PETROLEUM AND ITS INFLUENCE UPON AMERICAN DIPLOMACY

by

John William McMurphey
B. A., University of Kansas, 1921.

Submitted to the Department of Political Science and the Faculty of the Graduate School of the University of Kansas in partial fulfillment of the requirements for the degree of Master of Arts.

Approved by:

Walter F. Sandelius
Instructor in Charge

Frederic H. Guild
Head or Chairman of Department

Date Oct 21 1928

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Chapter I.
Introduction.

During the past decade the world-wide search for petroleum concessions has been one of the vital factors influencing the diplomatic relationship of nations, and it will be the purpose of this paper to show how this has influenced the foreign policy of the United States of America. Since the time when the Chiefs of Burma monopolized the oil deposits of their domains, centuries before the dawn of the Christian Era, mineral oil has been a subject of increasing diplomatic interest. At the present time the question of petroleum is one of major importance at international conferences, where it has been the cause of much secret diplomacy. The quest for mineral oil concessions has created much international distrust and ill-feeling, which has resulted in the formulation of definite oil policies by many nations of the world.

In order to grasp the importance of this question it will be necessary to review, briefly, the historical background of the petroleum industry.

Early History

Tangible evidence regarding the earliest knowledge of petroleum is very meagre. There are several vague references to petroleum products in the Bible. The most direct reference is found in Job XXIX-6,

"the rock poured me out rivers of oil".[1] The Chronicles of the Chinese tell of a knowledge of petroleum that dates back more than three thousand years.[2] In the Baku region of North Persia and South Russia, petroleum has been familiar to the inhabitants for thousands of years. The overburning fires of escaping gas was the basis for the formation of the Zoroaster religion.[3] The ancient Greeks and Romans were acquainted with the use and value of petroleum products.[4]

In the western hemisphere the Incas of Peru, and the Aztecs of Mexico knew of Petroleum centuries before the advent of the Spaniards in the New World.[5] In North America the Indians of the Pennsylvania region were familiar with petroleum and knew of its existence long before the first colonies arrived from France and England.[6]

According to students of the Bible, petroleum products were known as slime, and were used in stone construction work as a cement or mortar. From all accounts this material bears a striking resemblance

1.Redwood,"Petroleum",Vol.I,p.1;Tower,"Story of Oil",p.22.
2. Ibid. p.57; Ibid. p.27.
3. Ibid. pp.3-4,39.
4. Ibid. pp.1-2.
5.Thompson,"Petroleum Mining," p.1.
6.Redwood,"Petroleum"Vol.1,p.70; Eaton,"Petroleum",Ch.IV.

to asphalt. The most direct quotation regarding the use of this material is found in Genesis XI,3,"Slime had they for mortar". Traces of this thick tarry material have been found in numerous ruins of the ancient cities of the Near East.[7]

In the Far East the Chinese were skilled in the art of distilling petroleum, which they used for light and heating purposes. This industry was well developed on a small scale among them centuries before the dawn of the Christian Era. They obtained their supplies of crude petroleum by sinking deep shafts in places where seepages were found. The oil was drawn to the surface by means of a windlass and bucket, a method so slow and primitive that the industry never became one of nation wide importance.[8]

Printed records reveal the fact that the Egyptians used petroleum products in the manufacture of papyrus to make it immune to the attacks of insects. It was also used in the enbalming of the dead. The industry seems to have been one of importance with them, but just where or how the ancient Egyptians obtained their supplies of petroleum, history does not relate.[9]

7.-Redwood,"Petroleum",Vol.I.p.1.
Eaton,"Petroleum",pp.38-9.
8.Redwood,"Petroleum",Vol.I,p.57.
9. Ibid. p.2.; Eaton,"Petroleum".p.40-1.

In the Baku region petroleum has been used for centuries as a fuel, a medicine, and an article of trade. The natives of the region used the "burning water" as a means of illumination, as well as for heating purposes. It was taken inwardly by the people as medicine, and was used to heal the backs of diseased camels. It was sold as a commercial product to traders of other lands who came and transported it to other markets by means of boats, or carried it away in skin bags by camel caravans.[10]

The Greeks and Romans used petroleum and its products in construction work of stone walls and buildings. The refined product was used as an illuminant in the Roman Temple of Jupiter, where it was known as "Sicilian Oil", because it was obtained in Sicily near the present location of the city of Girgenti.[11]

In Europe the people were familiar with petroleum at an early date, using it as an illuminant, as well as a lubricant for cart wheels. In some places it was used in the tanning of leather. The first record of oil distillation in Europe was in Prague where the process was perfected early in the nineteenth centruy in order to secure oil for lighting purposes. In most cases the oil was

10. Eaton, "Petroleum", p.39.
Danby, "National Asphalt and Bitumen", pp.37-8.

11. Redwood "Petroleum", Vol.I., p.2.

collected from pits dug where seepages occurred, by means of throwing a bundle of reeds into the pool and wringing it out after the fashion of a mop.[12]

In America the Aztecs and Incas used a substance believed to have been asphalt in the construction of walls and buildings. The petroleum industry was not an important one among them.[13] In the Pennsylvania region of North America, remains of pits dug in the vicinity of oil seepages were found by the white explorers who visited this region. The Indians inhabiting that region apparently made but little use of the petroleum found there. Numerous legendary stories of a former people who worked the oil pits are found there, but these stories have never been supported by any tangible evidence that would tend to reveal the identity of the petroleum miners.[14]

John Hanway

During the middle of the eighteenth century the British Government sent a representative named John Hanway, to make a detailed commercial survey of the Levant Region located in the vicinity of the east shore of the Mediterranean Sea. His travels carried him as far as the oil bearing regions of Persia, and his account confirms the report given by Herodotus in the fifth century, of the industry as carried on in the Near East. Altho Hanway's mission was not

13. Thompson, "Petroleum Mining", p. 2.
14. Eaton, "Petroleum", Chapter IV.

one of oil prospecting, he made a report on the possibility of this industry, which is the first record of a governmental representative making such a survey of petroleum.[15] To Herodotus belongs the honor of first giving an account of the industry when he visited the Orient during the fifth century.[16]

Drilling First Well in North America.

In the Pennsylvania region of the United States there were numerous salt springs located in the vicinity where oil indications were the most noticeable. About 1850 there was a great commercial demand for salt, and in order to supply the increasing demand many wells had been drilled in this vicinity. As more and deeper salt wells were dug there was a noticeable increase of an obnoxious mineral oil that would gather on the surface of the water in the wells. In many cases it would render the wells worthless, and as a result the question of how to deal with it was one of importance to those engaged in the salt industry.

In 1852 Samuel Kier who had been experimenting with this oil found that he could distill it and produce a very satisfactory illuminating product. Prior to this time it had been used for lighting purposes but the odor of the burning crude oil was so repulsive that people did not like to use it.

15. Redwood, "Petroleum", Vol. I, pp. 1-2.
16. Ibid. p. 4.

Kier's discovery removed this objection and the product had a remarkable sale. Henceforth salt wells were taxed to the limit to supply a sufficient amount of crude oil for distillation purposes.[17]

Since the demand for rock oil was growing rapidly, two New York lawyers, George H. Bissell and Johnathan Eveleth conceived the idea of forming a company for the purpose of producing it. In order to carry out this venture they formed the Penn Rock Oil Company in 1854, which was the first petroleum company to be formed in the United States. It was a stock company with 10,000 shares, with its prospecting territory located in the vicinity of Oil Creek, Venago County, Pennsylvania. This company soon became inactive but was reorganized under the laws of Connecticut for the purpose of drilling for oil, as well as for the production of mineral oil. In 1859 they secured the services of an experienced driller named William Smith, who began work in June 1859 under the supervision of Colonel Edwin L. Drake who had been employed to superintend operations. This venture proved to be a successful one, and the first oil well was drilled in as a producer on August 28,1859. It was the first well on the American continent to be drilled solely for oil.[18]

17.Redwood,"Petroleum"Vol.I,p.72.
18.Oil Well Chronicles,p.17.
Tower,"Story of Oil",p.46.

Following this discovery came an oil boom that resembled the gold rush of the "Forty-Niners" of California. Companies were formed, wells drilled, and fortunes made and lost overnight. The market was soon flooded with the new product and in a short time the supply so overbalanced the demand that the refined oil became practically worthless. During the time of the Civil War the oil boom became a thing of the past. And in the period of reconstruction the industry was revived and many companies formed, the greatest of these being the Standard Oil Company.

Chapter II.
The Battle for World Markets and the Growth of Monopoly.

First Oil Monopoly

Ages ago the possession of the oil fields of Burma were regarded as sacred to the chiefs. They exploited them and exercised control over the traffic of petroleum products. This was in the Irawaddy Valley where even to this day valuable deposits of petroleum products are found.[19] Today we have a similar situation when nations nationalize all mineral products found beneath the surface as property of the state.

The first companies for the exploitation of oil resources were formed in the United States. A number were formed prior to the outbreak of the Civil War, but for the most part these ceased to exist until they were revived in the period following the cessation of hostilities. Many of them were of the wildcat type, while others were backed by strong stockholders. They were on the whole short lived but they paved the way for the stronger companies to follow.

Founding of the Standard Oil Company.

During the year 1867, Andrews, Flagler, and John D. Rockefeller then a clerk of ordinary importance, formed an oil company that had a remarkable growth from its date of organization. In 1870 this company was expanded and reorganized, as the "Standard Oil Company of Ohio". It was not a producing but an oil

19. Tower, "Story of Oil", p.175-6.

marketing company, and from the very beginning waged a heartless and relentless warfare against its competitors. After being able to dominate the markets of the United States, it extended its activities to foreign markets, where it taught the people to use petroleum products. By the end of the nineteenth century the Standard Oil Company was the most powerful oil marketing concern in the world, having its petroleum supply depots in all regions where petroleum products were used.[20]

Because it had used unfair methods in the United States to keep control of the petroleum market, however, the Standard Oil Company was brought to trial charged with using illegal methods to restrict trade under the anti-trust laws of the United States. After much litigation, the Government obtained a conviction in the United States Circuit Court of Eastern Missouri in 1909. The Standard was ordered to dissolve, but appealed the case to the Supreme Court of the United States for final review. On May 15, 1911, the United States Supreme Court handed down a decision that upheld the findings of the Circuit Court, and ordered the Standard to disband.[21] Later investigations revealed further facts which confirmed the charges that

20. Oil Well Chronicles, p.910.
Lilley, "Petroleum Industry", pp.467-8
21. DeLaTramerye, "World Struggle for Oil", pp.56-8.
21 U.S., 1-United States vs Standard Oil Company.

had been brought against the Standard. It was found that this company had been instrumental in preventing private oil companies from marketing their products, by forcing the railways to charge exorbitant rates for hauling the tank cars of the independent companies. It was revealed that the Standard had resorted to hoodlumism in thwarting the independent oil companies in their attempts to construct pipelines to the seaboard. All this tended to direct public sentiment in the United States against the company. As a result it was forced to disband and reincorporate under the court ruling. This it did very cleverly in that it thwarted the penalty of the law. It reincorporated in each of the states where it desired to operate, the mother company being incorporated in New Jersey and exercising indirect control over the entire organization. Thus the Standard Oil Company continued as a powerful trust made up of a federation of semi-independent companies, all for the most part concerned with the marketing of petroleum.[22]

From the time of its organization the Standard chose to be a marketing rather than a producing company. This,we shall see,has worked in late years as a disadvantage to this powerful company.

