

**BRITISH AND US INTERVENTION IN
THE VENEZUELAN OIL INDUSTRY
A CASE STUDY OF ANGLO-US RELATIONS
1941-1948**

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by

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Abstract

This thesis analyses British and US government intervention in the Venezuelan oil industry between the years 1941 and 1948 as a case study of Anglo-US relations. During the Second World War, Britain was entirely reliant on imports for its oil needs and Venezuela became a vital source of supply. Concurrently, US government officials were concerned that their domestic oil reserves would soon be exhausted and they perceived Venezuela as an important future supplier. As such, British and US policy-makers were inclined to intervene when it seemed as though their access to Venezuelan oil was threatened. Such a threat materialised as, during the 1940s, Venezuelan politics became characterised by popular demand for economic reform and dramatic regime change. However, British and US officials came into conflict as they sought to further their independent and often conflicting policies in Venezuela. Indeed, the Anglo-US wartime and Cold War alliance did not preclude disputes from arising between the two governments in matters relating to oil and Latin America.

In order to defend their interests in Venezuelan oil, Whitehall and Washington developed intimate ties with privately-owned companies operating in the country. This thesis elucidates the role of state-private sector interaction within foreign relations and the effect of this dynamic on British and US policy towards Venezuela. It argues that multinational oil companies had the capacity to significantly influence events and their relationships with national governments played an important role within international politics. Indeed, the ability of Whitehall and Washington to gain the support of oil company officials was, in many instances, a pre-requisite for their ability to exercise power in Venezuela.

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Abbreviations

In the text:

AD	Acción Democrática
CIA	Central Intelligence Agency
CPAD	Commercial Policy and Agreements Division of the State Department
FO	Foreign Office
ID	Intelligence Division of the Department of the Army
MFP	Ministry of Fuel and Power
PAW	Petroleum Administration for War
PD	Petroleum Department / Petroleum Division after June 1942
PRC	Petroleum Reserves Corporation
RTAA	Reciprocal Trade Agreement Act
SoCal	Standard Oil Company of California
SOCNJ	Standard Oil Company of New Jersey

In source references:

FDRL	Franklin D. Roosevelt Presidential Library
FRUS	<i>Foreign Relations of the United States</i>
HSTL	Harry S. Truman Presidential Library
LC	Library of Congress
NA	The National Archives of the United Kingdom
NARA	United States National Archives and Records Administration
RAC	Rockefeller Archive Center
RFA	Rockefeller Family Archive
PSF	President's Secretary's Files
RG	Record Group
SLA	Shell Group Archives, London
UDL	University of Delaware Library
UNA	United Nations Archive

Introduction

This thesis analyses British and US government intervention in the Venezuelan oil industry between the years 1941 and 1948 as a case study of Anglo-US relations. During this period, the Second World War and Cold War greatly increased the international importance of Venezuelan crude. The outbreak of the Second World War underlined modern armed forces' dependence on oil but, lacking an indigenous supply, Britain was forced to rely on imports for its needs. Venezuelan crude took on particular significance within the British war effort as oil from the Middle East became less accessible following the closure of the Mediterranean in 1940.¹ In 1939, forty per cent of Britain's total oil imports were of Venezuelan origin and this had risen to around eighty per cent by 1942.² Concurrently, Washington officials, concerned that the USA's domestic oil reserves would soon be exhausted, sought to secure access to overseas sources of supply. Thus, in the early 1940s, the US government began to formulate, and carry out, a more cohesive foreign oil policy within which Venezuela played a significant role.³ In order to defend these vital interests, British and US policy-makers independently developed intimate ties with privately-owned oil companies operating in Venezuela.

Yet British and US interests appeared to be under threat when, during the 1940s, Venezuelan domestic politics became characterised by popular demand for economic reform and dramatic regime change. In 1941, the Venezuelan government began making overtures to the foreign-owned oil companies that new tax laws would have to be

¹ Charles More, *Black Gold: Britain and Oil in the Twentieth Century* (London, 2009), p. 72.

² The National Archives of the United Kingdom, Kew [hereafter NA], FO 371/22851/A5540, F. C. Starling, head of the Petroleum Department, to John Balfour, head of the FO American Department, 8 August 1939; NA, CAB 77/5, OCB (41) 131, 'Security Measures at Curacao and Aruba' memorandum by Geoffrey William Geoffrey-Lloyd, Oil Control Board Chairman, 17 December 1941; NA, FO 371/30748/A1220, FO memorandum, 2 February 1942.

³ Max Weston Thornburg Papers, in the custody of the author, [hereafter Max Thornburg Papers] 'Notes on the Development of our National Foreign Oil Policy in Preparation for Senate Inquiry' by Max Weston Thornburg, 14 March 1944; David S. Painter, *Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941-1954* (Baltimore, MD, 1986), pp. 199-210.

negotiated in order to guarantee a greater state share of industry profits. Furthermore, the government began placing pressure on the companies to increase the amount of oil refining done in Venezuelan territory.⁴ These developments must also be placed within the context of the Second World War as the threat of Axis aggression led to British and French occupation of the Dutch West Indies, where the vast majority of Venezuelan oil was refined.⁵ In addition, the period of 1941 to 1948 saw political upheaval in Venezuela as a 1945 leftist overthrow of the government was followed in 1948 by a military *coup d'état*.⁶ While all these developments are significant in themselves, they also revealed and exacerbated tensions within the Anglo-US wartime and post-war alliance. A principal objective of this thesis is to contextualise British and US intervention within the two governments' wider foreign policies amid the rapidly changing geopolitical climate of the 1940s. By overtly placing British and US policy towards Venezuela within this broader perspective, this thesis aims to make the study of oil diplomacy more relevant to a range of historical inquiry.

During the Second World War, British officials were aware that their country would emerge from the conflict in a position of comparative weakness to the USA and Soviet Union. Nevertheless, the British government sought to maintain its international standing and viewed the Second World War as an opportunity to expand, as well as defend, its interests. Total war on a global scale emphasised Britain's reliance on its links with overseas territories and, throughout the 1940s, the government endeavoured to extend its influence into areas beyond the formal Empire.⁷ Whitehall's intervention in the

⁴ John Knappe, 'British Foreign Policy in the Caribbean Basin 1938-1945: Oil, Nationalism and Relations with the United States', *Journal of Latin American Studies*, Vol. 19, No. 2 (November 1987), pp. 279-294.

⁵ Bob Moore, 'Anglo-American Security Policy and its Threats to Dutch Colonial Rule in the West Indies, 1940-42', *The Journal of Imperial and Commonwealth History*, Vol. 23, No. 3 (1995), pp. 453-478.

⁶ Steve Ellner, 'Venezuela', in Leslie Bethell and Ian Roxborough (eds), *Latin America Between the Second World War and the Cold War, 1944-1948* (Cambridge, 1997), p. 147.

⁷ John Darwin, *The Empire Project: The Rise and Fall of the British World System, 1830-1970* (Cambridge, 2009), p. 514-527; John Kent, *British Imperial Strategy and the Origins of the Cold War, 1944-49* (London,

Venezuelan oil industry was, therefore, representative of its broader aim of safeguarding Britain's position at the centre of world affairs. In particular, the British government aimed to ensure that its global interests were not undermined by Washington's foreign policy and US efforts to shape post-war international organisation. Yet Whitehall's ability to exercise power within the Venezuelan oil industry was often impeded by the US government which had its own independent aims and policies.

Throughout this period, the US government attempted to consolidate and increase its dominance of the Western Hemisphere by taking a leading role in pan-American organisation. The Roosevelt administration's Good Neighbor policy was designed to improve relations with Latin America while, concurrently, US officials propagated free trade throughout the region.⁸ Subsequently, the outbreak of the Second World War led Washington to prioritise pan-American solidarity as a means of securing hemispheric defence against Axis aggression.⁹ US policy towards the Venezuelan oil industry was intended to ensure that the independent actions of multinational oil companies did not undermine these vital interests. This intervention into private enterprise built on the US government's earlier participation in domestic business affairs during the Great Depression and mobilisation for the Second World War.¹⁰

As such, the Venezuelan oil industry became a testing ground for the internationalisation of the New Deal and the state-private sector collaboration that

1993), pp. 1-2; David Edgerton, *Britain's War Machine: Weapons, Resources and Experts in the Second World War* (London, 2011), pp. 47-85.

⁸ David Green, *The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy* (Chicago, IL, 1971), pp. 18-23; Bryce Wood, *The Making of the Good Neighbor Policy* (New York, NY, 1961), pp. 3-10; Irwin F. Gellman, *Good Neighbor Diplomacy: United States Policies in Latin America, 1933-1945* (Baltimore, MD, 1979); pp. 10-17.

