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OIL

FAMILIARITY with automobiles, motor boats, motor trucks, and vehicular traffic generally has made us acquainted with the importance of oil as a factor in everyday life. The war period has emphasized it still more in the general necessity of petroleum products for aeroplanes, tractors and ships of war. Oil—lubricating oil and fuel—has become an essential factor in peace and war.

The old fashioned sailing vessel yielded place to the more efficient coal-burning steamship; the latter is now giving way to the oil-burning steamship and in some instances the oil-burning steamship is supplanted by the motor-ship.

A given bulk and weight of oil will provide more heat than the same bulk and weight of coal. An oil-burning ship thus obviously saves bunkering space over a coal-burner, and has more general carrying capacity. Added to this is the saving of labor costs for firing. Equal engine-room efficiency may be obtained by a smaller crew. Time also is a factor. An oil-burning ship of a given tonnage with a full cargo can carry enough oil fuel to suffice for the outward and return voyages both. The same ship as a coal-burner would require some sixteen bunkerings by the time she had returned to her home port. The oil-burner gives more heat for the same volume, it takes less room, it is cheaper. Thus ocean freight rates are subject to reduction and those shipping lines which can secure access to oil supplies are ensured of success over those that can not. In the case of oil-burning warships, the smaller volume of fuel necessary increases their radius of action, and allows a greater gun carrying capacity.

These facts are acknowledged on all hands and need no emphasizing nowadays. The importance of oil being recognized, however, the more readily understood will be the disputes between governments to which control of its plentiful supply gives rise.

A considerable period has passed since Standard Oil agents presented free kerosene lamps to the Chinese; incidentally it may be mentioned that some two million of these lamps are now sold annually in China. The production of oil was then almost exclusively in American hands. The Standard Oil Company, by laying pipe lines and building tankers for sea and land transport, brought the producing companies under its domination as a marketing agency, and even today it is as a marketing concern that it functions chiefly, although not exclusively.

The United States, according to various authoritative estimates, controls 80 per cent of the world's present output of petroleum. At the same time she is herself an enormous consumer. According to "The Manchester Guardian Commercial" (6 July 1922) she consumes over six times the amount consumed by Great Britain annually. She cannot continue to maintain her export trade in oil and supply her own needs without import. In 1921 she imported 125 million barrels of 32 gallons each, all but a fraction of which came from Mexico. Of her total consumption last year 25 per cent was imported. At the same time she exported something over 450 million barrels. Her potential supplies are limited and are estimated at seven billion barrels, which, at the present rate of consumption would last probably 20 years. While the possible exhaustion of her oil supplies gives her anxiety, her present position as

an oil producer gives her an enormous present advantage.

British industry has heretofore depended upon a plentiful supply of coal; a well distributed string of coaling stations all round the world has given British merchant shipping an enormous advantage in trade, and British ships of war have been secure over all other nations' ships in fuel supply. The appearance of oil as a superior fuel in the past few years has upset this situation altogether.

In December 1917 Clemenceau addressed a note to President Wilson stating that the French armies required a minimum stock of petrol of 44 thousand tons and a monthly supply of 30 thousand tons. The stock then on hand had shrunk to 28 thousand tons and a failure of supply threatened to paralyse the operations of motor lorries and aeroplanes and the transport of artillery. Failure of supply, Clemenceau said, might compel the French "to a peace unfavourable to the Allies." He requested the immediate despatch of an American fleet of oil-tankers of 100,000 tons for permanent carrying use. The British fleet and armies were in a similar position. There was formed The Inter-Allied Petroleum Council which pooled all oil resources, superintended supply, distribution and consumption of all petroleum products. In the last eighteen months of the war this Council dealt with over 12 billion tons of oil supplied in the main by the Standard Oil and other American companies, Royal Dutch-Shell combine, Anglo-Persian and Anglo-Mexican oil companies. British home production was very small, being confined to Scottish shale oil distillation and tar oil substitutes for imported fuel. Oil supply is therefore essential to the conduct of modern warfare in every branch of operation on land and sea.