22. DeLaTramerye,"World Struggle for Oil",p.52-4.

The Royal Dutch and the Shell Transport and Trading Companies may be considered together because soon after their foundation they entered into a combine that has grown to be one of the most powerful marketing and producing organizations in the world.

Founding of the Royal Dutch.

In 1890 the Royal Dutch Oil Company was formed at The Hague with a capital of 1,300,000 florins ($650,000). Supported by the Netherlands Government it was given a concession in the East Indies for exploitation purposes. Its purpose was the development of oil resources as well as the marketing of refined petroleum products. Having a rapid growth it increased its capital in 1892 to 1,700,000 florins ($850,000). Its dividends increased from 8% in 1894 to 52% in 1897. This period of prosperity was broken by a price war with the Standard, brought about by the refusal of the Dutch Company to join its older rival. It weathered the storm and again began paying dividends in 1901, and thus became the first foreign company successfully to meet the competition of the Standard.[23] It continued to expand, and in order better to meet the competition of its American rival, combined with the Shell Oil Company in 1902, and later in 1907 entered a mutual merger that has been permanent. At present it has a world wide sphere of marketing and production.

23.DeLaTramerye,"World Struggle for Oil",pp.59-69
Mohr,"The Oil War",pp.52-8.

Founding of the Shell

In 1897 Sir Marcus Samuel formed the Shell Transport and Trading Company, and duly registered it in London. This company prior to this time had been concerned with the pearl shell trade; thus its name was derived from this phase of the business. In 1897 the shell trade was abandoned and the company devoted its energy to the development of the Burma oil fields. Backed by ready capital it had a rapid growth and soon captured its share of the Far Eastern market. Being essentially a marketing corporation it soon discovered that a cooperative agreement with its rival the Royal Dutch Oil Company would make both of them more secure in the struggle with the Standard. Thus the Asiatic Petroleum Company was created as a marketing concern for the two companies, the capital stock distributed as follows: 33 1/3 % to the Royal Dutch, 33 1/3 % to the Shell, and the remaining 33 1/3 % to the Rothschilds interests of Europe, whose financial support had been one of the mainstays of the Royal Dutch.[24] This arrangement was decided upon in 1902, and the liquidation made complete in 1907 when the companies combined under the caption of the Royal Dutch-Shell Oil Company, a combine which immediately set about to acquire subsidiary companies and to entrench itself wherever there were oil resources to be exploited.

The financial genius and director back of this combine was the late Henri W. A. Deterding, who had

24. DeLaTramerye, "World Struggle for Oil", pp. 60-3.

as his cherished ambition the crushing of the Standard Oil Company. While he won several decisions in the field of competition he never realized his ambition. His combine set out to place itself in all markets where petroleum products were to be sold, as well as to be a great producer of raw materials. In order to interest the American public in the enterprise and to weaken the Standard's unlimited power in the United States, Deterding placed upon the New York market, in 1916, 220,000 so-called American shares of the Royal Dutch.[25] Thus if reprisals were started in the United States against his company, there would be numerous American shareholders to champion the cause against either the Government or the Standard.[26] In addition to this the Royal Dutch obtained valuable oil properties in the United States, and organized the Roxana Oil Company and the Shell Oil Company of California as competitors of the Standard in the local fields.[27]

Founding of the Anglo-Persian.

In 1909 it became evident that since the British fleet had adopted oil as a fuel for many of its ships, the British Government could not afford to be at the mercy of the trusts in case of war. Accordingly a company known as the Anglo-Persian was organized to exploit the resources of Persia that were then under the D'Arcy Concessions. At first this was

25. DeLaTramerye, "World Struggle for Oil", pp.69-70.
26. Ibid. p.70.
27. Ibid. P.69.

not an officially sanctioned company, but Lord Strathcona, the High Commissioner of Canada, who controlled a large portion of the shares in the new company was made chairman of the company.[28] In 1913 the British Government became an active share holder. In 1914 when Winston Churchill on behalf of the Government presented the matter for Parliament's approval it created a storm of disapproval. In spite of the opposition it was adopted and Parliament formally made the Anglo-Persian Oil Company a government subsidized institution. The company thus supported has developed into a veritable gold mine. It has given the British Government an independent source of oil supplies for the Navy. At the present time backed by Britain it is the controlling factor in the Near East region.[29]

Battle for the Chinese Market.

When coveted markets are at stake, competition of the most intense type inevitably results. The first battle royal came in China and was staged between the Royal Dutch Company and the Standard Oil. For many years the Standard Oil Company had considered China as their private property in so far as the marketing of petroleum supplies were concerned. They had distributed

28. DeLaTramerye, "World Struggle for Oil", pp.132-33.
29. Ibid. pp.134-5.
Mohr, "The Oil War", pp.129-39.

hundreds of thousands of cheap Mei-Foo kerosene lamps free to the Chinese, later when the market was well established distributed them at cost.[30]

In 1910 the Royal Dutch appeared on the scene and immediately entered into competition for the trade. A severe price war ensued and petroleum products sold in China for less than anywhere else in the world. Aided by a high protective tariff in the United States the Standard "hiked" the price at home to cover their losses in the Chinese field. Coupled with this price competition offered by the Dutch Company was the legal fight in the United States Courts, so that a truce was declared in 1912 and the Chinese field was divided with the Royal Dutch. Thus the Royal Dutch emerged as the victor at the close of the first real battle for supremacy in the petroleum market.[31]

Encouraged by this success the Royal Dutch next invaded the United States and entered into competition with the Standard in its home field. In 1912 with the acquisition of a number of oil fields in Western United States and in the Mid-Continent field, the Royal Dutch was able to launch the Shell Oil Company of California, and the Roxana Petroleum Company of Oklahoma and Virginia. The aforementioned

30. DeLaTramerye, "World Struggle for Oil", p.65.
31. Ibid. pp.65-7.
Mohr, "The Oil War", pp.61-3.

companies grew out of the first company formed which was known as the "California Oilfields Ltd.". During this period the Royal Dutch, under the direction of Deterding, sent large consignments of oil to America where it was marketed on the same price scale as the Standard was selling.[32] To make his position more sure and to guard against possible Governmental interference, Mr. Deterding placed 200,000 shares of stock on the New York market in order to secure local backing for his company, as was mentioned earlier in this chapter.

Royal Dutch in the United States and Elsewhere.

In Mexico Deterding in 1918 obtained control of the Mexican Eagle Company and its shipping fleet of tankers, a stroke of good fortune that allowed him to increase his tanker fleet to more than a million tons. In addition, it increased the production of the output nearly 50%, the output of the Mexican Eagle having previously gone to the Standard.[33]

Following the policy of the British Government, Deterding proceeded to gather in the future resources of oil lands as rapidly as possible. Thru his agents he was able to obtain large holdings in South America and Trinidad. He sought, indeed, to establish the Royal Dutch-Shell in every available region

32. DeLaTramerye, "World Struggle for Oil", pp. 68-9.
Mohr, "Oil War", pp. 63-4.
33. DeLaTramerye, "World Struggle for Oil", p. 71.
Mohr, "Oil War", pp. 66-7.

where it was possible to gain a foothold, thus to secure the oil reserves of the future against competition.[34]

During the World War Deterding came to the aid of the British and placed his tankers and resources at their disposal, in order to safeguard the supplies for the fleet. Then when the war was over the British Government saw fit to cause amiable relations to exist between the powerful Anglo-Persian Company and the Royal Dutch-Shell interests, as well as to give active diplomatic aid to the Royal Dutch-Shell in its world-wide battle for concessions.[35]

Thus it is small wonder that the Royal Dutch-Shell has been able successfully to meet competition.

The Share of the Governments in the struggle.

What, more generally, is the part that has been played by the Governments in the struggle for oil? From the very beginning, the American Government adopted the policy of not allowing the flag to follow the trader. For many years it has been a stock phrase among traders that the United States in regard to trade abroad was officially "laissez-faire". Add to this that com-

34. Mohr, "The Oil War", p.66.
35. Ibid. pp.66-7.

panies were frequently hampered by the Government at home. When the Standard Oil Company was having its most desperate battle with the Royal Dutch in China, it was also fighting the United States Government. Doubtless, however, the company had brought condemnation upon itself thru unfair dealing and unlawful practices. At any rate, during the battle for oil in foreign fields the United States Government did little if anything to help American interests, little realizing that the resources of the world were being gathered under the British flag.[36]

The exact opposite to this was the policy of the Dutch and British Governments. Active support was openly given by those governments to those of their citizens who were concerned with the procuring of future oil supplies. The active support of the Dutch Government made the success of the Royal Dutch possible in the Far East where it met the active competition of the Standard and the Shell. Again, the support of the British Government made the success of the Anglo-Persian a reality. Today the British Government's support has enabled the British to virtually control the present known oil reserves outside the borders of the United States and Mexico.[37] It was this active support that interfered with the German Government's attempt, prior to the World War, to gain control of oil reserves in Turkey.[38]

36. DeLaTramerye, "World Struggle for Oil", pp. 151-77.
37. Ibid. pp. 155-59.
Mohr, "Oil War" pp. 67, 219-25.

The French Government has done little but sit by and allow the British Companies to develop and gain control of the oil reserves of the French Colonial Empire.[39]

Thus we have the French and American Governments doing but little to concern themselves with the future supplies of petroleum on the one hand, while the British and Dutch Governments have done much to gain a share of the world's future supplies. In aiding oil prospectors the British have done more than the Dutch in fostering financial and diplomatic aid. They have enacted colonial legislation that practically bars foreign prospectors from the limits of the Empire, provoking hereby considerable protest from the United States.[40]

As a great percentage of the oil reserves of the world are located in countries that are so weak politically and financially as to be unable to develop them, it is reasonable to expect that these resources would be sought by nationals with firm governmental backing that would grant them protection for their property and investments. Thus we find the trusts at work in these regions endeavoring to

39. Dela Tramerye, "World Struggle for Oil", pp. 254-8.
Mohr, "Oil War", pp. 95-6.
40. DelaTramerye, "World Struggle for Oil", pp. 159-66.

to secure governmental aid whenever political situations arise that threaten the stability of the country they are interested in. With this fact in view we may proceed to examine the oil policy of the United States government.