⁹ Robert Dallek, *Franklin D. Roosevelt and American Foreign Policy, 1932-1945* (Oxford, 1995), pp. 233-236; Sumner Welles, *Seven Decisions That Shaped History* (New York, NY, 1951), pp. 95-96.

¹⁰ Michael B. Stoff, *Oil, War, and American Security: The Search for a National Policy on Foreign Oil, 1941-1947* (New Haven, CT, 1980), pp. 10-22; Richard Polenberg, *War and Society: The United States, 1941-1945* (Westport, CT, 1972), pp. 35-36; Alan Brinkley, 'The New Deal and the Idea of the State', in Steve Fraser and Gary Gerstle (eds), *The Rise and Fall of the New Deal Order, 1930-1980* (Princeton, NJ, 1989), pp. 85-121.

historians have argued characterised US post-war foreign policy.¹¹ In particular, Washington officials perceived Whitehall policy, which had successfully secured Britain's access to foreign oil, as a model to which the US government could, and should, aspire.¹² Such interventionism characterised the US government's foreign policy during the Second World War as the Roosevelt administration abandoned isolationism, seeking instead to shape post-war international organisation.¹³ In particular, US officials endeavoured to universalise their hemispheric free trade programme but this created conflict with both the British and Venezuelan governments.

By 1946, the Cold War had created a new context for international relations in which British and US officials feared Soviet-inspired communist influence and sabotage in Latin America.¹⁴ This thesis examines the levels of change and continuity in British and US policies towards Venezuela as the two governments responded to this changing international environment. It contextualises events in Venezuela within a broad geopolitical perspective while also providing a detailed case study of the Cold War's effect on British and US foreign policy. As such, an objective of this thesis is to develop our understanding of the connection between the local and global in international

¹¹ Elizabeth Borgwardt, *A New Deal for the World: America's Vision for Human Rights* (Cambridge, MA, 2005), pp. 70-78; Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952* (Cambridge, 1987), pp. 1-25; Scott Lucas, *Freedom's War: The American Crusade against the Soviet Union* (New York, NY, 1999), pp. 93-106.

¹² Library of Congress (LC), Harold L. Ickes Papers, Box 221, File: Secretary of Interior File, Oil Octane (100) 1941-1946, Ickes to Roosevelt, 15 October 1941; Ickes to Roosevelt, 1 December 1941.

¹³ Warren F. Kimball, *The Juggler: Franklin Roosevelt As Wartime Statesman* (Princeton, NJ, 1991), pp. 185-200.

¹⁴ Harry S. Truman Presidential Library, Independence, MO [hereafter HSTL] President's Secretary's Files [hereafter PSF], Central Intelligence Reports File, 1946-1953, Box 215, CIA Report ORE 16: Soviet Objectives in Latin America, 10 April 1947; Greg Grandin, *The Last Colonial Massacre: Latin America in the Cold War* (2nd edn, Chicago, IL, 2011), pp. 7-9; Leslie Bethell and Ian Roxborough, 'The Impact of the Cold War on Latin America', in Melvyn P. Leffler and David S. Painter (eds), *Origins of the Cold War: An International History* (2nd edn, New York, NY, 2005), p. 311-313; Roger R. Trask, 'The Impact of the Cold War on United States-Latin American Relations, 1945-1949', *Diplomatic History*, Vol. 1, No. 3 (July 1978), pp. 279-283; NA, FO 371/52209/AS6356, minute by E. P. Lecours, Press Attaché in Caracas, 27 September 1946; NA, FO 371/61391/AS1345, Sir George Ogilvie-Forbes, Ambassador to Venezuela, to Foreign Secretary Ernest Bevin, 7 February 1947; NA, FO 371/74887/AS1091, J. H. Magowan, Ambassador to Venezuela, to A. Stanley Fordham, head of FO South American Department, 11 February 1949; NA, FO 371/74887/AS1091, minute by Margaret Joan Anstee, FO South American Department, 28 February 1949.

relations by examining how British and US officials integrated their specific interests in Venezuelan oil within broad geopolitical concerns.

A further ambition of this thesis is to elucidate the role of state-private sector interaction within foreign relations and the effect of this dynamic on British and US policies towards Venezuela. In so doing, it furthers our understanding of the relationship between national governments and the private sector. Rather than viewing these as distinct entities that work independently, this analysis focuses on the intimate working relationship between national governments and multinational oil companies, revealing that such distinctions can become blurred. Indeed, British and US officials would collaborate and cooperate with oil company executives to formulate and carry out their foreign policy objectives. By analysing this dynamic in detail, this thesis reveals how the mechanics of foreign relations themselves influenced the British and US ability to exercise power.

Therefore, in addition to contributing to an understanding of Anglo-US relations, this thesis expands our understanding of international relations more generally. Crucial to this is an assessment of state-private sector interaction and the triangular relationship between British, US and oil company officials. Analysing this dynamic in Venezuela reveals the means by which British and US policy-makers combined traditional diplomacy with links with the private sector in order to exercise power around the world. Thus, this thesis makes use of oil company correspondence to gauge the views of their officials and better understand their relationship with state bureaucracy. This approach makes it possible to judge the importance of these relationships to the British and US governments' ability to influence events in Venezuela while appreciating the oil companies' own independent motivations, aims and power.

Historiographical Significance

This thesis engages with a range of secondary literature on the international politics of oil, British and US foreign relations, the Cold War, and the role of state-private networks in international relations. Using this diverse historiography, it takes what are traditionally considered to be disparate topics and links them to reinterpret events. Despite the importance of oil in British and US foreign policy, literature on the subject is limited and in great need of further development. Oil diplomacy can be seen as emblematic of the broader perceptions held by British and US policy-makers yet currently it is treated as a distinct, and niche, subject area. This thesis highlights the historical significance of oil diplomacy by placing it within a wider geopolitical context.

The term ‘multinational corporation’ was originally coined by David E. Lilienthal as covering: ‘Such corporations – which have their home in one country but which operate and live under the laws and customs of other countries as well’.¹⁵ This characterised the day-to-day running of the major multinational oil companies throughout the 1940s, when oil companies maintained remarkably close ties with multiple governments. These corporations required close working relationships with the governments of oil-producing countries (the host country) in order to acquire concessions and to prevent prohibitive legislation from being enacted. It was also to the benefit of oil companies to maintain close ties with the government of the country within which they were headquartered (the home country) in order to gain a potential ally in their dealings with oil-exporting countries.¹⁶ These private institutions have the potential to work alongside, and influence, the highest levels of government. At the same time governments may make use of private institutions as a means of exercising state power. These

¹⁵ D. K. Fieldhouse, ‘The Multinational: A Critique of a Concept’, in Alice Teichova, Maurice Lévy-Leboyer and Helga Nussbaum (eds), *Multinational Enterprise in Historical Perspective* (Cambridge, 1986), p. 10.

¹⁶ Geoffrey Jones, *Multinationals and Global Capitalism: From the Nineteenth to the Twenty-First Century* (Oxford, 2005), pp. 231-285.

connections between government and private enterprise can be described as a state-private network.

This thesis uses various case studies to analyse, and compare, both the British and US relationships with multinational oil companies in Venezuela. In so doing, it elucidates the effect of this state-private network on the British and US ability to exercise power in the country. In his study of the role of the state-private network within US politics Scott Lucas has suggested that ‘private individuals and groups could work with those government officials, not necessarily because they shared that same vision of power and ideology, but because their own complex conceptions and interests were furthered by the relationship.’¹⁷ While British and US officials’ interest in the Venezuelan oil industry was principally motivated by national security concerns, multinational oil companies operated in the country for financial profit. Nevertheless, these differing motives often led to shared interests and aims. For example, British officials consistently believed that safeguarding Shell’s operations in Venezuela would help to secure British oil supplies. Thus, at times, British and US officials worked in coordination with privately-owned oil companies in order to achieve shared goals. This thesis builds on and develops the analysis of Scott Lucas by not assuming unified decision-makers and state interests. Instead it seeks to bring ideas of agency and contingency back to these networks. At times British, US and oil company policies towards Venezuela would diverge, creating conflict between officials. Moreover, British and US diplomatic intervention had the potential to hinder, as well as aid, the multinational oil companies operating in Venezuela.

¹⁷ Scott Lucas, ‘Introduction: Negotiating Freedom’, in Helen Laville and Hugh Wilford (eds), *The US Government, Citizen Groups and the Cold War: The State-Private Network* (New York, NY, 2006), p. 11.

