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The Scramble for Oil Among the Nations

Editor's Note.—The following article is reprinted from "The Nation" (New York), May 18th, 1921. It comprises the fifth of a series of ten articles to be printed in that periodical under the title "No War With England." While there is an evidence here and there in these articles of the nationalist point of view, they constitute nevertheless a valuable guide to the understanding of the immediate causes prompting international policies. Readers will do well to consult F. T. LeClère's "Economic Causes of War" for a comprehensive grasp of the Socialist viewpoint in this connection. See Literature Price List.

PETROLEUM, in its short and stormy life as a commercial product, has had an extraordinary effect on human relationships. First used in humble lamps and stoves, and as a lubricant, it drove the whaling fleets of New Bedford and Nantucket to their last moorings. An age of prospecting and wild speculation resulted in the creation of the giant monopoly whose founder has been rewarded by the largest fortune in the world's history. The perfection of the gasoline engine, and the consequent development of the automobile, the motor truck, the tractor, and the aeroplane have fostered a series of great industries which have gone far to transform the life of peaceful communities, and are indispensable in war. Last of all has come the use of heavy oil as a fuel in ships, both under steam boilers and in internal-combustion engines of the Diesel type. This development, almost within the last five years, now causes danger to international harmony. As the "Manchester Guardian" has said, "The question of oil tends to overshadow all other international problems."

A vessel burning oil is far more efficient than one burning coal for the simple reason that a given weight and bulk of oil will produce more heat than the same weight and bulk of coal. In warships the advantages of oil are so marked that both America and British navies will soon depend exclusively upon it. Oil-burning destroyers enabled us to defeat the German submarine campaign; Earl Curzon said truly that "the Allied fleets floated to victory on a sea of oil." The Diesel motor ship is about 2½ times more efficient even than the oil-burning steamship. If it were certain that oil would be as plentiful and as cheap as coal, oil ships would drive coal ships off the seas as surely within the next fifteen years as steamships drove sailing vessels off the best trade routes in the past fifty. If, on the other hand, the supply of fuel oil is inadequate, those ships which have access to it will have an enormous advantage over those which have not.

When this state of affairs began to be apparent, about the time of the beginning of the Great War, it looked as if the United States would be enabled thereby to upset, if she wished, Britain's mastery of the seas. While hardly any oil is to be found in the United Kingdom, over 60 per cent. of the world's supply has for years come from within our borders. And it was Britain's large and cheap supply of coal, and her string of coaling stations around the earth, that had been one of the chief factors in her control of ocean shipping. Suddenly, by virtue of the invention of new technical processes and an accident in the distribution of natural resources, England saw the very foundation of her merchant marine and her navy about to slip away.

Although American oil fields are the best developed, they are by no means the only potential resources. More than one-half of the world's recoverable petroleum lies in two great areas: one in North America and in South American countries bordering the Caribbean Sea, and the other in Western Asia and Southeastern Europe lying about the Caucasus as an axis. These two fields are of nearly

equal importance. Strangely enough, they are not far from the two great interoceanic canals—Panama and Suez. In two per cent of the world's area rests about 30 per cent. of the world's future supply of petroleum, and about this two per cent pivot most of the forces of international politics today. There are also sizable deposits of oil on other trade routes—such as those in Borneo, India, Japan, and Argentina.

While we were resting in the knowledge of our resources, foreign companies went energetically and quietly to work gaining control of the undeveloped fields. The Mexican Eagle Company, a British concern, received large concessions in Mexico. The Shell interests, another British group, invested heavily in many parts of the world. The Royal Dutch Company, originally in appearance at least a Dutch concern, was formed to exploit oil in the Dutch East Indies. Behind it was the financial power of the Rothschilds. Later occurred a merger of the Royal Dutch and the Shell companies under British control, and the Mexican Eagle Company came under their wing. The Anglo-Persian Company was formed to exploit fields in Persia and the Near East, the British Government, on account of the needs of the navy, furnishing £2,000,000 of the capital and retaining control. This company now has close affiliations with the Royal Dutch-Shell. This gigantic aggregation of British oil interests, with its subsidiaries, now owns or controls a large share of the oil deposits in California, Oklahoma, Louisiana, Mexico, Trinidad, Venezuela, Rumania, Russia, Persia, Egypt, India, and the East Indies. Except in North America, most of its concessions are virtually so large as to exclude American companies from the most promising fields.