Chapter III.
The Oil Policy of the United States in North America.

In North America there have been many bitter battles for petroleum concessions. These struggles for the most part have taken place outside the continental limits of the United States. Mexico has provided the principal stage for the oil drama in which the two great Anglo-Saxon rivals have participated. For the sake of clearness we shall deal with North America by geographical areas, beginning with Canada and concluding the discussion with Mexico.

Canada.

Of all dominions of the British Empire, Canada is on terms of the best understanding with the United States, due possibly to the likeness in ideals and purposes. The question of petroleum concessions has never caused concern to the diplomats of these two neighbors. By conforming to the Canadian law Americans are allowed to work concessions without interference or discrimination.

United States.

It is always interesting to note how a nation conducts the affairs of its own back yard. Until recently the United States allowed persons of any nationality to prospect for oil and to develop

such concessions as they could obtain, without interference from the Government. But as a result of the discrimination of foreign governments against American companies, a change has gradually taken place in the attitude of the Government toward foreign companies, especially after the World War when Americans found a closed door confronting them in many parts of the world where unexploited petroleum lands were located. A policy of retaliation therefor began to take place within the United States. Legislation was passed that forbade any company composed of foreigners whose mother country discriminated against American companies from acquiring new concessions of United States public land. This action affected especially the Royal Dutch-Shell and its subsidiary companies in the United States, causing them to be denied concessions in Oklahoma and elsewhere.[41]

In order to offer assistance to Americans in obtaining oil reserves for the future Senator Phelan introduced a resolution providing for the formation of a United States Oil Company.[42] This company was to be commissioned for the purpose of obtaining oil land in foreign countries. This plan was not adopted by the Government.

41. DeLaTramerye, "World Struggle for Oil", pp. 180-1.
Bulletin No. 206, Bureau of Mines,
"Oil Laws of All America", pp. 15-32.
42. Report of the U. S. Trade Commission,
Feb. 12, 1923, p. 90.

Mexico has been termed the "Balkan of Oil", which for the past twenty years it has truly been. Following the discovery of oil by the Doheny interests in 1901 the British entered the field as active competitors, and the battle was on.

In 1900 Edward L. Doheny was granted a concession of oil bearing territory in the vicinity of Tampico, with a contract to supply crude oil to a Mexican railway company.[43] This concession was the first of its kind to be granted in Mexico. In 1901 the Doheny interests drilled their first successful well which proved to be a valuable producer. At once other companies came into the field, among them the Standard Oil Company which prior to this time had been a retailer of petroleum products in Mexico, and the Pearson Interests. Numerous grants were obtained from the Mexican Government by American companies.

Mexico.

Prior to this time a British engineering firm Pearson and Sons Ltd. had been engaged in building wharves and making harbour improvements in Mexican seaports. Pearson early realized the possibilities of the oil industry and secured a concession from President Diaz who welcomed the entry of a rival in the field

43.U.S. Sen Doc. No.285, 66 Cong.:2 Ses., Vol.10, pp.209-14.

With the American interests. Pearson, who was afterwards known as Lord Cowdray, formed the Mexican Eagle Oil Company in 1908 to take over the operation of the petroleum interests of his company.[44] For many years Pearson battled against the American interests alone, until the Royal Dutch-Shell Company bought the controlling interests of the Mexican Eagle.[45] With the consolidation of the British interests the battle became even more earnest.

Better to understand the beginning of the British-American oil struggle in Mexico, let us go back to the establishment of the Mexican Eagle Company. This event served as a signal for certain American newspapers to start a campaign against President Diaz.[46] The President having favored Pearson was naturally regarded as an opponent of the American oil interests. This resulted in a commercial war that was bitter from the very outset. Brigandage and hoodlumism replaced fair play and understanding, so-called outlaw bands attacking the pipelines and properties of the rival companies.

Perhaps largely because the Mexican people are widely separated by geographical obstacles, they have not developed a homogenous nationality. It was

44. Middleton, J. "Mexico, Land of Concessions", World's Work, Vol. 27, pp. 289-98. DeLaTremerye, "World Struggle for Oil", p. 119.
45. Ibid. pp. 118-22.
46. Ibid. p. 113.

therefore easy for any competent leader to foment an uprising and find ready patriots to join his cause. Those Americans who were not satisfied with the political regime and desired a change had only to rest on their oars until signs of a revolution appeared.

For many years President Diaz had ruled Mexico with an iron hand, supressing all opposition in such a prompt and decisive manner that it was not popular to be out of step with the Diaz Administration. In 1910 Francisco Madero, a young banker, had been a candidate for the Mexican Presidency, opposing Diaz. He was eliminated by the Diaz machine in the usual manner, but being an influential business man he refused to abide by this action and led an armed protest against the high handed methods of the administration.[47] As President Diaz had been unfriendly to the activities of certain American oil companies, because he believed they were encroaching upon the Mexican Government, Madero was able to obtain the moral support of the American interests. It has been argued pro and con that Madero was in the pay of the American oil interests, but this has never been actually proved by documentary evidence.[48] It is a fact, however, that he was not opposed by the Americans,

47. Ogg, "National Progress", p. 287.
48. DeLaTramerye, "World Struggle for Oil", p. 114.
Mohr, "Oil War", pp. 142-3.

and one author says, "When Madero was made President the market price of the Standard rose in Wall Street by 50 per cent".[49] Moreover, there is the evidence given by S.G. Hopkins, an advisor to the Madero movement in Mexico, before the Senate Committee investigating Mexican Affairs, that most of the arms and ammunition of the Madero faction "..came from the United States".[50] Mr. Hopkins further testified that much of the army equipment was purchased from Bannerman's of New York,[51] by Madero with his personal funds.

So successful was the revolution that Diaz was forced to abdicate in 1911, and Madero became President of the Mexican Republic. Just how far he went in order to curtail the activities of the British oil interests is open to argument. During his term of two years Madero was strongly supported by the American interests and bitterly opposed by the British who maintained he was a tool of the Americans, for, prior to his elevation to the Presidency he had promised to grant special concessions to the Americans.

His regime was faced by much discontent and was unable to acquire the undivided support of the Mexican people. His opposition consisted chiefly of the activities of Huerta, his most prominent rival, whom

49.DeLaTramerye,"World Struggle for Oil",p.114.
50.Sen.Doc.,285,66 Cong:2 Ses.,Vol.10,p.2535.
51. Ibid. p.2536.
52.DeLaTramerye,"World Struggle for Oil",p.114.

the American interests regarded as owned by the British.[53]

Madero, in spite of the moral support of the United States,[54] was deposed by Huerta in 1913, and, whether or not on the instigation of the new president, was assassinated soon after his abdication. British interests were favorable to Huerta during his presidency, and according to their own statements the Pearson interests made generous purchases of Huerta's Mexican Government loans.[55] Huerta was never formally recognized by the United States and his administration terminated in less than a year.

The story of the failure of the Huerta Government is worth repeating. When President Wilson was inaugurated, he found a puzzling situation in Mexico. He was confronted with a Government that had obtained its position through acts of violence and the assassination of the former chief executive. This, President Wilson maintained, was contrary to the principles of republican government, as Huerta did not represent the wishes of the masses of the Mexican people. Wilson at once made it clear that his administration would not recognize any Government that had obtained its right to rule thru acts such as had been used by Huerta.[56]

53. Mohr, "Oil War", p. 301.
54. Ogg, "National Progress", p. 288.
55. Middleton, J., "Mexico the Land of Concessions" World's Work, Vol. 27, p. 294.
56. Letters of Walter Hines Page, Vol. I, pp. 182-3.

Affairs were further complicated when on April 9, 1914 a group of American sailors landed in a military zone in Tampico, were taken prisoners and marched through the streets of Tampico and detained by the Mexican Military authorities. This caused a sharp protest from Washington, asking for an explanation from the Huerta Government. Huerta replied that it was a mistake on the part of the local authorities, and that the officer in command had been punished.[57]

Matters continued in this vein for some time, the United States using its influence to force Huerta out by steadily refusing to recognize his Administration, and by blocking further recognition of Huerta's Government in Europe.[58] The United States actively opposing the Mexican Government, European investors refused to finance further loans to carry on the Government.

Affairs in and around the Tampico region became very tense. Oil drilling operations were suspended, tankers refused permission to load, thus bringing the oil industry to a standstill. Following close on this was a telegram from United States Consul Canada, to the State Department on April 20, 1914, to the effect that the German steamer, Ypiranga was due to dock in Vera Cruz on the morning of April 21, 1914.

57. Foreign Affairs of United States, 1914, p. 449.
58. Ibid. p. 444
Wall Street Journal, Jan. 15, 1914, p. 5.

This steamer, his message stated, carried a cargo of 200 machine guns and 15,000,000 consigned to the Mexican Government. Secretary of State Bryan after a hurried consultation with President Wilson wired in answer to this communication, on April 21, 1914(4:AM), that Admiral Fletcher would be instructed to take the city that morning.[59] The German boat was detained and the city occupied by the American Naval forces that day. Later the Americans took over the administration of the city and the Customs House. This action greatly weakened Huerta as it eliminated one of his most important sources of revenue. This act on the part of the Americans created a furor in Latin American circles and like similar acts elsewhere tended to unite the countries as well as the Mexican forces.

In order to adjust matters by arbitration the representatives of Brazil, Chile, and Argentine offered to act as mediators in the dispute. A meeting attended by both American and Mexican representatives and by the mediators met at Niagra Falls in an attempt to arrive at some satisfactory agreement in the matter. This conference resulted in little except to mark a further emphatic expression of the refusal of the United States to recognize the Mexican

59. United States Foreign Affairs, 1914, p. 477.

Government as long as Huerta was the executive head, or as long as he was connected with it in any official capacity. The meeting adjourned without adjusting the question. Huerta, apparently acting on the advice of the mediators, announced that his resignation would take place July 15,1914,[61] thus making way for the constitutionalist regime.