Various oil corporations have commissioned their own company histories but these are extremely narrow in their perspective and lack impartiality.¹⁸ Fortunately, more thorough studies have revealed the strong ties Whitehall has traditionally held with the international oil industry though studies of British oil diplomacy in Latin America are conspicuous by their absence. While Brian McBeth emphasises Britain's relationship to Venezuela in his broad study of British interwar oil policy, historians have overwhelmingly focused their analysis on the Middle East and particularly Iran.¹⁹ The significance of oil within British foreign policy is exposed by the historiography surrounding the Iranian nationalisation of the Anglo-Iranian Oil Company in 1951, but there are no in-depth studies of the British response to Venezuelan nationalism.²⁰ Moreover, taken as a whole, studies of British oil diplomacy have so far tended to lack geopolitical context, examination of state-private networks, or both. Nevertheless, this existing historiography provides context and lineage with which this study can engage.

Such limitations can also be found in the existing historiography of US foreign oil policy. David S. Painter, Stephen J. Randall and Michael B. Stoff have all produced studies that, together, provide a thorough overview of the US government's increasing intervention in the international oil industry during the 1940s.²¹ Complementing this, Stephen G. Rabe has analysed US involvement in the Venezuelan oil industry throughout

¹⁸ Most recently: James Bamberg, *British Petroleum and Global Oil, 1950-1975: The Challenge of Nationalism* (Cambridge, 2000); Jan Luiten van Zanden, Joost Jonker, Stephen Howarth, and Keetie Sluyterman, *A History of Royal Dutch Shell, Vol. I-IV* (Oxford, 2007).

¹⁹ Steven G. Galpern, *Money, Oil, and Empire in the Middle East: Sterling and Postwar Imperialism, 1944-71* (Cambridge, 2009); Geoffrey Jones, *The State and the Emergence of the British Oil Industry* (London, 1981); Marion Kent, *Oil and Empire: British Policy and Mesopotamian Oil, 1900-1920* (London, 1976); Marion Kent, *Moguls and Mandarins: Oil, Imperialism, and the Middle East in British Foreign Policy, 1900-1940* (London, 1993); B. S. McBeth, *British Oil Policy, 1919-1939* (London, 1985); More, *Black Gold*; D. J. Payton-Smith, *Oil: A Study of War-time Policy and Administration* (London, 1971).

²⁰ Mary Ann Heiss, *Empire and Nationhood: The United States, Great Britain, and Iranian Oil, 1950-1954* (New York, NY, 1997); Steve Marsh, *Anglo-American Relations and Cold War Oil: Crisis in Iran* (New York, NY, 2003); Ivan L. G. Pearson, *In the Name of Oil: Anglo-American Relations in the Middle East, 1950-1958* (Eastbourne, 2010).

²¹ Stephen J. Randall, *United States Foreign Oil Policy, 1919-1948: For Profits and Security* (Montreal, 1985); Painter, *Oil and the American Century*; Stoff, *Oil, War, and American Security*.

the twentieth century.²² Yet the existing historiography could do more to contextualise and conceptualise developments within the international oil industry. Painter characterises the US government's relationship with multinational oil companies as 'corporatist' but his analysis is almost exclusively based on primary sources written by US government officials and, consequently, focuses on their perspective of events.²³ While Rabe and Painter make use of some of the same case studies as this thesis, their analysis fails to sufficiently account for the actions and views of British and oil industry officials. As such, they give an incomplete picture of events in Venezuela and the competition that existed between British and US interests in the country. In contrast, this thesis combines US, British and oil company perspectives which leads to a more nuanced and thorough analysis of the inner workings of the oil industry. This is representative of its general aim of closely analysing the level of interaction that existed between the oil corporations and the state.

Fiona Venn has provided the most authoritative scholarly monograph dedicated to international oil diplomacy in the twentieth century which provides an excellent basis for further analysis of the importance of oil diplomacy within British and US foreign policy.²⁴ Venn's work reveals how rivalry over control of oil fields took on a central role in Anglo-US relations during the twentieth century, a dynamic she has fittingly characterised as both a 'struggle for supremacy' and an 'oil war'.²⁵ Throughout her analysis, she highlights the complex nature of the oil trade and the varying degrees of cooperation that existed between British, US and oil company officials. Venn argues that government and private organisations would cooperate when it was mutually beneficial to

²² Stephen G. Rabe, *The Road to OPEC: United States Relations with Venezuela, 1919-1976* (Austin, TX, 1982).

²³ Painter, *Oil and the American Century*, pp. 199-210.

²⁴ Fiona Venn, *Oil Diplomacy in the Twentieth Century* (London, 1986).

²⁵ *Ibid.*, pp. 54-74; Fiona Venn, 'A Struggle for Supremacy? Great Britain, the United States and Kuwaiti Oil in the 1930s', *Working Paper Series*, No. 2 (Colchester, University of Essex, Department of History, 2000), http://www.essex.ac.uk/history/documents/research/RP2_Venn_2012.pdf [accessed 11 June 2014].

do so but at other times their interests, and therefore policies, would diverge. Moreover, her research has revealed that these government officials would consider broad foreign policy goals when conducting oil diplomacy and not only those directly related to the oil trade. Taking this insight as its point of departure, this thesis expands upon Venn's work in two ways. First, it places an increased emphasis on the role of state-private sector interaction and views this as an indicator of a government's ability to exercise international power. Second, it also uses events in Venezuela as a case study of the links between British and US experiences in the Second World War and later attitudes to the Cold War.

The edited collection *Oil Producing Countries and Oil Companies* reveals the potential for a range of different dynamics and outcomes to emerge from relationships between oil companies and national governments.²⁶ This highlights the need for historians to incorporate unique local factors into their analysis of the oil industry, thereby avoiding inaccurate generalisations. Taken together, the various chapters undermine attempts to provide a universal conceptualisation of the power dynamics that exist between states and the private sector. The rivalry that existed between various oil companies, as well as the British and US governments, is vital to understanding the nature of cooperation, collaboration and conflict within the Venezuelan oil industry. Ultimately, incorporating multiple perspectives into my analysis allows for a greater understanding of the interplay between the principal international stake-holders in the Venezuelan oil industry.

Painter's effort to integrate oil diplomacy within the context of the Cold War have so far centred on the US government's containment policy and attempts to limit Soviet access to Middle East oil.²⁷ However, this approach focuses almost exclusively on US-

²⁶ Alain Beltran (ed.), *Oil Producing Countries and Oil Companies: From the Nineteenth Century to the Twenty-First Century* (Brussels, 2011).

²⁷ David S. Painter, 'Oil, Resources, and the Cold War, 1945-1962', in Melvyn P. Leffler and Odd Arne Westad (eds), *The Cambridge History of the Cold War, Vol. I: Origins* (Cambridge, 2010), pp. 485-508.

Soviet rivalry and omits discussion of Anglo-US competition. It is possible to connect oil diplomacy and the Cold War beyond discussion of superpower rivalry by expanding the number of actors studied. This methodology has been taken up by Steve Marsh and Ivan L. G. Pearson who have produced monographs dedicated to the impact of the Cold War on British and US policy towards the oil industries of the Middle East.²⁸ Indeed, the current trend in Cold War historiography has been to decentre the conflict as, rather than focusing purely on US and Soviet policy, historians have begun to include more actors in their analysis. As such, there has been a move to consider intra-bloc interaction as well as inter-bloc rivalry. Rather than questioning who is to blame for the Cold War, historians are instead seeking to emphasise the interaction between the many different actors involved.²⁹

Therefore, relations between the western powers can be analysed within a Cold War context that goes beyond their mutual suspicion of the USSR. Historians have begun to examine how the Cold War policies of western governments were shaped by their individual concerns. In so doing, they have recognised the agency of western policy-makers rather than viewing them as agents of an all-encompassing US strategy. Moreover, it is also then possible to analyse how a network of various global interactions shaped the development of the Cold War itself. Thus, a greater number of countries have become prominent in the history of the Cold War. Indeed, historians have increasingly come to perceive the important role played by European policy-makers in the origins of the conflict.³⁰

²⁸ Marsh, *Anglo-American Relations and Cold War Oil*; Pearson, *In the Name of Oil*.

²⁹ Geir Lundestad, 'How (Not) to Study the Origins of the Cold War', in Odd Arne Westad (ed.), *Reviewing the Cold War: Approaches, Interpretations, Theory* (London, 2000), p. 75.