In the meantime experts of the United States Geological Survey came to disquieting conclusions. Perhaps 40 per cent. of the petroleum originally in the ground of the United States has already been exhausted, and if the present rate of production continues even without increase, our oil may be entirely gone in from fifteen to twenty years. Domestic demand, moreover, has risen so rapidly that for the past two years we have had to import more oil than we exported. In 1920 the excess of oil imports over exports was nearly 100,000,000 barrels, or over one-sixth of our entire consumption. And British interests, in close affiliation with the British Government, now have exclusive control, according to Captain Foley of the United States Shipping Board, of between 90 and 97 per cent. of the future visible supply of the world. A dramatic reversal indeed!

American interests quickly went to work to restore the balance. But they have found their pathway blocked. The Department of State, in response to a resolution of inquiry moved by Senator Gore, reported that while the United States had always maintained the "open-door" to foreign investors and purchasers in its own oil resources, other nations, by national ownership or exclusive concessions, had shut the door to their resources against American interests. It is the exclusive policy that causes the trouble. In the first place, American oil owners wish to protect their investments by substituting new and fruitful properties for those which are likely to run dry. In the second place, the United States Navy and the shipping interests want to be assured of a future bunker supply without the possibility of discrimination.

The chief area of dispute at present seems to be

Mesopotamia. Here the British group just before the war had received a concession from the Turkish Government, a quarter of which they had to share with the Deutsche Bank. After the war, the German share was claimed by Great Britain as part of the spoils of victory. France, however, put in a claim for the German share also, and eventually received it, in exchange for British control of the exploitation of deposits in the French colonies. This arrangement, consummated in secret at San Remo, cemented an Anglo-French oil entente, and American interests find themselves barred from the rich possibilities of Mesopotamia, as well as from a major part of the French market. Our State Department has protested on the ground that the open door must be maintained in mandatories. Great Britain agrees in principle, but maintains that since her concession antedates the war it must be recognized, open door or no open door. A long diplomatic correspondence has ensued. The real issue is that British companies have the oil, and that American interests want part of it. For us whose chief interest is peace, the important thing to remember is that in this crucial controversy there is a substantial identity between the British Government and British capital on the one hand, and between the American State Department and American oil interests on the other.

In his last annual report, Secretary Lane wrote that the oil situation "calls for a policy prompt, determined, looking many years ahead." He recommended three immediate governmental policies, one of which was a refusal to sell oil to any vessel under foreign registry if its government discriminates against American ships or oil interests. President Walter C. Teagle, of the Standard Oil Company of New Jersey, addressed these significant sentences to the 1920 convention of the American Petroleum Institute: "If foreign governments insist on pursuing the policy of nationalizing oil lands and reserving subsoil rights to be held under government direction; if they persist in attempting to keep all of their own petroleum deposits for their own future benefit, while relying upon the United States for a large share of their present needs; then, and in that event, this nation will have no alternative but to take cognizance of the attitude of foreign governments, and as a matter of necessary self-protection to consider the adoption of means reciprocally to conserve its petroleum resources for its own people. . . . With its position in world trade and the economic and financial weapons ready to hand, the United States could undoubtedly compel a new allotment of foreign territory so as to give it a share of what other nations are proposing to keep for themselves."

As if in response to these statements, Secretary Daniels as one of his last official acts wrote a letter to the chairman of the Senate Committee on Naval Affairs, recommending the passage of a bill which would give the President power to impose an embargo on exports of oil from the United States, whenever in his opinion the situation should warrant such an act. Although this measure is only one of the "economic and financial weapons" which Mr. Teagle must have had in mind, its application alone would be drastic, since it would forbid the British companies from exporting their own oil from their extensive properties in the United States, an act which our Government would strongly resent if it were applied against us by any other nation.

Statements about "nationalization" of oil are ordinarily understood to apply to Mexico, and no doubt they do, in part. But we must not forget that the quarrel over Mexican oil is a three-cornered

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