A provisional temporary executive took charge of affairs until a suitable representative of the Constitutionalist party could be selected. General Carranza, a man who had taken up the standard of the fallen Madero, was the outstanding leader who had been given the moral support of the United States.[62] He was formally elected to the post of President of the Mexican Republic, an act that met with the approval of the Washington Administration which now looked to Carranza to put his house in order.

Mexico, in addition to being in the throes of a political revolution, had been experiencing a social reformation as well. The Peons were looking to Carranza for an adjustment of the unbalanced property ownership scale in Mexico. After a detailed study the Government, in order to fulfill its promises to the Peons, set about to revise the Constitution in 1916, but this was not completed that year.

60. United States Foreign Affairs,1914, p.558.
61. Ibid. p.565.
62. Sen. Doc.,No.285,66 Cong.:2 Ses.,pp292-3.

Rumors reached the oil interests that in addition to remedying the land ownership, there was a movement on foot to nationalize the mineral resources of the country. The vested interests made a spirited appeal to the United States Government, which in turn questioned the Mexican Government regarding this rumored proposal. In reply Carranza in 1916 stated that the Mexican Government did not contemplate such legislation as would jeapordize the rights of the oil companies.[63]

In the meantime the World War had broken out thus diverting the attention of Great Britain from Mexico and giving Carranza less outside interference to contend with in making his proposed reforms. Germany on the other hand was carefully encouraging the Mexicans in order to offset any move of the United States towards the side of the Allies. Carranza's Pro-German sympathies were well known in the United States and better understood upon the discovery of the Zimmerman note. The Mexican Government used its German sympathies as a club to prevent undue influence being used in behalf of the oil companies by the United States and Great Britain.[64]

Early in 1917 the Mexicans adopted a new constitution, containing numerous radical changes that

63. Foreign Affairs of United States, 1916, pp. 752-3. Bureau of Mines Bulletin No. 206, p. 488.
64. Mohr, "Oil War", pp. 201-5.

made it an outstanding document. Notwithstanding the fact that they denied their intention to nationalize the mineral resources of the subsoil, this constitution in Article 27 vested the ownership of all minerals in the State.[65] This brought forth a storm of protest from both American and British interests. In the face of this difficulty President Wilson adopted his watchful waiting policy, and through a series of notes kept the tension between the United States and Mexico from becoming too acute. The entrance of the United States in the World War caused the Mexican question to become one of minor importance and Carranza was relieved of some of the American pressure.

American and British interest, however, was sufficiently strong to prevent President Carranza from immediately putting the provisions of the new constitution into effect. Its measures had been objected to on the grounds that the enforcement as proposed by the Carranza Government meant practical confiscation of foreign properties. Carranza replied that these laws were not new, but were based on the old Spanish Laws that vested the ownership of the subsoil in the King.[66] In the oil regions the governmental tax collectors were unable to execute their duties, due to

65. Bur. Mines Bulletin 206, pp. 440-4 (complete text of law).
66. Ibid. p. 469.

the actions of bandits operating in the vicinity of the fields as well as to the refusal of the oil companies to comply with the demands of the law. Thus Carranza continued to enforce the laws only in a partial and half hearted manner.

During this time of trial and misunderstanding President Wilson was continually beset by the vested interests who desired active intervention and conquest of Mexico. So insistent was this demand that he said,"I have to pause and remind myself that I am President of the United States and not of a small group of Americans with vested interests in Mexico."[67] In spite of the pressure and entreaties he refused to deviate from his policy of refusing to recognize governments in Latin America that had come into power as a result of undue violence. This, Ogg says,"..was an innovation in our dealings with Latin American States. Hitherto the question of recognition was settled on the grounds of the new government's strength and probable permanence".[68]

It is not to be thought, however, that President Wilson was an enemy of the vested interests of the United States. Throughout his administration he was favorable to the commercial interests on

67.Tumulty,"Wilson as I Knew Him",p.152.
68.Ogg,"National Progress",p.290.

occasion, but only in cases that did not conflict with his foreign policy. Evidence given before the Senate Committee investigating Mexican Affairs reveals the fact that the Wilson Administration gave much indirect support to the oil companies in Mexico. That the States Department was aware of the fact that the oil men were employing bandits to keep Carranza's agents from entering the oil regions and enforcing confiscatory decrees, was urged by Edward L. Doheny in his testimony. When asked if the State Department was aware of the fact that the oil companies were employing the bandit Pelaez, he said, "Yes, not only aware of it, but so far as they could without giving it in writing they approved it."[69] Mr. Doheny further stated that during the oil tax controversy that arose in 1918, "The American Companies, with the consent and approval and the suggestion of our State Department refused to file these manifestos, which would have been an acknowledgment of the confiscation of their own properties. The decree which they disobeyed is not a law of Mexico. It is merely an illegal decree issued by President Carranza, which his best legal advisors tell him is illegal....".[70] These cases indicate that unofficially the State Department

69. Sen. Doc., No. 285, 66 Cong., 2 Ses., P. 285.
70. Ibid. p. 267.

realized the seriousness of the situation; however, not wishing to be branded as "dollar diplomats", did not openly foster the cause of the oil companies. This state of affairs continued until the advent of the Harding Administration.

From the moment the World War ceased Carranza was a marked man due to his persistent efforts to enforce the obnoxious Article 27. In his own country Villa, Huerta, and Obregon were closing in on him. Outside of his country the diplomatic interests of the United States were directed against him. In 1919, Carranza who had repeatedly refused to abdicate was forced to leave Mexico City, and while attempting to escape was killed in the vicinity of Vera Cruz.[71]

With the passing of Carranza the oil interests had visions of better conditions. To their surprise Obregon not only insisted upon the enforcement of the decrees of Carranza, but enacted even more stringent tax regulations. Obregon, being a man of financial ability, realized the pitiful condition of the Mexican Treasury, and saw as the only means of replenishing the funds a further increase in the export duty on oil. Accordingly he brought about an increase of 60%, an act that brought the condemnation

71. Mohr, "Oil War", p. 205.

of the oil companies upon his policy. This attitude was partly responsible for the failure of the United States to recognize his government before September 3, 1923.[72]

With the change in the Washington Administrations, Obregon found a different policy in vogue. The passive support that had been coming from Washington in the past had changed to one of active support of the vested interests in Mexico. Mr. Harding acting upon the advice of Mr. Fall gave prompt attention to the questions arising from the confiscatory provisions of the Mexican Constitution.[73] This was the most determined stand that the United States Government had taken for a decade. President Harding desiring to have the matter adjusted, on May2,1923 appointed two commissioners, Judge John Barton Payne and Charles Beecher Warren to confer with the Mexican Commissioners in Mexico City, concerning the oil question as well as other matters of importance to the two countries. This conference resulted in an understanding that led to the recognition of the Obregon Administration.[74]

Formal recognition of the Mexican Government continued after Obregon on November 30,1924 vacated in favor of President Calles. A state of banditry continued to exist in some parts of Mexico, to such an

72.Mohr,"Oil War",p.206.

73.DeLaTramerye,"World Struggle for Oil,"pp.117-18.
74.Literary Digest,Vol. ,Apr.7,1928,p.8.

extent that it caused Secretary of State Kellogg to carry on a series of notes with the Calles Government extending from November 17, 1925 to November 17, 1926.[75] In the meantime America sent an envoy to Mexico in the person of Ambassador Morrow who took it upon himself to effect a satisfactory understanding. Morrow's work was of such high character that it won the confidence of the Mexican people and resulted in a satisfactory agreement with the Calles Government.[76] Following this a number of cases involving oil questions were tried in the Mexican Supreme Court to test the legality of the claims granted prior to 1917. The Supreme Court held that Article 27 of the Mexican Constitution could not be retroactive and that the concessions granted prior to 1917 were legal. These decisions on the whole satisfied the American business interests, and on March 27, 1928 the State Department announced that a clear cut settlement had been reached with Mexico.[77] The settlement was as follows:

"1. Titles legal before 1917 were confirmed.

"2. This confirmation is valid in perpetuity, removing the fifty-year confirmatory titles for rights held prior to 1917, which the United States considered confiscatory.

75. Literary Digest, Vol. 97, April 7, 1928, p. 8.
76. Ibid. P. 8.
77. Ibid. P. 7.

"3.'Positive acts' or physical works upon lands necessary for retention of titles and mineral rights on the land are defined more liberally."[78] The way for this settlement had been paved by the good work of Ambassador Morrow and by the decisions of the Mexican Supreme Court.

From all indications the Mexican situation is one that is now settled in a manner that will leave little chance for argument. In the settlement both parties made concessions. The United States recognized the right of the Mexican State to nationalize her minerals, this legal right being based on the old Spanish Code which did not give to the owner of the surface the ownership also of the subsoil.[79] The Mexican Government recognized the claims of the Americans regarding rights granted prior to 1917. At present there is peace regarding petroleum in Mexico, and the United States can confidently expect to procure supplies of crude oil to meet the demands of her trade.

The evolution of American Governmental policy with regard to oil in Mexico marks a change from one of allowing the prospector to go on his own and to make such deals as may be necessary to obtain his concessions but without active support from his government, to one of positive support. This evolutionary

78. Literary Digest, Vol. 97, April 7, 1928, p. 7.
79. Ibid. pp. 7-8.

process has been brought about by the realization of the value of petroleum reserves for future needs.

Chapter IV.
The Oil Policy of the United States in Central America.

Thru the medium of the Monroe Doctrine the United States has occasionally found a very convenient entrance into Central American affairs. When internal strife is of such a nature that the property and lives of foreigners must be protected diplomatic as well as military force is exercised. Public records, however, show but one outstanding case in which petroleum has played the major role in causing United States intervention in Central America. Let us consider this case, known as the "Tinoco Case" of Costa Rica.[80]

Tinoco Case

In 1913 the Costa Rican Congress refused to ratify an oil concession desired by the Pearson Interests, as many of the members believed the concession terms unfair.[81] Again in 1916 the firm of John M. Amory and Sons of New York City, having opened negotiations with the Costa Rican Government, met the same opposition.[82] Shortly after this, in January 1917, a revolution led by J. Tinoco, a cabinet member, broke out. President A. Gonzales was deposed and caused to leave the country and Federico Tinoco was made President. Gonzales fled to the United States and asked for protection as well as for the non-

80. Moon, "Imperialism and World Politics", pp.428-9.
81. New York Times, Dec.13, 1913, p.2:col.4.
82. Costa Rica vs Britain, "Amory Concessions Hearing", pp.69-83.

recognition of the Tinoco Government. He was assured that the Tinoco Administration could not be formally recognized as it was contrary to President Wilson's policy to accord recognition to Central American Governments obtaining power through unfair and violent methods.[83] Tinoco declared his allegiance to the ideals of the United States and offered ports to the American warships[84] and declared war on Germany[85] in order to gain recognition, but the United States steadily refused to consider his government as de jure.