³⁰ Olaf Riste (ed.), *Western Security: The Formative Years* (New York, NY, 1985); Geir Lundestad, 'Empire by Invitation? The United States and Western Europe, 1945-1952', *Journal of Peace Research*, Vol. 23, No. 3 (September 1986), pp. 263-77; Lawrence Aronsen and Martin Kitchen, *The Origins of the Cold War in Comparative Perspective: American, British and Canadian Relations with the Soviet Union, 1941-1948* (London, 1988); Anne Deighton, *The Impossible Peace: Britain, the Division of Germany and*

Other historians have advanced this line of enquiry by perceiving the Cold War as a truly global, rather than predominantly European, conflict. Thus, various case studies have recently been written that analyse how a Cold War framework influenced localised events around the world.³¹ Rather than simply categorising actors as ‘the West’ and ‘the rest’, such histories reveal how neutralist states could contravene a bi-polar view of international politics. This most recent historiography has recognised the defining role played by the Cold War in all international relations and promotes an expansion of Cold War research beyond areas directly related to US-Soviet rivalry in Europe. Historians now have the opportunity to focus on how all countries responded to the Cold War and influenced its development. Within the historiography of Latin America’s role in the Cold War there have been calls for historians to expand their research beyond examination of dramatic events that have already been extensively studied, such as the Bay of Pigs.³² While there has certainly been an expansion in the number of Cold War participants studied, this has not yet gone far enough, as literature on the role of non-state actors remains limited. In reality the private sector could have a huge impact on the mechanics of foreign relations yet this is not reflected in Cold War historiography.³³

The role of private enterprise has, in contrast, received attention in studies of globalisation and imperial history. Transnational, translocal and global histories have made efforts to look beyond the nation-state as the principal agent, and location, of

the Origins of the Cold War (Oxford, 1990); Anne Deighton, ‘The Cold War in Europe’, in Ngaire Woods (ed.), *Explaining International Relations since 1945* (Oxford, 1996), pp. 81-98.

³¹ Robert J. McMahon, *The Cold War on the Periphery: The United States, India, and Pakistan* (New York, NY, 1994); Matthew Connelly, ‘Taking off the Cold War Lens: Visions of North-South Conflict during the Algerian War for Independence’, *American Historical Review*, Vol. 105, No. 3 (June 2000), pp. 739-769; Piero Gleijeses, *Conflicting Missions: Havana, Washington and Africa, 1959-1976* (Chapel Hill, NC, 2002); Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of our Times* (Cambridge, 2006); Max Guderzo and Bruna Bagnato (eds), *The Globalization of the Cold War: Diplomacy and Local Confrontation, 1975-85* (London, 2010); Miles Larmer, ‘Local Conflicts in a Transnational War: The Katangese Gendarmes and the Shaba Wars of 1977-78’, *Cold War History*, Vol. 13, No. 1, pp. 89-108.

³² Greg Grandin, ‘Off the Beach: The United States, Latin America, and the Cold War’, in Jean-Christophe Agnew and Roy Rosenzweig (eds), *A Companion to Post-1945 America* (Oxford, 2002), p. 426.

³³ For example, state-private networks are not emphasised in the state of the art Melvyn P. Leffler and Odd Arne Westad (eds), *The Cambridge History of the Cold War, Vol. I-III* (Cambridge, 2010).

historical change. Historians have sought to decentre national histories, analyse the historical role played by non-state actors and focus on issues which transcend and transgress the limits of the nation-state. In so doing, these histories emphasise global connections and the movement of people, goods, ideas and capital.³⁴ Multinational oil companies' global perspectives, interests and operations make them a fitting subject of study for historians interested in tracing the development of global interconnectedness. In their day-to-day operations, oil companies created connections and interdependence between distant locales. The political economy of oil has meant that the networks created by multinational oil companies have been of great significance in creating and shaping global interactions. By recognising these factors, this thesis seeks to create a synthesis of global and diplomatic history by emphasising the agency of non-state actors while simultaneously acknowledging the undoubted influence of national governments in world politics.

In recent years, historians have shown renewed interest in US formal and informal imperialism. In his summary of this literature, Paul A. Kramer uses the term 'imperial' to refer to 'a dimension of power in which asymmetries in the scale of political action, regimes of spatial ordering, and modes of exceptionalizing difference enable and produce relations of hierarchy, discipline, dispossession, extraction, and exploitation.'³⁵ This conceptualisation of imperialism is a useful and necessary tool for understanding British and US government intervention in the Venezuelan oil industry. Foreign intervention necessarily produced a hierarchical relationship as British and US officials sought to

³⁴ Emily S. Rosenberg (ed.), *A World Connecting: 1870-1945* (Cambridge, MA, 2012); C. A. Bayly, *The Birth of the Modern World, 1780-1914: Global Connections and Comparisons* (Oxford, 2004); Akira Iriye (ed.), *Global Interdependence: The World after 1945* (Cambridge, MA, 2014); A. G. Hopkins (ed.), *Global History: Interactions between the Universal and the Local* (Basingstoke, 2006); Ulrike Freitag and Achim von Oppen (eds), *Translocality: The Study of Globalising Processes from a Southern Perspective* (Leiden, 2010).

³⁵ Paul A. Kramer, 'Power and Connection: Imperial Histories of the United States in the World', *The American Historical Review*, Vol. 116, No. 5 (December 2011), p. 1349.

exercise power over the Venezuelan government. Such a dynamic was inherently competitive: as British and US policy-makers sought to extend their own influence in Latin America this necessarily limited the influence of the other. An imperial perspective allows us to analyse, what Kramer describes as, ‘the way that power resides in and operates through long-distance connections; the mutual and uneven transformation of societies through these connections; and comparisons between large-scale systems of power and their histories.’³⁶ Such hierarchical relationships have historically existed both as formal and informal modes of imperialism. Indeed, by 1941, the British and US governments had experience of possessing formal colonies along with wielding informal supremacy over various regions.

In line with a more recent trend in the study of imperial history, this thesis seeks to reveal how British government officials engaged with the private sector in order to maintain and expand their international influence. Such analysis builds upon our understanding of British informal imperialism and the hierarchical relationships created by commercial asymmetry between countries.³⁷ Historians have analysed the impact of the private sector on the formation and running of the British Empire and, in particular, analysis of gentlemanly capitalism has emphasised the important imperial role played by financial and business networks.³⁸ Thus, there exists a rich historiography documenting the long heritage of cooperation between the British state and private enterprise as academics have sought to scrutinise this dynamic in an effort to explain the mechanics of imperial power.³⁹ Through such analysis, historians have revealed that cooperation with

³⁶ *Ibid.*, pp. 1350.

³⁷ John Gallagher and Ronald Robinson, ‘The Imperialism of Free Trade’, *The Economic History Review*, New Series, Vol. 6, No. 1 (1953), pp. 1-15.

³⁸ P. J. Cain and A. G. Hopkins, *British Imperialism, 1688-2000* (2nd edn, London, 2001); Raymond E. Dumett (ed.), *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire* (New York, NY, 1999); Shigeru Akita (ed.), *Gentlemanly Capitalism, Imperialism and Global History* (London, 2002).

³⁹ D. K. Fieldhouse, *Unilever Overseas: The Anatomy of a Multinational 1895-1965* (London, 1978); Nick White, *Business, Government, and the End of Empire: Malaya, 1942-1957* (Oxford, 1996); Maria Misra, *Business, Race and Politics in British India c.1860-1960* (Oxford, 1999); Sarah Stockwell, *The Business of*

the private sector was a means through which imperial governments were able to develop and control their overseas interests.

In a related strand of research, business historians have revealed that, throughout the nineteenth and twentieth centuries, the global reach of multinational corporations created rivalry between home countries over access to international markets and raw materials.⁴⁰ In particular, this took the form of a US corporate challenge to the established European empires. Taken together such research has made clear that a substantial part of imperial power rested on the ability of policy-makers to work in cohort with private enterprise. This literature reveals the importance historians must place on such networks when considering the mechanics of foreign relations. This is especially significant when discussing imperial rivalry and the means by which policy-makers attempt to promote their own interests at the expense of their competitors.

Britain's ability to overcome such imperial challenges has been examined by historians of imperialism who have re-evaluated the perceived decline of British prestige. As such, scholars have criticised historiography that charts the 'decline and fall' of British power in the twentieth century and assumes its decline before attempting to explain it. A new research trend is emerging that emphasises the continuity of the British world role and has revealed that, after the Second World War, Whitehall policy-makers still desired, and were capable of, a significant global role.⁴¹ Consequently, historians should not equate British decolonisation with the end of British power. As Whitehall deemed British access to foreign oil to be of vital importance, oil diplomacy provides a sound test of the

Decolonization: British Business Strategies in the Gold Coast (Oxford, 2000); Jones, *Multinationals and Global Capitalism*.