In the years previous to the war the British commercial interests were not blind to the advantageous position of the United States concerning oil. They knew very well that in the event of war with Germany they could prevent U. S. oil supplies reaching Germany. At any rate, the U. S. companies marketed their oil where they could. But before the war there appeared here and there at street intersections "Shell" oil supply stations. The Shell Transport Company first took shape, not as an oil company but as a company trading in mother-of-pearl in the south seas. It gradually displayed an interest in Egyptian oil prospects and in the Straits of Malacca. By and by it promoted oil prospecting in North China, the Malay States, India and other places. It became interested in the Rumanian oil fields and acquired concessions in the Dutch East Indies.

The importance of oil for fuel in merchant shipping gave rise to a general prospecting scramble around the Panama Canal zone. The Mexican Eagle Oil Company was formed in 1911, operating fields at Tampico, Gulf of Mexico. This is known as the Pearson group of interests, or the Cowdray interests, under the control of British capital. This group obtained concessions also in Costa Rica, Colombia, Venezuela and Ecuador. These were relinquished under pressure from the United States upon the states in question. The Shell Transport, however, conducted its operations more skilfully. By introducing part of its shares on the New York market it interested American investors to the amount of nearly 25 million dollars. By forming commercial alli-

ances with separate American companies it secured the interest of American capitalists and now has establishments in Venezuela and Colombia, and operates from Trinidad. Besides this it has an operating interest in the United States, in California, Texas and Oklahoma.

The Royal Dutch, the Netherlands oil trust also has holdings in various U. S. oil fields and in Mexico and Venezuela. Before the war this company had a working agreement with the Shell Transport, each granting to the other participation to the extent of 40 per cent. in all fields. Its main field lies in the Dutch East Indies, while it operates in Egypt also, and in Rumania and so also does Shell Transport. In the war period Allied sea power determined that it market its oil to the use of Allied governments, and after the war the wreck of German shipping resources induced it readily to enter into combination with Shell. Thus we have what is known as Royal Dutch-Shell.

The magnitude of the oil operations of the Royal Dutch alone and before the merger with Shell may be realised when it is known that its fleet of oil tankers had a tonnage of 600,000. The Royal Dutch-Shell combined tonnage totals nearly 1,200,000 tons. The combined output totals approximately 15 million tons annually. The combine is in the control of British capital which controls also (as previously stated) the Mexican Eagle, besides the Anglo-Persian Oil Company and the Burmah Oil Company. The business managers are Sir Marcus Samuel and Lord Cowdray, the political director Lord Curzon and the technical adviser Sir John Cadman, the last mentioned being a Birmingham University professor. He was chairman of the Inter-Allied Petroleum Council already referred to, which dissolved after the war. The total output of these companies is small compared with the operations of the Standard Oil Company but, as we shall see, they have hopes.

The United States, while being the greatest oil producer at the present time is at the same time the greatest oil consumer. British capital has acquired control of the improved fields in Central and South America, India, Ceylon, Papua, the Straits Settlements and the areas we have already specified, and in some United States territories it exercises company control. The British government controls oil bearing territories in Palestine, Mesopotamia and Persia. Attempted American penetration of these areas, which has been unsuccessful following upon the armistice, has led to protests by the U. S. government. The U. S. government after the world war and the part U. S. oil played in it evidently expected "the open door." At any rate some of her pressmen and politicians seem to be peeved and even surprised that the door is closed. British capital has extended its influence not alone in endeavoring to control production but in marketing oil. She has drawn under her control French financial oil interests and controls the oil supplies marketed in France, for French commercial needs and for military and naval needs also.

In the "Manchester Guardian Commercial" (6 July, 1922) Sir John Cadman, whose title as technical adviser to the British Government in matters concerning oil described him at H. M. Minister of Petroleum and whose activities as chairman of the

(Continued on page 7)