In 1918 Tinoco's power began to wane, and early in 1919 his former exiled enemies were able to start a successful rebellion that ended with the deposition of Federico Tinoco who fled to Jamacia, where he issued statements to the effect that Nicaragua was to blame for his downfall.[86] In answer to a resolution offered by Senator Lafollett in 1919, President Wilson stated that Tinoco's Administration had never been recognized, and that Nicaragua, having been requested to keep out of the Costa Rican affair, had accordingly acted in cooperation with the wishes of the United States in maintaining neutrality.[87] Wilson stated, moreover,

83. New York Times, Feb. 20, 1917, p. 9: col. 3.
84. Ibid. Apr. 13, 1917, p. 2: col. 5.
85. Ibid. May, 25, 1917, p. 1: col. 2.
86. Ibid. Jan. 28, 1919, p. 7: col. 4.
87. Ibid. Aug. 22, 1919, p. 2: col. 8.

that certain American interests had desired to obtain concessions in Costa Rica but had been warned by the State Department that the Tinoco Government was regarded as an illegal one, and that all agreements with Costa Rica would have to be made at private risk.[88] Shortly after this incident Acosta, a supporter of the former Convales regime and a candidate acceptable to the United States, became president.[89]

In 1920 the Acosta Government revoked an oil concession granted to John Amory and Sons of New York by the Tinoco Government in 1918. In this connection the British made a protest on the ground that the rights of British citizens had been ignored by the Costa Rican Government, and to back up their protest sent a warship to the Costa Rican coast in December 1920. This act created a stir in the United States Senate, causing Senator Borah to offer a resolution in February 1921 asking the State Department for all the facts in the case.[90] In his reply the Secretary of State asserted that he was submitting to the Senate all relevant documents and statements of fact, but these have not as yet been given to the public.[91] Further to complicate matters a British Cabinet member informed Parliament

88. New York Times, August 22, 1919, p.2; c.8.
89. Ibid. Dec.10, 1919, p.2; c.5.
90. Ibid. Feb.23, 1921, p.6; c.1.
91. Ibid. Mar.19, 1921, p.17; c.2.

that the United States Consul in Costa Rica had been working to obtain cancellation of the Amory Concessions. To this statement Secretary of State Hughes replied on April 15, 1921 in a memorandum to the United States Ambassador in London, that the United States Consul in Costa Rica had not been so involved, and that the United States Government approved the cancellation of the leases on the grounds that they had been obtained from an unrecognized government.[92] Furthermore, he stated, it was not until late in 1920 that the United States was aware that the British were interested in this company, for it had obtained its rights in Costa Rica posing as an American company.[93] It has never been disclosed just how far the United States went in this matter, but the British did no more than threaten a show of force. Costa Rica sent all of the facts to the United States and asked for help.

It has been stated by one author that Great Britain stirred up a war between Costa Rica and Panama in an attempt to gain her ends.[94] At any rate, the question of the boundary disputes of 1900 and 1914 came to a head in February 1921 when the Costa Rican Government asserted its right to occupy the territory

92.New York Times,April 20,1921,p.17;c.4.
93. Ibid. Reference no.92.
94.DeLaTramerye,"World Struggle for Oil",p.145.

awarded to it by Chief Justice White in 1914. Panama had been objecting to White's decision and now came to blows with Costa Rica in a war that was quickly terminated, however, by the United States compelling Panama to accept the award.[95] An increase in the United States military forces in the Panama Canal Zone had obviously contributed much to the prompt settlement of the dispute.

By this settlement Costa Rica obtained Coto and the remainder of the territory in question. Chief Justice Taft, acting under the provisions of the Costa Rica-Panama Treaty of 1915, appointed Professors John F. Hayford of Northwestern University, and O. M. Leland of Cornell University, as the American members to work in conjunction with a representative from Costa Rica and Panama to determine the border line between the two countries. The occupation of Coto by Costa Rica began August 24, 1921.[96] However, according to documentary evidence of an official nature no American military forces were used in aiding the Costa Rican occupation.

The boundary dispute settled, the attention of the American State Department was directed to the settlement of the Amory Concessions. After an ex-

95.Literary Digest,Vol.68,Mar.19,1921,p.19.
96.New York Times,Aug.25,1921,p.15;c.1-2.

change of notes the British and Costa Rican Governments agreed in 1922 to submit the evidence to Chief Justice Taft for his mediation and to abide by his findings.[97] Accordingly the evidence revealed the fact that the Amory concessions had been granted on May 6, 1918, two days before the legal termination of the deposed Gonzales regime. Furthermore, the concessions had been approved only by the Lower House of the Tinoco Administration, and had never been submitted to the Chamber of Senators.[98] Thus it was an illegal document. The Amory Company had been warned by the Wilson Administration that the Costa Rican Government was not a recognized one. The outcome of the dispute was that the United States backed Costa Rica, and confirmed the acts of her government as legal.[99]

Costa Rica on November 24, 1921, in order to simplify matters in the future declared by legislative decree, that all subsoil rights would thereafter be the property of the State.[100] It has been alleged by several writers that large grants of land were given to American oil interests following the settlement of the Costa Rica-Panama dispute in 1921, but tangible evidence of an official nature is lacking. Marcosson in his book, the "Black Golconda", states that the

97. New York Times, Oct. 13, 1922, p. 27; c. 2.
98. Costa Rica vs British, "Amory hearing", p. 69.
99. New York Times, Feb. 27, 1921, p. 3; c. 2.
100. Garfias, "Petroleum Resources", p. 183.

the Sinclair Oil Company controls the main deposits in Costa Rica, but he omits his authority for the statement.

Panama.

In Panama there are certain regions that have shown promising petroleum indications. In 1917 the Sinclair Gulf Corporation obtained the right to explore the oil resources of this country, with exclusive right to select 2,000 square miles for petroleum development.[101] It was reported in December 1918 that oil springs had been discovered in Columbus and that the Sinclair Company was installing machinery to work these deposits. In November 1919 the Chiriqui deposits were leased to an American company for a term of 99 years.[102] At present the Panama fields are of minor importance to the oil industry.

Guatamala.

In Guatamala, explorations have been carried on by the Rickard Exploration Company, in which Archie and Kermit Roosevelt have been interested. This corporation has made numerous bids for concessions, but the definite outcome has not been revealed to the public. The Mexican-Panuco Oil Company obtained a grant of 4,500,000 acres in five concessions in

101. New York Times, May 2, 1917, p.15; c.2.
102. Ibid. Nov. 23, 1919, II, p.6; c.2.

September 1926, then created for the development of this area the subsidiary Guatamalcan Development Company.[103]

Honduras.

Petroleum deposits are said to exist in Honduras. Most authorities, however, indicate that practically nothing has been done as yet to develop them. There is mention in the files of the New York TIMES of one concession that was granted in 1924 to J. E. Easterly but lost because his agent gave a bad check.[104]

Salvador.

In 1921 Dr. Urbaldo C. Escrich, a prominent scientist, reported a discovery of petroleum in the Department of Chalantenango, Northern Salvador. He estimated that the field should yield 1,000,000 barrels a day if properly developed.[105] In Salvador the subsoil is the property of the State.

Nicaragua.

Petroleum springs have been discovered in the Department of Chontales, on the Northeastern shore of Lake Nicaragua.[106] These deposits are reported to be very promising. Nicaragua has passed legislation that vests the ownership of the subsoil in the State.

103. New York Times, Sept. 29, 1926, p. 31; c. 2.
104. Ibid. Oct. 26, 1924, II, p. 1; c. 4.
105. Ibid. Apr. 25, 1921, p. 19; c. 4.
106. Ibid. Feb. 19, 1921, p. 15; c. 8.

Although the Central American countries have nationalized their mineral resources, they have not passed legislation that is discriminating against foreigners desiring to exploit the mineral deposits, providing the foreigner complies with the laws and regulations set forth in the states concerned.

Whether or not there are secret concessions regarding the above mentioned deposits the available records do not reveal. Doubtful statements have been made from time to time that the Stabdard, Royal Dutch-Shell, Dohony, and Sinclair Interests held concessions in Nicaragua, Honduras, Salvador, and Guatamala, and that their struggles to oust each other are responsible for much of the unrest there. These statements in the absence of documentary evidence must be taken with a grain of salt. At present the United States while allowing her citizens to make their private negotiations and agreements with the Central American Governments, will come to the aid of her citizens in case of unjust discrimination.

Chapter V.
The Oil Policy of the United States in South America and the Carribean.

This part of the world while rich in mineral wealth is not well reputed with regard to law and order and governmental stability. Some of the South American countries have at times been troubled with unstable government. As a result the quest for oil in many cases has been carried on through the "backdoor" diplomatic path rather than through the recognized channels. Commercial concerns, of course, have attempted to gain their concessions at the least possible cost. Hard bargains have been driven and intrigue resorted to. When matters have come to a serious state of affairs, companies have appealed to their respective governments for diplomatic aid.

In several of the South American countries important petroleum deposits have been discovered. Prior to the time when the governments realized the value of these deposits, the oil companies were carrying on bitter battles to secure the most advantageous deposits for themselves and at the same time keep out their competitors. In the face of this situation a number of the South American countries nationalized their mineral resources in order that the State might derive some revenue from the wealth of the subsoil.

Here as in other parts of the world the battle has been between the American interests and those of the Anglo-Dutch, the British Government in a mild way lending aid to the interests of its citizens. In contrast to this the American Government has taken the stand for the most part that their prospectors would have to precede on their own, as it was not the policy of the American flag to follow the American trader.

In order to understand the battle between the oil interests in this part of the world it will be necessary to consider briefly the petroleum legislation of the South American countries concerned. In Trinidad Americans are forbidden by law to prospect on Crown Lands, but are allowed to work private lands if permission can be gained.[106] In Venezuela concessions are granted by the government, all nationals having an equal opportunity in securing grants.[107] Equador, Bolivia, and Chile each have legislation declaring the mineral content of the subsoil to be the property of the State. These countries have passed no legislation forbidding foreigners to exploit mineral resources.[108] Peru has similar legislation except that foreigners are forbidden to exploit territory that is located within fifty kilometers of the territorial border lines.[109]

South American Oil Legislation.

106. Lilley, "Petroleum Industry", p.94; Garfias, pp.94-7.
107. Ibid. pp.90-2; Ibid. pp.101-2.
United States Bulletin of Mines, No.206, pp.604-43.
108. Ibid. pp.545-66, 575-6; Rep. Fed. Tr. Com., p.61-2.
109. Ibid. pp.579-99; Ibid. p.62.
Lilley, "Petroleum Industry", pp.92-3; Garfias, 87-8.