⁴⁰ Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, MA, 1974).

⁴¹ Ashley Jackson, 'Empire and Beyond: The Pursuit of Overseas National Interests in the Late Twentieth Century', *The English Historical Review*, Vol. CXXII, No. 499 (2007), pp. 1350-1366; John Kent, 'Decolonisation and Empire', in S. Dockrill and G. Hughes (eds), *Palgrave Advances in Cold War History* (Basingstoke, 2006), pp. 263-289; David Edgerton, *Warfare State: Britain, 1920-1970* (Cambridge, 2005).

British government's ability to secure its global interests beyond the formal empire. A link exists then, between this strand of imperial historiography and the history of global state-private sector interaction. It is possible to combine them into a cohesive whole by examining how British policy-makers sought to maintain and expand their world role through cooperation with the private sector. Moreover, this coincides with recent historiography that has decentred the Cold War. It follows that historians' analysis of intra-bloc interaction should come to include imperial rivalries between western states. As such, analysis of the Cold War takes on a greater imperial context and vice versa.

Concurrently, historians have sought to acknowledge the agency of Latin American people and governments. Rather than considering Latin Americans as people to whom events simply happen, scholars are making a concerted effort to acknowledge and represent Latin American actions.⁴² Yet as Max Paul Friedman rightly points out 'agency and independence are not the same thing.'⁴³ Throughout the 1940s, Latin American governments, specifically Venezuelan officials, had the desire and ability to shape their relationship with the British and US governments. Nevertheless this relationship was ultimately uneven, asymmetrical, hierarchical and imperial. It is not contradictory to highlight the agency of Latin Americans while simultaneously pointing out the uneven dynamic that existed between Latin American governments and their British and US counterparts. This is particularly relevant to my analysis of the Venezuelan oil industry which focuses on the triangular relationship between British, US and oil company officials. The primary aim of this study is not an analysis of the formation of the Venezuelan government's oil policy but, rather, the international response to Venezuelan

⁴² For an explanation of this approach see: Hal Brands, *Latin America's Cold War* (Cambridge, MA, 2010), pp. 256-258. For an overview of the relevant literature see: Max Paul Friedman, 'Retiring the Puppets, Bringing Latin America Back In: Recent Scholarship on United States-Latin American Relations', *Diplomatic History*, Vol. 27, No. 5 (November 2003), pp. 621-636.

⁴³ Friedman, 'Retiring the Puppets', p. 631.

action. Nevertheless, it is important to recognise that Venezuelan officials played a decisive role in the development and outcome of events.

Historians have extensively analysed US policy in Latin America throughout the twentieth century and have detailed its oscillation between military intervention and diplomatic cooperation.⁴⁴ Yet scant attention has been paid to Britain's relationship with Latin America during the same period and the effect of British intervention on US policy in the region. Rory Miller's *Britain and Latin America in the Nineteenth and Twentieth Centuries* provides a good backdrop to British intervention in the region but can only provide a broad overview.⁴⁵ Similarly, the collection of essays *Britain and Latin America: A Changing Relationship* provides a sound general history of British relations with the region.⁴⁶ Phillip A. Dehne's *On the Far Western Front* examines British policy towards South America during the First World War, with a particular emphasis on Argentina, Brazil, Chile and Uruguay.⁴⁷ Dehne focuses his analysis on the wartime 'battle for the dominance of South America' which was waged between the British and German governments.⁴⁸ Most recently, Thomas C. Mills' *Post-War Planning on the Periphery* has provided an enlightening insight into Anglo-US relations in South America throughout the Second World War.⁴⁹ Mills reveals that, despite their intimate wartime alliance, British and US policymakers held a mutual distrust in matters relating to South America.

⁴⁴ Gordon Connell-Smith, *The United States and Latin America: An Historical Analysis of Inter-American Relations* (London, 1974); Gellman, *Good Neighbor Diplomacy*; Grandin, *The Last Colonial Massacre*; Greg Grandin, *Empire's Workshop: Latin America, the United States, and the Rise of the New Imperialism* (New York, NY, 2007); Green, *The Containment of Latin America*; Fredrick B. Pike, *FDR's Good Neighbor Policy: Sixty Years of Generally Gentle Chaos* (Austin, TX, 1995); Lars Schoultz, *Beneath the United States: A History of U.S. Policy toward Latin America* (Cambridge, MA, 1998); George Gaddis Smith, *The Last Years of the Monroe Doctrine, 1945-1993* (New York, NY, 1994); Wood, *The Making of the Good Neighbor Policy*; Bryce Wood, *The Dismantling of the Good Neighbor Policy* (Austin, TX, 1985).

⁴⁵ Rory Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries* (London, 1993).

⁴⁶ Victor Bulmer-Thomas (ed.), *Britain and Latin America: A Changing Relationship* (Cambridge, 1989).

⁴⁷ Phillip A. Dehne, *On the Far Western Front: Britain's First World War in South America* (Manchester, 2009).

⁴⁸ *Ibid.*, p. 1.

⁴⁹ Thomas C. Mills, *Post-War Planning on the Periphery: Anglo-American Economic Diplomacy in South America, 1939-1945* (Edinburgh, 2012).

Mills' analysis focuses principally on economic matters and he explains that, during the Second World War, British officials sought to both maintain and extend their country's financial interests in South America. Yet, throughout this period, British officials regarded the US government as a consistent hindrance to their ambitions in the region. While Mills does periodically pause to analyse individual case studies in detail, the book serves best as an overview of Anglo-US relations in South America, since the author focuses principally on broad trends rather than in depth examinations of country-specific issues. This does, therefore, provide an opportunity for scholars to test and develop Mills' findings with in-depth analysis of Anglo-US rivalry in specific South American countries and industries. Indeed, Mills specifically identifies the Venezuelan oil industry as one important industry which could be studied.⁵⁰ Moreover, while the period covered by Mills' study ends in 1945, I trace Anglo-US relations in Venezuela up until 1948. These additional years allow me to analyse the extent to which the emerging Cold War affected British and US policy towards Latin America generally and Venezuela specifically. Thus, Mills' detailed overview provides a sound basis upon which this thesis can now build.

In recent years there have been a number of studies relating to the Venezuelan oil industry. However these texts relate to the industry's effect on Venezuela domestically: be it economic, social, or political factors.⁵¹ The edited volume *Business History in Latin America* is a valuable historiographical review and includes a section devoted to Venezuelan industry.⁵² While such research provides invaluable insight into the

⁵⁰ *Ibid.*, p. 26.

⁵¹ Laura Randall, *The Political Economy of Venezuelan Oil* (New York, NY, 1987); Jorge Salazar-Carrillo and Bernadette West, *Oil and Development in Venezuela during the Twentieth Century* (London, 2004); Juan Carlos Boué, *Venezuela: The Political Economy of Oil* (Oxford, 2009); Miguel Tinker Salas, *The Enduring Legacy: Oil, Culture, and Society in Venezuela* (Durham, 2009); Jonathan Di John, *From Windfall to Curse? Oil and Industrialization in Venezuela, 1920 to the Present* (University Park, PA, 2009).

⁵² Carlos Dávila and Rory Miller (eds), *Business History in Latin America: The Experience of Seven Countries* (Liverpool, 1999).

Venezuelan internal situation, this thesis takes this literature into a new direction by exploring how Venezuela's oil abundance was perceived externally by foreign policy-makers and business officials. A more comprehensive overview of Latin American history is provided by the twelve-volume *Cambridge History of Latin America*, which analyses the region's history from the colonial period up to the twentieth century but focuses on domestic, rather than international, issues.⁵³ This does leave room then for a more specific study of the Venezuelan oil industry's international importance.

Historical Prologue to British and US Intervention in Venezuela

For Britain, access to overseas oil was of vital importance as, while the British Isles held large deposits of coal, there was no known internal commercial source of oil. In 1912, this situation led Winston Churchill to argue that 'we must become the owners, or at any rate, the controllers at the source of at least a proportion of the supply of natural oil which we require.'⁵⁴ Consequently, in 1914, the British government bought a 51 per cent controlling interest in the Anglo-Persian (later Anglo-Iranian) Oil Company, which held the exclusive rights to prospect for oil for sixty years in a vast tract of territory that included most of Iran. The deal stipulated that every company director would be a British subject and that a Treasury and an Admiralty representative would also be placed on the company board. Each of these state officials was given power of veto in decisions of British diplomatic or military significance or those affecting the British status of the company.⁵⁵

A major competitor of Anglo-Persian in the international oil industry was the Royal Dutch Shell Group, itself the product of an amalgamation between the British

⁵³ Leslie Bethell (ed.), *The Cambridge History of Latin America, Vol. I-XII* (Cambridge, 1984 -2008).

