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*Report by the Departments of State, Defense, and the Interior*¹SECRET
NSC 138/1

WASHINGTON, [January 6, 1953.]

SECURITY AND INTERNATIONAL ISSUES ARISING FROM THE CURRENT
SITUATION IN PETROLEUM

THE PROBLEM

1. The Justice Department has begun a judicial process which can be expected to lead to the indictment and trial of the principal international American oil companies on charges of criminal violations of American law in their foreign operations. There is serious danger that the trial of these oil companies on criminal charges would be harmful to critical American foreign policy objectives. No responsible official can assert either that American law should be wholly inapplicable to the foreign operations of these oil companies or that our critical foreign policy objectives should be placed in jeopardy. The problem is to determine the course of action which in these circumstances will best serve the over-all national interest.

IMPORTANCE OF PETROLEUM

2. Oil is vital to the United States and the rest of the free world both in peace and war. The complex industrial economies of the western world are absolutely dependent upon a continuing abundance of this essential source of energy. And expanding economies, whether modern and progressive, or backward and underdeveloped, require ever increasing quantities of petroleum.

3. No other nation relies upon petroleum to such an extent as the United States. Petroleum and natural gas supply roughly 50 percent of the vast amount of the total energy consumed in the United States; our vital transportation system is far more heavily

Jersey. While agreeing it would be necessary to revise the principle of transit payments, the oil company representatives said they had no alternative solution to propose at the time but were still studying the problem and would meet again with Department of State representatives to discuss it. (880.2553/1-2253)

¹ This report is part of NSC 138/1, dated Jan. 6, 1953. It was transmitted to the National Security Council under cover of a note of Jan. 6 by Executive Secretary Gleason on "National Security Problems Concerning Free World Petroleum Demands and Potential Supplies." In response to NSC Action No. 692, taken at the Dec. 17, 1952, NSC meeting, Gleason transmitted three reports for the Council's consideration at its Jan. 3, 1953 meeting: (1) the report printed here, (2) a report by the Departments of State and Defense printed *infra*, and (3) a report by the Department of Justice printed as Document 281.