In the Argentine Republic[110] all fields have been withdrawn from future private ownership, being essentially reserved for the State. It is possible to exploit reserves in this country only after gaining a special permit from the Government, which at present is very difficult to obtain. Colombia while nationalizing all subsoil deposits as property of the State, allows foreigners to obtain concessions on the same conditions as are offered to the Colombian citizens.[111]

The laws thus briefly reviewed have involved the diplomacy of the United States chiefly in the countries of Colombia and Venezuela.

Since the revolution in Panama there have been many cases where the relations between Colombia and the United States have been very strained. In the beginning the American oil companies were in the lead in Colombia. However the British under the caption of
Colombia. the British Controlled Oil Fields, a company formed for the express purpose of competing with the Standard, arrived on the scene.[112] Thereupon Colombia, where political dealings are not always legitimate, began to favor the British. This alarmed the Americans who were unable to obtain the concessions they desired. Moreover

110. Lilley, pp. 94-5; Garfias, pp. 103-6; U.S. Bul. Mines, No. 206, p. 520.
111. Lilley, pp. 93-4; Garfias, p. 117; U.S. Bul. Mines, No. 206, p. Report Fed. Tr. Com., P. 61. (562-74)
112. DeLaTramerye, "World Struggle for Oil", p. 143.

they found that the British interests were enjoying the support of their Government in their dealings with the Colombian Government. The Americans prvailed upon President Wilson to aid them, but although he had been elected on a platform pledged to aid American interests abroad, his Secretary of State, Mr. Bryan, neglected to fulfil this pledge.[113] American interests were informed that if they must go to places of political unrest, they must do so at their own risk. Thus the British were able to gain the upper hand.

To make matters worse there was the Colombian-American Treaty holding fire. This involved the payment of $25,000,000 to Colombia in reparation for damages incurred in the loss of the Panama Canal region thru the impromptu rebellion of the Province of Panama.

Nothing in a definite diplomatic way was done until the advent of the Harding Administration. Now it was brought to the notice of the United States Senate that the British interests were being given Governmental support in their procurement of future oil supplies. This excited the Senate, and when Ex-Senator Fall in two letters to the Senate gave some very discomforting information relative to the inability of the American concerns to obtain concessions,[114] the Senate decided to pass the Treaty. It was charged by several Senators that oil

113.Marcosson,"Black Golconda",p.107.
114.U.S.Proceedings,Vol.61,I,67 Cong:1 Ses.pp.162-7.

interests were making themselves heard in these negotiations. No actual proof of this can be found except that a letter was written in 1916, by the Colombian Minister to the United States, to the effect that commercial concessions could not be granted to American interests as long as the American-Colombian affairs remained unsettled.[115]

It might be well to state that the Treaty was passed by a Republican Senate, having been rejected during the Democratic Administration on the grounds that it was a rebuke to the memory of a former Republican President. The reader may form his own conclusions.

American oil interests have been involved in Venezuela. They had the advantage there until Secretary Bryan began to change the policy of the previous Republican Administrations.[116] When the battle for concessions grew spirited and the Americans were not backed by their Government, the Venezuelan authorities were able to drive better bargains with the British, gradually forcing the Americans out. This situation was forcibly brought to the attention of the United States Government after the World War when the Administration suggested that oil prospectors go into foreign fields and obtain concessions for the future, and they found that citizens of other influential countries aided by their governments had obtained the better part of the desirable grants.

Venezuela.

115. Sen. Doc. No. 64, 68 Cong: 1 Ses., p. 33.
116. Mohr, "Oil War", pp. 213-5: Marcosson, "Black Golconda", (p. 107.)

The British through the activities of the British Controlled Oil Fields Ltd. had, indeed, obtained the lion's share.[117]

In discussing the aid rendered by the British Government, DeLaTramerye says,"....the Royal Dutch counts on the support of the British Government. This is the case in Venezuela, where the Venezuelan Government is trying to establish its rights over concessions which the company covets...".[118] Needless to say the Venezuelan Courts of Justice uphold the concessions that had been granted the Colon Development Company, a distant subsidiary of the Royal Dutch-Shell interests.

At the present time the Standard Oil Company is represented in Venezuela by the Standard Oil Company of Venezuela,[119] but the Americans since 1913 have been playing a minor part in this field which gives every indication of developing into as rich a region as the Tampico fields of Mexico. But in spite of the frail support from the Government the pluck and initiative of the American companies has kept them in the field in a minor way, so that the United States has not been entirely shut out. Moreover the American Government has of late shown evidence of encouraging the American interests in Venezuela. And they are by no means

117.DeLaTramerye,"World Struggle for Oil",p.90.
118. Ibid. p.90.
119.Mohr,"Oil War",p.214.

discouraged. They are looking forward not back, as behooves those who realize the truth of the old saying that, "the mill cannot grind with the water that has passed."

Chapter VI.
The Oil Policy of the United States in the Near East.

Oil, Near East, intrigue, and secret diplomacy have been synomous terms since the close of the World War. A region endowed by nature with a generous supply of rich undeveloped petroleum resources, much sought after by British, French, Dutch, and American oil interests, that is the Near East. The rivalry that has arisen in the attempt to secure these deposits has been a bitter one, in which the respective governments has championed the cause of their nationals in no uncertain manner.

A concession situated between the Dead Sea and the Mediterranean had been procured by the Standard Oil Company from the Turkish Government shortly before Turkey entered the World War. The entrance of the Turks into the War caused the development of this region to be suspended. At the close of the War the region was granted to the British as a mandated area. And when an American prospector visited this region in 1919, he was immediately jailed by the British Governor on the grounds of intrusion.[120] The American Government protested and the man was released.[121]

Palestine.

In 1921 official correspondence was resumed between the British and American State Departments

120.DeLaTramerye,"World Struggle for Oil",p.161.
121.Buell,"Current History",Vol.17,Mar.1923,p.933.

regarding the pre-war claims of the Americans.[122] This resulted in the British consenting to allow the Americans to explore the areas which the latter claimed as pre-war concessions. On the whole, a peaceful settlement was brought about in 1922,[123] the Standard being requested to submit a report concerning their claims to these areas. This was done and the Palestine official correspondence ended on March 14, 1924, when Secretary of State Charles E. Hughes dispatched the Standard's official report to the British Ambassador in Washington.

Persia.

In 1901 Persia granted a monopoly of all territory except the northern five provinces to the D'Arcy Interests. In 1909 the Anglo-Persian interests took this concession over for the purpose of supplying oil to the British Navy. In 1916 Persia, through armed intervention on the part of Russia, granted a Georgian named Khochtaria the right to exploit the five northern provinces.[124] Khochtaria failed to execute his part of the contract and acting against the wishes of the Persian Government transferred his rights and claims to the Anglo-Persian Oil Company. This transfer was reported to the British Minister

122. Senate Document No. 97, 68 Cong.: 1st Ses., pp. 59-67. (This included the complete text of the notes.)
123. De La Tramerye, "World Struggle for Oil", (note) p. 180.
124. Sen. Doc., No. 97, 68 Cong.: 1 Ses., p. 95.

in Persia, Sir Percy Cox, by the Persians as an illegal transaction and Cox agreed with the Persian Government that this act was illegal.[125] As American interests desired to participate in the oil reserves of Persia, Secretary of State Hughes on September 15, 1921 addressed a note to the Persian Minister in the United States to sound out the attitude of the Persians on the question.[126] This suggestion was agreeable to the Persians and resulted in the Persian Legislature agreeing to grant a concession covering the northern five provinces to American interests. In return the United States Government assured the Persians that the Government would exercise no choice in the American companies, but let them make terms with the Persian Government.[127] The Standard Oil Company was the first to open negotiations with the Persians, followed by the Sinclair interests.

In a desperate effort to thwart the Persian scheme the British Interests opened negotiations with the Standard Oil Company, contesting the claims of that company based on rights alleged to have been obtained from the Russians. The Standard agreed to compromise and to operate on a fifty-fifty basis with the Anglo-Persian interests.[128] This was contrary to the wishes of the Persians who had specified that the company obtaining and working the concession must be an independent

125. Senate Doc., No. 97, 68 Cong.: 1st Ses., pp.97-8.
126. Ibid. pp.87-92.
127. Ibid. p.109.
128. Ibid. p.119.

company of American origin, free from any connections with the Anglo-Persian. In order to check the Anglo-Persian interests, the Persians turned to the Sinclair Company, until a fake newspaper story was published on February 4, 1924 in the United States to the effect that the Sinclair Company had paid the Persian Government $100,000 to obtain the concession covering the five northern provinces. This story broke up all negotiations regarding the concessions for some time. In answer to the story the Persian Government made several sharp protests to the United States Government regarding the affair. The Persian Minister to the United States, Hussein Alai, in order to clear the Persian Government addressed an open letter to the editor of the New York TIMES, on February 7, 1924, in which he set forth the details of the entire negotiations.[129] This publicity of the affair put all official negotiations out of order, and they have remained so to the present time.

The latest report regarding the Persian concessions was contained in a dispatch under a London heading that stated that it was rumored that the Persian Government would in the near future open negotiations with American oil companies regarding concessions in North Persia.[130]

129.Senate Document, No.97, 68 Cong.:1 Ses.,pp.118-20.
130.New York Times, Feb.25, 1927,p.37:c.1.

The tiny valayet of Mosul has received as much diplomatic attention during the last decade as any place of its size in the world. It has been a centre of interest for French, Dutch, British, and American oil magnates. This region being officially a British Mandate granted by the League of Nations, has been jealously guarded by the British. By virtue of the San Remo Agreement, however, French, and Dutch Interests were given a share with the British in this rich oil region. This agreement left the Americans in the cold, who by virtue of the concessions granted by Turkey to Admiral Colby M. Chester in 1910 advanced a contention for an "open door" policy.

Mosul and the Chester Concessions.

Let us turn to an earlier stage of this story. In 1909 Admiral Chester visited this region and observed its possibilities. In 1910 he returned at the head of a developement company with a purpose of obtaining the right to exploit certain areas in return for port and a railway system to be built by the company. The Germans were competing for this concession, but for once the Americans had the support of the Washington Government.[131] While the negotiations were in session the American Fleet while on a world tour made a special visit at Smyrna and soon after this the concession was granted to the Chester Interests.[132]

131. Woodhouse, Henry, "Current History", Vol. 15, pp. 558-9.
132. Ibid. P. 955.

The Balkan wars intervened and nothing was done to carry out the agreement. The World War followed and the claims lay idle until the close of the war when they were opened anew. Most of the region had changed in governmental status and had passed from under the control of the Turks. In 1922-3 negotiations were carried on by the U.S. Government with the Turkish Minister of Public Works and with the Chester Interests, resulting in an agreement signed with the Turkish Government on April 30, 1923 renewing the former grant.[133] This action conflicted with the claims of the Turkish Petroleum Company, organised by the British to work with the French and Dutch in the development of the Mosul region.