⁵⁴ House of Commons Debate, Vol. 55, c. 1475, 17 July 1913.

⁵⁵ Payton-Smith, *Oil*, pp. 9-14; Anthony Sampson, *The Seven Sisters: The Great Oil Companies and the World They Made* (London, 1975), pp. 68-74; Marian Jack, 'The Purchase of the British Government's Shares in the British Petroleum Company, 1912-1914', *Past & Present*, No. 39 (April 1968), pp. 139-168.

"Shell" Transport and Trading Company and the Royal Dutch Petroleum Company in 1907. Shares in the new venture were split 40-60 between the British and Dutch arms respectively but, throughout 1918, the British government took part in talks to ensure permanent British financial and managerial control of the company. While these negotiations eventually broke down, Shell maintained its headquarters in London and all of its operations outside Dutch territories were managed through British-registered companies.⁵⁶ Intimate ties with Anglo-Persian and Shell formed a state-private network that allowed the British government to both ensure its supply of oil and maintain a particularly influential position within the international oil industry as a whole. This level of cooperation was mutually beneficial as the oil companies were able to call upon diplomatic assistance from the British government in their overseas operations and, by 1919, British companies controlled fifty per cent of the world's oil reserves.⁵⁷ The Second World War further emphasised British reliance on overseas oil fields as British oil imports grew from 10.5 million tonnes in 1939 to a wartime peak of 20.5 million tonnes in 1944.⁵⁸

Conversely, the USA was the first country in the world to develop a major domestic oil industry. In 1900, the USA produced 63.6 million barrels of oil and by 1939 this had increased dramatically to 1,264 million barrels.⁵⁹ During the first half of the twentieth century the USA was consistently producing over 60 per cent of the world's oil yet this industry became dominated by Standard Oil to such an extent that the US

⁵⁶ Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (London, 1991), pp. 126-127; Payton-Smith, *Oil*, pp. 13-14; Venn, *Oil Diplomacy*, pp. 45-46.

⁵⁷ Stoff, *Oil, War, and American Security*, p. 3.

⁵⁸ Department of Energy & Climate Change, 'Crude Oil and Petroleum: Production, Imports and Exports, 1890 to 2012', 25 July 2013, <https://www.gov.uk/government/statistical-data-sets/crude-oil-and-petroleum-production-imports-and-exports-1890-to-2011> [accessed 14 June 2014].

⁵⁹ US Energy Information Administration, 'U.S. Field Production of Crude Oil', 27 September 2013, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRFPUS1&f=M> [accessed 14 June 2014].

government used anti-trust laws to split the company into various smaller firms in 1911.⁶⁰ By the 1920s, US officials had grown concerned by British dominance of the international oil industry and, consequently, began to exert diplomatic pressure in support of US oil companies operating overseas. However, as US firms began to make inroads into foreign oil fields, and new domestic sources of oil were discovered, US government intervention into the international oil industry declined.⁶¹

Venezuelan oil production began in earnest during the 1920s as a result of competition between large multinational firms.⁶² The country became an important battleground in, what an internal Royal Dutch Shell report named, the ‘fight for new production’.⁶³ At the beginning of the decade, Venezuela produced 1,300 barrels of oil per day but by 1930 this had risen to 370,500 barrels as foreign capital dominated the industry.⁶⁴ Shell initially monopolised oil production in the country and Venezuela quickly became the company’s largest single source of crude oil.⁶⁵ However, over time this dominance waned until, in 1934, the Standard Oil Company of New Jersey (SOCNJ) overtook Shell to become the country’s largest oil producer.⁶⁶ Local legislation prohibited oil companies owned by foreign governments from operating in Venezuela and, thus,

⁶⁰ US Department of Commerce, *Statistical Abstract of the United States, 1950* (Washington, DC, 1950). p. 710; Yergin, *The Prize*, pp. 96-110.

⁶¹ Stoff, *Oil, War, and American Security*, pp. 2-6; Max Thornburg Papers, Thornburg to Charles Rayner, Department of State Petroleum Adviser, 8 January 1944; *American Petroleum Interests in Foreign Countries, Hearings before a Special Committee Investigating Petroleum Resources*, US Senate, 79th Congress, 1st Session, (Washington, DC, 1946), pp. 298-315.

⁶² Jonathan C. Brown, ‘Why Foreign Oil Companies Shifted Their Production from Mexico to Venezuela during the 1920s’, *The American Historical Review*, Vol. 90, No. 2 (April 1985), pp. 362-385; B. S. McBeth, *Juan Vicente Gómez and the Oil Companies in Venezuela, 1908-1935* (Cambridge, 1983), pp. 1-3; Tinker Salas, *The Enduring Legacy*, pp. 45-67; Rabe, *The Road to OPEC*, pp. 33-36.

⁶³ *Report of the Federal Trade Commission on Foreign Ownership in the Petroleum Industry* (Washington, DC, 1923), pp. 12-13. For an overview of interwar competition between multinational oil companies in Latin America see: Jonathan C. Brown and Peter S. Linder, ‘Oil’, in Steven C. Topik and Allen Wells (eds), *The Second Conquest of Latin America: Coffee, Henequen, and Oil During the Export Boom, 1850-1930*, pp. 125-187; Jonathan C. Brown, ‘Jersey Standard and the Politics of Latin American Oil Production, 1911-39’, in John D. Wirth (ed.), *The Oil Business in Latin America: The Early Years*, pp. 1-50; George Philip, ‘Britain and Latin America: Oil and Minerals’, in Bulmer-Thomas (ed.), *Britain and Latin America*, pp. 136-138.

⁶⁴ Franklin Tugwell, *The Politics of Oil in Venezuela* (Stanford, CA, 1975), p. 183.

⁶⁵ Yergin, *The Prize*, p. 236.

⁶⁶ Shell Group Archives, London [SLA], PRO 18, *Analysis of Venezuelan Production, 1914-1956*, pp. 40, 43,44.

Anglo-Persian was barred access to the country's oil fields.⁶⁷ In 1921, US embassy officials suggested to various other Latin America governments that they introduce similar legislation.⁶⁸ Despite these restrictions, by 1932, Venezuela had become Britain's largest single supplier, followed by Iran and the USA.⁶⁹ By 1939, Venezuela was long established as the world's leading exporter of crude oil with the third largest known oil reserves in the world, after those of the USA and Iran. By 1941, Venezuela was the third largest producer of crude petroleum in the world, producing almost the same amount as the Soviet Union, which ranked second to the USA.⁷⁰ In the same year, oil accounted for ninety per cent of Venezuela's exports and fifty per cent of the country's revenue.⁷¹

Between 1941 and 1948, the principal oil companies operating in Venezuela were subsidiaries of SOCNJ, Shell and Gulf Oil.⁷² During this period, SOCNJ was the country's largest oil producer, with output amounting to roughly fifty per cent of the country's total. On average, Shell was responsible for around thirty per cent of Venezuelan oil production while Gulf's production made up just under twenty per cent of the industry total.⁷³ SOCNJ, Shell and Gulf were among the world's foremost multinational oil companies with vertically integrated international operations that

⁶⁷ James Bamberg, *The History of the British Petroleum Company, Vol. 2: The Anglo-Iranian Years, 1938-1954* (Cambridge, 1994), pp. 144-146.

⁶⁸ Mira Wilkins, 'An Alternative Approach', in Topik and Wells (eds), *The Second Conquest of Latin America*, pp. 203-204; Mira Wilkins, 'Multinational Oil Companies in South America in the 1920s: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, and Peru', *The Business History Review*, Vol. 48, No. 3, Multinational Enterprise (Autumn 1974), p. 439, n. 109.

⁶⁹ Yergin, *The Prize*, p. 236; McBeth, *British Oil Policy*, pp. 86-120.

⁷⁰ United States National Archives and Records Administration, College Park, MA [hereafter NARA], Record Group [hereafter RG] 165 Records of the War Department General and Special Staffs, Military Intelligence Division, Box 3262, File: Venezuela Hist, 1918-1941 Petroleum, 'Venezuela Economic Forces' prepared by NA, Caracas, July 1941.

