilize most efficiently the nation's changing oil supply in the years to come.
6. Provide protection for the foreign investment of U.S. oil companies.
7. Be oriented to the long-range economic and defense needs of the nation, and not tailored to immediate and temporary factors.
8. Interfere no more than absolutely necessary with the competitive structure of the industry which would develop under free enterprise.

SUCCESS OF THE OIL IMPORT CONTROL PROGRAM

The Mandatory Oil Import Control Program has been successful in its basic objective of protecting our national security, and it has met reasonably well the first four specific objectives we outlined above. Imports of crude petroleum and unfinished oils in 1967 in Districts I–IV were 8.4% of the total of these imports and domestic production of crude petroleum and natural gas liquids. Although 1967 was affected by the Middle East crisis, this percentage was 9.8% in 1966 and significantly lower than the 11.5% in 1958—the year before the mandatory program began. The share of the domestic producer in Districts I–IV crude requirements has actually improved somewhat. Imports of residual fuel and imports of crude oil and unfinished oils into District V are set to meet demand and