Representations were therefore made by the Americans to the effect that a share should be granted to American interests in this region. Much correspondence and unofficial representations from the United States Government resulted in a compromise whereby the claims of the Americans were recognised and a 25% share in the Turkish Petroleum Company was granted to the American interests.[134] This marked a clear cut victory for the Americans in this region which to them had been closed by the San Remo Agreement and other secret diplomatic acts. The latest report regarding the active operation of the American concession

133. Woodhouse, Cur. Hist., Vol. 18, pp. 395-400.
134. DeLaTramerye, "World Struggle for Oil", pp. 169-70.
Buell, "International Relations", pp. 437-8.
Moon, "Imperialism and World Politics", pp. 266-7.
Shippe, "Recent American History", p. 495.

appeared in the November 5, 1927 issue of the New York TIMES to the effect that the American Companies enjoyed a 25% share in the development of Mosul under a five year contract with British, Dutch, and French interests.[135]

135.New York Times,Nov.5,1927,p.1:c.6.

Chapter VII.
The Oil Policy of the United States in the Far East.

Corporations desiring to exploit public or private lands in the Philippine Islands must have a majority of its stockholders represented by American or Philippine citizens, or by both. The ownership of such lands and concessions cannot be transferred without the consent of the Secretary of Agriculture and Natural Resources.[136] Numerous indications of petroleum bearing lands have been discovered in the Archipelago. A number of wells have been drilled but oil in paying quantities has not been discovered.[137]

American interests have been barred from Burma since September 24, 1884, by a proclamation issued by Queen Victoria. This edict forbade any individual to sell or transfer his property or concessions to J. Pierpont Morgan, John D. Rockefeller, or any company or interests that these men were interested in directly or indirectly. This decree was issued on the grounds that these two men had acted in very unfair ways in eliminating rivals in the petroleum field.[138] An additional set of instructions explaining the edict, issued on August 23, 1885 eliminated the Americans from the retailing field as well as from the producing industry.[139]

136. Garfias, pp. 138-9
137. Ibid. p. 138.
138. Sen. Doc., No. 97, 68 Cong. : 1 Ses., p. 34
139. Ibid. p. 35

When in behalf of the "open door" policy in the Far East the State Department of the United States opened negotiations in 1921 regarding oil deposits in Burma they were referred to the decree issued in 1884. after an exchange of notes the matter was finally dropped.[140]

As early as 1890 a representative of the Standard Oil Company visited Java and the Dutch East Indies and advised his company to establish themselves there before the field should be taken by other interests.[141] This advice went unheeded. In the same year the Royal Dutch Oil Company was formed for the purpose of exploiting the resources of the Dutch East Indies.

Djambi.

In 1912 the Dutch Government invited bids for the developement of the Djambi region, an oil bearing tract of 4,000,000 acres located in Southern Sumatra. Six companies placed bids for this concession, and in 1915 it was awarded to the Batavian Oil Company, a subsidiary branch of the Royal Dutch-Shell Oil Company.[142] The Standard Oil Company did not submit a bid altho it was entitled to do so.

Following an exchange of notes regarding the oil regions in Sumatra, that began in 1920 between the

140. Sen. Doc., No. 97, 68 Cong. : 1 Ses., pp. 46
141. DeLaTramerye, "orld Struggle for Oil", p. 80.
142. Ibid. P. 171.

Dutch and American Governments, the Standard Oil Company in 1921 submitted a bid to work the Djambi region in co-operation with the Dutch Government.[143] This proposal was rejected by the Dutch Government on the grounds that the Standard had not submitted its bid at the proper time. This communication of the Standard caused a mild furor in the Dutch financial and political circles.[144] Acting upon instructions from Secretary of State Hughes, William Phillips, Ambassador from the United States at The Hague, on April 19, 1921 addressed a vigorous protest to the Dutch Government against this act of exclusion.[145] This was followed by a second communication dated April 22, 1921, calling attention to the fact that the United States in no way interfered with Dutch oil activities in the United States.[146] A few days later Ambassador Phillips acting upon instructions from Washington addressed a communication to the Minister of Foreign Affairs at the Hague, calling his attention to the fact that the publicity of the Djambi affair was giving rise to much misunderstanding in the United States regarding the Dutch attitude towards foreign commercial enterprises in the Dutch East Indies.[147]

On May 19, 1921, Dr. H. A. van Karnebeek the Dutch Minister of Foreign Affairs filed an answer setting forth the Dutch side of the question. His note was stated in

143. Senate Doc., No. 97, 68 Cong.: 1 Ses. pp. 76-8.
144. DeLaTramerye, "World Struggle for Oil", pp. 171-7.
145. Sen. Doc., No. 97, 68 Cong.: 1 Ses., pp. 69-71.
146. Ibid. p. 71.
147. Ibid. p. 72.

very general terms, and maintained that the act was not one of exclusion but that the claim of the Standard had been declined because it was one made after the award had been settled. He further stated that it had been the intention of the Dutch to nationalize this particular region for some time, and that there would be no more private companies invited to participate. He called attention to the fact that there were several tracts in the Dutch East Indies that were open for exploitation, for it was not the intention of the Dutch Government to exclude foreign capital.[148] This reply virtually closed the question for the Dutch remained firm in their purpose of refusing to grant further concessions in the Djambi region.

Sakhalin.

Rich deposits of petroleum were known to exist in the Northern or Russian half of Sakhalin prior to the World War. When the Russian Empire fell this region later came under the control of the Far Eastern Republic. This Government on January 7, 1921, signed an agreement with the Sinclair Oil Company for the exploitation of petroleum resources in the northern half of the Island. This agreement was formally ratified by the Republic on January 23, 1921.[149] The oil company was allowed a five year term to carry out the terms of its preliminary exploration, then it was to select and

148. Senate Doc., No. 97, 68 Cong.: 1 Ses, pp. 72-4.
149. New York Times, Jan. 30, 1923, p. 33: c. 1.

develop a definite and limited area.

After the consolidation of the Far Eastern Republic with the Soviet Union, the validity of the Sinclair concessions were recognized by the Moscow Government.[150] Two years later the Russian Government brought suit to annul the lease on the basis that the Sinclair interests had failed to make a just attempt to develop the concession.[151] The Sinclair Company was able to obtain a delay in the case, and rejected the offer of the Soviet to return the $100,000 deposit, if the Company would renounce its claims, with a vague understanding regarding future concessions.[152] In March 1925 it was announced that the Soviet Government had awarded the disputed region to a Japanese syndicate.[153] Three days later the Russian Soviet Court declared the concessions to be null and void, and ordered the original deposit of $100,000 to be returned to the Company.[154]

An appeal was made to the United States Government by the Sinclair Interests, but this appeal was rejected by President Coolidge on the grounds that the Japanese concession obtained from the Russians was not a violation of the "open door" policy.[155] In an official statement following this the Washington State Department announced that they found no flaw in the Russian-Japanese Agreement, it being similar to such as had been

150. New York Times, Jan.29,1923,p.22:c.4.
151. Ibid. Feb.23,1925,p.4:c.5.
152. Ibid. Mar.23,1925,p.19;c.4.
153. Ibid. Mar.22,1925,II,p.1:c.1.
154. Ibid. Mar.25,1925,p.1:c.6.
155. Ibid. April 11, 1925,p.1,;c.1.

granted Americans in China and was not as monopolistic as the one concluded by the Russians and the Sinclair Interests.[156] Sinclair appealed the case to the Russian Soviet Supreme Court for a rehearing, which was granted, the court rendering a decision that confirmed the findings of the lower court.[157] This decision closed the matter as the United States was not inclined to recognize the Soviet Government in any way.

156. New York Times, April 12, 1925, p. 24; c. 2.
157. Ibid. May 23, 1925, p. 25; c. 3.

Chapter VIII.
Oil Policy of the United States in Other Parts of the World.

Europe, with the exception of the Black Sea region of Russia, has been a region of minor importance as an oil producer. It has served chiefly as a field for the marketing of refined petroleum products. This market was first developed by the Standard Oil Company of the United States. Of course other companies came into the field later, but prior to the outbreak of the World War the Standard controlled a large share of the retail markets of Europe. Especially was this true in France where the Standard, dominating yet working in harmony with the French companies, controlled the retail market.

Prior to the World War the American Government was not concerned with private trade relations concerning petroleum. There were no questions of leases or oil concessions to concern diplomatic circles. But after the entrance of the United States in the fray the Government commandeered the supply of oil as of other commodities to the Allies.

France.

Immediately following the World War, France desired to throw off the monopolistic control of the "Chartel of Ten", a group of ten French Companies dominated by the Standard. For many years the French

nation had been paying more for its oil supplies than other European countries.[158]

Seeking a relief from oil monopoly the French Government sought to become the sole importer of petroleum products. This proposed policy caused much concern among American Oil Companies. The report soon became current that the French Government, planning to establish a Government monopoly of petroleum imports, was seeking to obtain its supplies direct from the Soviet Government as part payment on the Russian War debt.[159]

On April 1, 1926 was passed Deputy Margaine's resolution granting the Government the right to control petroleum imports and arranging for the Soviet Government to supply the market beginning in 1927.[160] This caused a storm of protest from outside sources, and in particular from the United States where the Soviet Government's nationalization of petroleum resources had been regarded as a confiscation of private property. In this connection The New York TIMES of April 20, 1926 carried a story to the effect that the Standard Oil Company acting upon advice from Washington had withdrawn from the International Conference with the Soviet Government involving the settlement of Russia's debt to France.[161]

159. New York Times, March 6, 1926, p.1:c.8.
160. Ibid. April 1, 1926, p.1:c.1.
161. Ibid. April 29, 1926, p.3:c.5.

Early in 1927 the American oil interests filed a complaint with the United States Government objecting to the provisions of the Margaine Law.[162] Correspondence between the two governments resulted in the announcement by Premier Poincaire that the application of the Margaine Law would be postponed until some future date.[163] This statement silenced the protests of the American interests regarding the question. Just when this law will go into effect has not been definitely decided.