⁷¹ NARA, RG 165 Records of the War Department General and Special Staffs, Military Intelligence Division, Box 3255, File: Venezuela Political Estimates, 'Venezuela Political Situation', 8 November 1941.

⁷² SOCNJ's subsidiaries in Venezuela were the Lago Petroleum Corporation and the Standard Oil Company of Venezuela. Shell's subsidiaries were the Caribbean Petroleum Company, Venezuelan Oil Concessions and Colon Development Company. Gulf's subsidiary was the Mene Grande Oil Company. More than nine-tenths of the crude petroleum produced in 1940 was the product of four subsidiaries: the Lago Petroleum Corporation, Venezuelan Oil Concessions, Mene Grande Oil Company and the Standard Oil Company of Venezuela. Hereafter, this thesis uses the names of the parent oil companies when detailing events in Venezuela, rather than their individual local subsidiaries.

⁷³ SLA, PRO 18, *Analysis of Venezuelan Production, 1914-1956*, pp. 40, 43,44

covered exploration, production, transport, refining and marketing.⁷⁴ Indeed, the vast majority of crude oil produced in Venezuela was shipped to the nearby islands of Curaçao and Aruba to be processed in refineries owned by the oil companies.⁷⁵ The multinational oil companies' decision to construct refineries outside of Venezuela was a planned strategy to prevent nationalisation of the country's oil industry as if the government confiscated production facilities it would not then have refineries with which to process crude oil. However, if refining were moved to Venezuela, the government would be in a position to confiscate both production and refining facilities.⁷⁶

British and US interests in Latin America were not confined to the Venezuelan oil industry as the two countries had developed significant political and economic ties to the region as a whole. On 2 December 1823, US President James Monroe declared that 'the American continents, by the free and independent condition which they have assumed and maintain, are henceforth not to be considered as subjects for future colonization by any European powers.' The Monroe Doctrine, as it became known, stated that any effort by European governments to 'extend their system to any portion of this hemisphere' would be regarded as 'the manifestation of an unfriendly disposition toward the United States'.⁷⁷ Yet in the nineteenth century the US government referred to, and applied, the principles of the Doctrine inconsistently and intermittently.⁷⁸ Jay Sexton argues that, while Monroe's statement reflected 'the imperial ambitions of the expansionist United

⁷⁴ Enrico Mattei, head of the Italian state oil company Eni, would later include these companies among the 'Seven Sisters' that dominated the international oil industry.

⁷⁵ NARA, RG 59 General Records of the Department of State [hereafter cited by decimal file number alone], DS 831.6363/1252, 'General Report on the Oil Situation in Venezuela, Aruba, and Curacao' Ruth Knowles, Office of Petroleum Coordinator, to Ickes, 11 September 1941.

⁷⁶ NA, FO 371/34258/A877, Viscount Halifax, Ambassador to the USA, to FO, 14 January 1943.

⁷⁷ James Monroe, Seventh Annual Message, 2 December 1823, via Gerhard Peters and John T. Woolley, *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=29465> [accessed 27 March 2014].

⁷⁸ For varying state-of-the-art perspectives on the nature of the Monroe Doctrine see the views of Max M. Edling, Daniel Walker Howe, Peter Onuf, Anders Stephanson and Jay Sexton in *H-Diplo Roundtable Review*, Vol. XIV, No. 10, 3 December 2012, pp. 1-52, <http://www.h-net.org/~diplo/roundtables/PDF/Roundtable-XIV-10.pdf> [accessed 25 March 2014].

States’, US officials ‘would disagree with one another over its meaning, purpose, and application’.⁷⁹

Concurrently, the British government saw the newly independent countries of South America as important outlets for British investment and goods. Indeed, from the 1820s until the end of the century it was British, rather than US, business interests that dominated South America.⁸⁰ However, the dawn of the twentieth century saw the US government make a more concerted effort to encourage trade with Latin America as Washington officials increasingly perceived the region as a US sphere of influence.⁸¹ Theodore Roosevelt’s 1904 ‘corollary’ to the Monroe Doctrine reflected this effort to establish hemispheric supremacy with the President declaring that ‘wrong doing or impotence’ on the part of Latin American governments could ‘force’ the US government to act as an ‘international police power’ in the region.⁸² This statement of imperial intent was followed by military interventions in Cuba, the Dominican Republic, Haiti, Mexico and Nicaragua between 1906 and 1927 as the US government sought to protect its political and economic interests in Latin America.⁸³ US officials deemed these interventions to be a necessary component of a paternalistic civilising mission that would bring modern capitalist development to the supposedly primitive societies of Latin America.⁸⁴

⁷⁹ Jay Sexton, *The Monroe Doctrine: Empire and Nation in Nineteenth-Century America* (New York, NY, 2011), pp. 3-4.

⁸⁰ Mills, *Post-War Planning on the Periphery*, pp. 33-37.

⁸¹ *Ibid.*, pp. 37-41; Serge Ricard, ‘The Roosevelt Corollary’, *Presidential Studies Quarterly*, Vol. 36, No. 1 (March 2006), pp. 18-20; Schoultz, *Beneath the United States*, pp. 85-90.

⁸² Theodore Roosevelt, Fourth Annual Message, 6 December 1904 via Gerhard Peters and John T. Woolley, *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=29545> [accessed 27 March 2014]; Sexton, *The Monroe Doctrine*, p. 200.

⁸³ Alan McPherson, *The Invaded: How Latin Americans and Their Allies Fought and Ended U.S. Occupations* (Oxford, 2014); Lester D. Langley, *The Banana Wars: United States Intervention in the Caribbean, 1898-1934* (Wilmington, DE, 2002).

⁸⁴ Ricard, ‘The Roosevelt Corollary’, pp. 18-20; Thomas F. O’Brien, *Making the Americas: The United States and Latin America from the Age of Revolution to the Era of Globalization* (Albuquerque, NM, 2007), pp. 75-96;

This programme of Americanisation was supported by US business interest which grew rapidly throughout the region, promoting free-market capitalism, industrial production and consumerism.⁸⁵ Subsequently, the Anglo-US economic rivalry in Latin America intensified as US capital became the predominant economic force throughout most of the region.⁸⁶ As Thomas C. Mills argues, the First World War in particular marked ‘an important turning point in the rise of US commercial power in South America, and the corresponding decline of British influence.’⁸⁷ While P. J. Cain and A. G. Hopkins characterise Anglo-US interwar rivalry in South America as a ‘fierce ... power struggle’, it was US business interests that ultimately prevailed as, by 1938, South America received 27 per cent of its imports from the USA and 14 per cent from Britain.⁸⁸ Nevertheless, the continent remained a significant trading partner for Britain, accounting for around 7 per cent of British exports and 9 per cent of British imports in 1937.⁸⁹

Sources

This thesis is based primarily on archival research and in order to gauge the perceptions of British policy-makers towards their role in world affairs it makes use of a wide range of material from the National Archives in Kew (NA). Of particular significance to this research are the General Political Files of the Foreign Office (FO 371) which provide an insight into the opinions of various Foreign Office (FO) officials throughout the 1940s. This series contains files focused specifically on developments in Venezuela which include memoranda, reports and comments written by Whitehall officials assigned to the FO’s South American Department and diplomats stationed in Caracas. This thesis makes use of FO files to analyse the formation of British policy towards Venezuela and assess

⁸⁵ O’Brien, *Making the Americas*, pp. 91-96;

⁸⁶ Mills, *Post-War Planning on the Periphery*, pp. 37-44.

⁸⁷ *Ibid.*, p. 44.

⁸⁸ *Ibid.*, p. 53; Cain and Hopkins, *British Imperialism*, p. 524

⁸⁹ Cain and Hopkins, *British Imperialism*, p. 522.

the level of import FO officials placed on Venezuelan oil. Documents found in FO 371 also contain correspondence between FO and Shell as both parties regularly shared their opinion of events in Venezuela. By analysing such exchanges, this thesis reveals how the various levels of interaction between the state and private sector affected international relations. Moreover, Treasury (T) and Board of Trade (BT) files detail the economic and business benefits Britain gained from the Venezuelan oil industry, thereby providing a different perspective to FO 371.

