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SPECIAL ESTIMATE

030360

PROBABLE CONSEQUENCES OF
THE PROSECUTION OF THE ANTI-TRUST
SUIT AGAINST CERTAIN US OIL COMPANIES

FOR THE PERSONAL ATTENTION
OF THE ADDRESSEE ONLY.



SE-28/1

Published 2 January 1953

The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff.

All members of the Intelligence Advisory Committee concurred in this estimate on 29 December 1952, except the Assistant to the Director, Federal Bureau of Investigation, who abstained from comment, neither concurring nor dissenting.

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CENTRAL INTELLIGENCE AGENCY

APPROVED FOR RELEASE

9 SEP 1997

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PROBABLE CONSEQUENCES OF THE PROSECUTION OF THE ANTI-TRUST SUIT AGAINST CERTAIN US OIL COMPANIES

NOTE

This paper deals only with the consequences of the publication of the FTC report and of the possible indictment and trial of US oil companies. It does not consider the consequences of a judgment for or against the oil companies.

ESTIMATE

1. In SE-28,¹ we estimated that publication of the "Report of the Federal Trade Commission on the International Petroleum Cartel" would:

- a. be exploited in Soviet-Communist and other anti-US propaganda;
- b. tend to impair basic US relations with the UK and other Western countries;
- c. adversely affect the position of the US, and of US oil companies, in the Middle East; and
- d. strengthen attacks against US business interests in other areas.

2. The FTC report was published on 22 August 1952. The fact that deletions were made is a matter of public report, but the text of the deleted portions has not been publicly revealed.

3. The effects noted in SE-28 have not yet materialized in any significant degree as a result of publication of the FTC report or of the initial legal proceedings stemming therefrom.

4. However, publication of the report has already provided Communists and nationalist extremists with material which they can use in an aggressive propaganda campaign to the

detriment of US interests at any time they so decide. We are unable to estimate when or in what manner they will do so.

5. Indictment and trial of the oil companies would probably bring out additional material which could be exploited by Communists and nationalist extremists to discredit US oil companies and other US foreign business enterprises. On the other hand, abandonment of the case would lay the US Government open to charges of attempting to suppress damaging evidence and of condoning the practices alleged in the original complaint.

6. Past and possible future revelations will probably provide an additional stimulus to demands in Middle Eastern countries and in Venezuela for a larger share of oil revenues. They will also provide nationalist extremists with additional ammunition for use in their campaign in behalf of nationalization of oil. These revelations are not, however, in our judgment, likely to be a decisive element affecting the policy of these countries with regard to nationalization of oil resources.

7. In the UK and other Western European countries there has been criticism of the soundness of US judgment in publishing the FTC report. The prosecution of the case would place a further strain on US relations

¹ Published 8 May 1952.

with these countries. These countries are generally more tolerant of cartel arrangements than is the US. They have questioned, and will probably continue to question, the soundness of a policy which, in order to support a principle that they regard as of minor importance, risks reactions in oil producing

countries which might result in the loss of major strategic resources. There are, however, no indications that the publication of the FTC report has impaired basic relations with the UK and other Western countries; or that the indictment and trial of the oil companies would be likely to do so.