At present, the American and French relations regarding the retailing of petroleum products are cordial. Just what effect the application of the Margaine Law will have upon future diplomatic relations of the two countries will no doubt depend upon the conditions under which the new law operates.

Beyond the territorial limits of France the provisions of the San Remo Agreement,[164] to be discussed in the following chapter, gave the British prior rights. At present the British are active in Madagaskar and other parts of the French Colonial Empire in exploiting petroleum reserves. Thru this agreement with the British the French have practically excluded the Americans from the French Colonial Empire.[165]

162. New York Times, Feb. 24, 1927, p. 5: c. 2.
163. Ibid. March 23, 1927, p. 5: c. 1.
164. DeLaTramerye, "World Struggle for Oil", p. 228-35.
165. Report of Fed. Trade Com., 1923, pp. 52.

In the British possessions, excepting the self governing dominions of Australia and New Zealand, the oil question is a settled one. Only British citizens are allowed to prospect for petroleum in the Crown Colonies.[166] This fact at once practically eliminates the American concerns from the field of oil production in these territories.

British Africa and Oceania.

Oil indications are present in both Australia and New Zealand, but no paying deposits have been discovered.[167] A number of explorations are being carried on in Australia at the present time. These two self governing dominions have their own petroleum laws, but as yet Americans are not totally excluded. They have not entered in this territory, except as petroleum retailers.

Egypt, while nominally regarded as an independent country, has been dominated by the British to the extent that the Egyptian Government is friendly to the Royal Dutch-Shell Oil Interests. At present the Egyptian Government is operating a number of wells and deposits. With regard to future development of reserves it has agreed to work in cooperation with the Anglo-Egyptian Company which is a part of the Royal Dutch-Shell Interests.[168]

Egypt.

166. Report Fed.Tr.Com.,1923,pp48-9.
167. Lilloy,"Petroleum Industry",p.300.
168. Ibid. p.290-1.
Mohr,"Oil War",p.250.
Report.Fed.Tr.Com.,1923,p.49.

Portuguese Possessions.

In the territory controlled by Portugal the subsoil is declared to be the property of the State. The Portugese make no distinction with regard to the nationality of the prospectors. At present large reserves in Angola or Portugese West Africa, have been awarded to a Portugese Development Company backed by the Sinclair Interests.[169]

Belgian Congo.

In Belgian Congo it is required by law that the right to prospect for petroleum must be obtained from the Government. It is possible to obtain a concession of 250,000 acres for a term of 99 years, with 5% of the net profits going to the Government.[170] At present explorations are being carried on in the interior to determine the value of supposed deposits.[171]

169. Lilley "Petroleum Industry", p.300.
Garfias, "Petroleum Resources", pp.168-70.
New York Times, April 7, 1922, p.26; c.2.

170. Lilley, p.300.
Garfias, pp.171-2.

171. Lilley, p.300.
Garfias, pp.171-2.

Chapter IX.
American Participation in World Economic Conferences- Conclusions.

Prior to the World War international economic conferences were of little importance to the United States except in an indirect way. Following the World War this condition changed, due to the intensified commercial rivalry between nations, and especially to the invasion of American traders and merchants into fields formerly held by the British. But now we usually find the United States represented at the World Conferences either by an official or an unofficial representative.

San Remo Agreement.

Petroleum and the quest for concessions has occupied a prominent place in the majority of the post-war conferences. First came the San Remo Agreement which was a conference between the British and French interests for the settlement of their economic affairs. It resulted among other things in an agreement between the British and French to cooperate in the exploitation of oil reserves in The Near East, Rumania, The French Colonial Empire and other places. This virtually gave the British oil interests a monopoly due to the fact that there were no outstanding French Oil Trusts, and the French Government had refrained from entering the

industry.[172] This action was received in the United States as a practical act of exclusion against the American Companies, and a vigorous protest was lodged against it, with a request for an "open door" policy.[173]

Washington Arms Conference.

There were rumors of secret oil diplomacy at the Washington Arms Conference. But tangible evidence to support this charge has never been found.[174]

Genoa Conference.

In 1922 the Genoa Conference was called for the adjustment of interallied debts. In reality it turned out to be an international petroleum conference that had a far reaching effect upon diplomatic circles for some time. Soon after the session opened it was discovered that the Royal Dutch Oil Company was carrying on secret negotiations with the Soviet Government regarding oil concessions in the Black Sea region.[175] This bit of news created a mild sensation for it was discovered that Lloyd George had not opposed the plan, had, in fact, in an indirect way given his approval. American, Belgian, and French interests immediately entered vigorous protests against any of the Allied Nations allowing their private citizens or companies to deal in the confiscated concessions held by the Soviet Government.[176]

172. DeLaisi, "Oil and its Influence on politics", Ch. V.
Buell, "International Relations", pp. 437-8.
173. Mohr, "Oil War", 226.
DeLaFramerye, "World Struggle for Oil", pp. 240-1.
174. Ibid. p. 185.
175. Ibid. p. 188.
176. Literary Digest, Vol. 73, May 27, 1922, p. 12.

The oil question so overshadowed the financial phase of the meeting that the plan of debt settlement sponsored by Lloyd George was a failure, and the conference adjourned without accomplishing its purpose. The United States while not officially represented at the Conference exerted a strong influence.[177]

The Hague Conference.

In an attempt to adjust the petroleum questions unsettled at the Genoa Conference, a special session was held at The Hague in 1922, where the United States was again represented by an unofficial observer. The British, French, and Belgians were represented by delegates who made up the International Defense Committee, whose duty it was to consider the question of Russian oil properties. The work of this conference resulted in an agreement being drawn up by the delegates, to the effect that their countries would not countenance the dealing in confiscated concessions in Russia as long as the present attitude was maintained by the Soviet Government. It was further agreed that all dealings in oil concessions with the Soviet Government would have to meet with the approval of the delegates, and such negotiations should be conducted in common, by representatives unanimously chosen. Before the close of the meeting it was found that while Sir Henri Detording was advocating this

177.Literary Digest,Vol.73,Apr.22,1922,pp.17-18.

this plan, he was allowing his company to deal in Soviet Petroleum supplies in direct violation of the spirit of the agreement.[178] This Conference did not settle the petroleum question, but left it as a matter to be settled by the oil companies in an informal way with whatever government that might be concerned.

First Lausanne Conference.

The First Lausanne Conference was called in November 1922 to adjust the Near Eastern Affairs and to determine the position of the Turkish Government. Again oil was the dominating factor, the Turks declining to consent to the Mosul region being awarded to the British. It was suggested that the League of Nations should settle this question, but the Turkish Representatives flatly refused. Moreover, at this coference the Americans through their unofficial representative made a vigorous protest against the San Remo Agreement on the grounds that it violated the Chester Concessions obtained from the Turkish Government prior to the World War and reaffirmed as valid by the Angora Government. Being unable to agree on the petroleum question or on any other issue affecting the Near East the Conference adjourned in February 1923.[179]

178. Davenport and Cooke, "Anglo-American Interests", pp. 136-7.

179. Literary Digest, Vol. 75, Dec. 30, 1922, pp. 14-15.

Current History, "Failure of Lausanne Conference", Vol. 17, Mar. 1923, pp. 929-30.

Second Lausanne Conference.

As the First Lausanne Conference left the Near Eastern Situation in an unsettled state it was necessary to call a second meeting which was opened in April 1923. Once more the United States was represented by an unofficial observer. It was thru the vigorous protest of this representative of the Washington Government that the claims of the Turkish Petroleum Company were excluded from the text of the Lausanne Treaty which dealt with the Turkish Debt, with the validity of various concessions, and with other matters. This outcome left the claim of the Turkish Petroleum Company which, be it remembered, was backed by Anglo-French Interests, to be settled by arbitration.[180] All in all it was a clear cut victory for the American diplomats at the expense of the British, the latter being forced to recognize the validity of the American pre-war claims in the Near East.[181]

Conclusions.

No longer is the quest for oil concessions simply a contest between rival vested interests. It has become a battle between the nations. Who has oil has power. The seriousness of the situation is realized when it is considered that many of the undeveloped petroleum bearing regions are located in territories that are more

180. Current History, Vol. 18, Sept. 1923, p. 1048-9.
181. Literary Digest, Vol. 78, July, 28, 1923, pp. 10-11.

or less impotent in a governmental way. Intrigue and secret diplomacy thrive in such an environment.[182]

Possession of petroleum reserves is a necessity for the United States if she is to preserve her economic and political position as a world power. As the situation exists today the United States must have oil reserves. The only question is, How are they to be obtained? As we have noted, approximately 75% of the future supplies are controlled by British interests, and these intend to retain control of them at any cost. This state of affairs has arisen because of the laissez-faire system of trade control that was adopted by the United States prior to the World War. While the American interests basked in the security of their position as the greatest producers of petroleum, the British interests were working to gain control of future production. Since the close of the World War the United States has set about in a feverish manner to obtain future supplies, as the Phelan Bill for a United States Oil Company backed by the Government illustrates. This plan was rejected by the Government. Nevertheless to a certain extent it has recently adopted a policy of active assistance to prospectors desiring

182.Bryce,"International Relations",p.77.

to gain concessions abroad, as the Djambi, Mesopotamia, Palestine, Persian, and Mexican cases of recent date illustrate. In Mexico the policy adopted resulted in a satisfactory settlement being made after many years of misunderstanding regarding oil.

There appear to be two alternatives open to the United States for obtaining future oil concessions and reserves. The first of these is to enter into an agreement especially with the British Government for a mutual understanding governing the control of future reserves, in other words an internationalisation of oil deposits in countries that are politically and economically impotent. In return for the benefits of internationalization, the United States might have to surrender certain commercial concessions to the British. The United States might, moreover, be called upon to render services to the British in case the stability of the Empire should be threatened by encroachment of the Orientals. These two great world powers standing together for an internationalisation of petroleum supplies would go far to preserve peace in the future.

The second plan is to cast aside all pretense of keeping out of world commercial affairs and to adopt the imperialistic policy of the flag following

the trader which the British and Dutch are employing today. This would mean a practical subsidization of the leading commercial industries and supporting them with diplomatic and military force whenever necessary to obtain economic and commercial advantage. In the absence of internationalization this policy would seem to be necessary. The day is past when the United States following a policy of isolation can rest in a sense of satisfied security. To do so will be to surrender her economic independence. A policy of imperialism, however, is one that leads to war and conquest and one that may threaten the civilization of today.

It behooves the United States to take active steps toward a definite understanding with other nations regarding the question of oil. Whether we adopt an internationalization policy or one of competition for apportionment among the strongest powers, in any event we shall have to try to make the supply of oil secure.

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