The archival series 'POWE 33' deals exclusively with the topic of energy and includes the papers of the British government's Petroleum Department (PD). Between 1929 and 1940, the PD operated within the Mines Department but was then made an independent body with its own Secretary for Petroleum. In June 1942, the PD was renamed the Petroleum Division and was absorbed into the newly-created Ministry of Fuel and Power (MFP). Throughout this time, the PD was dedicated to matters relating to oil policy, which makes its documents particularly pertinent to this thesis. The files not only provide an insight into British attitudes towards Venezuela but also towards the international oil industry more generally. Shell officials were also in regular contact with the PD and this correspondence provides further insight into the company's relationship with the British government. Papers of the Cabinet (CAB) and Prime Minister's Office (PREM) reveal the extent to which the opinions of these various departmental groups influenced the top levels of British policy-making. In order to gauge the strategic importance of Venezuelan oil for the British war effort, this thesis also makes use of documents from the War Office (WO) and Admiralty (ADM).

Taken together these state papers detail the diversity of opinion that existed within the various levels of British policy-making and allow for an assessment of how far there existed a consensus of opinion within Whitehall. Due to Whitehall's close working

relationship with Shell, NA files also contain some of the company's internal memoranda and correspondence. These provide an insight into the views of Shell officials and their relationship with the British, US and Venezuelan governments. By following the development of British policy throughout the years 1941 to 1948, this thesis reveals how British policy-makers sought to respond to a changing geopolitical climate. NA files are of use in examining the extent to which the British government's desire to gain influence in Venezuela was part of a larger foreign policy aim of expanding its global power. Moreover, as this thesis covers the early Cold War period, it uses these documents to analyse the extent to which the rise of the USA and USSR caused British officials to reassess their own world role.

In regards to US policy towards Venezuela, this thesis makes use of relevant government documents, in particular the General Records of the Department of State (RG 59) held at the National Archives in College Park, Maryland. Due to the State Department's central role in US diplomacy, these documents provide an insight into the evolution of US policy towards Venezuela within the context of broader US foreign policy. Moreover, this thesis uses these documents to analyse the importance of Venezuela within State Department efforts to formulate a cohesive foreign oil policy. As oil was central to US national security during the Second World War and Cold War, it also makes use of the records of the Joint Chiefs of Staff and other military bodies to analyse their role in policy-making.

Furthermore, this thesis incorporates documents from the Franklin D. Roosevelt Presidential Library in Hyde Park, New York, and the Harry S. Truman Presidential Library in Independence, Missouri, which contain the papers of various government bodies and senior figures within the Roosevelt and Truman administrations. In particular, the Truman Library contains Central Intelligence Agency (CIA) documents which outline

the Agency's perceptions of Latin America, the oil industry, and Venezuela with a specific emphasis on the threat posed by communism and the Soviet Union. CIA opinion could be highly influential in government policy-making and an analysis of these documents helps to elucidate the development of US Cold War foreign policy. The Library of Congress in Washington, DC also contains the papers of Cordell Hull and Harold L. Ickes who helped to formulate US policy towards Latin America and the oil industry respectively. These various documents have allowed this thesis to analyse the formation of policy at the highest levels of the US government and trace the evolution of its policy towards Venezuela from the Second World War to the Cold War.

In addition, this thesis utilises the papers of George S. Messersmith, which are held at the University of Delaware Library in Newark, Delaware. Messersmith was a State Department expert on Latin America and acted as US Ambassador to Cuba, Mexico and Argentina during the 1940s. His correspondence with other US officials gives an insight into the formation of US foreign policy towards Latin America. This study also makes use of Max Weston Thornburg's private papers, which provide a unique perspective on US foreign oil policy during the 1940s.⁹⁰ Between 1941 and 1943, Thornburg acted as the State Department's Petroleum Adviser and was instrumental in developing the US government's foreign oil policy during that time. This collection includes documents that cannot be found in the official National Archives but which trace the construction of US policy towards the international oil industry. For an appreciation of broader developments within US foreign policy, this thesis also uses material from the edited collection of US government documents contained in the *Foreign Relations of the United States* series.

⁹⁰ I am indebted to Linda Qaimmaqami and the Thornburg family for providing me with access to Max Thornburg's papers.

This extensive use of both British and US documents allows this thesis to compare the policies of both governments towards the Venezuelan oil industry throughout the 1940s. Such an approach allows for a detailed analysis of Anglo-US relations during this period and an examination of extent to which rivalry over Venezuelan oil created tensions between British and US officials. In addition, this study utilises Dutch government documents found in the edited collection *Documenten betreffende de Buitenlandse Politiek van Nederland, 1919-1945 (Documents Relating to the Foreign Policy of the Netherlands, 1919-1945)*. Due to Shell's close relationship with the Dutch government, some of these documents outline the views of Shell officials in relation to Venezuela. The Dutch perspective is also relevant to this thesis as, throughout the 1940s, the islands of the Dutch West Indies were home to oil refineries that processed Venezuelan crude oil. For a broad international perspective of developments in Latin America, this thesis uses relevant archival material available at the United Nations Archive in New York City, New York.

Documents which provide an insight into the views of oil company officials are of particular relevance to this research due to its focus on the role of state-private networks within international relations. Thus, this thesis uses documents from the Rockefeller Archive Center in Sleepy Hollow, New York which, due to the Rockefeller family's ties to SOCNJ, contain company reports and correspondence. It also incorporates material from internal Shell documents found at the company's archive in London. These oil company documents help to elucidate the attitudes, actions and influence of oil company officials while, empirically they detail the level of oil production in Venezuela. These sources also provide an insight into the relationship between national governments and oil companies and the level of cooperation that existed between them. As such, they allow this thesis to analyse state-private sector interactions and the effect of such relationships

on the mechanics of foreign policy and foreign relations. Furthermore, British and US newspapers as well as the *Economist* magazine of the time also contain reports of oil company board meetings. These reports are useful in that they contain additional financial records and information concerning levels of Venezuelan oil production along with statements from high-level oil executives.

Outline of Chapters

The thesis follows a chronological structure in order to gain a clear understanding of the changing perceptions of British and US policy-makers. The first chapter analyses British and US attitudes towards Venezuela at the beginning of the 1940s and outlines the importance of the country's oil industry to British and US interests. British and US officials' policies towards Venezuela formed part of a broader aim of expanding their influence in Latin America as a whole. From a US perspective, Latin America was vitally important as a source of raw materials and outlet for US capital investment. Moreover, as war raged in Europe, US officials sought to encourage pan-American unity as a central component of hemispheric defence. As British officials attempted to develop their own interests in the region they often felt that US officials were deliberately thwarting these efforts.

For British and US officials, the Second World War underlined the importance of securing access to overseas sources of oil. In order to secure this vital interest, US officials began to formulate a coherent foreign oil policy that took inspiration from the British government's role within the international oil industry. As the first chapter reveals, British and US policy-makers placed great emphasis on Venezuela as a wartime, and post-war, source of oil. Yet competition for control of overseas oil had the potential to create conflict within Anglo-US relations. Indeed, British and US efforts to expand their

interests in the international oil industry and Latin America set the scene for conflict in Venezuela.

The second chapter examines the series of negotiations that took place between 1941 and 1943 concerning the Venezuelan Hydrocarbons Law. British government officials sought to protect the established legal position of the oil companies in Venezuela in order to ensure continued access to Venezuelan oil. They therefore encouraged the oil companies to form a united hard-line position in response to the Venezuelan government's attempts to increase taxation of the country's oil industry. However, US officials were fearful of a potential drawn-out conflict developing between the oil companies and Venezuelan government. Thus, the US government pressured oil company officials to quickly agree terms with the Venezuelan authorities. Ultimately, British and US officials needed the support of oil company officials to carry out their policies. Thus, this chapter emphasises the central and decisive role played by oil companies in British and US diplomacy.

The third chapter analyses the British and US reaction to Venezuelan attempts to establish oil refining capabilities on the mainland during 1944. British and US officials argued that Venezuelan efforts to limit the amount of oil refined in the Dutch West Indies violated the free-trade principles outlined in the Atlantic Charter. British and US officials were concerned that Venezuelan policy would both undermine their efforts to organise post-war international trade and put their access to Venezuelan oil at risk. Thus, both local and international concerns led British and US officials to denounce Venezuelan policy. However, this chapter demonstrates that such diplomatic intervention had the potential to undermine, as well as aid, the oil companies' position in Venezuela.

The fourth chapter focuses on Venezuelan displeasure at Allied plans to increase oil refining in the Dutch West Indies during 1944 and subsequent efforts by British and

US officials to pacify the Venezuelan government. This chapter argues that while British and US officials sought to formulate a post-war system governing the international oil industry, the Venezuelan government was able to use its local authority to powerful effect. As such, it examines the various levels at which national governments could successfully exercise power in the international oil industry.

Finally, the fifth chapter evaluates British and US attitudes towards the 1945 Venezuelan revolution and 1948 *coup d'état*. While this period was characterised by dramatic upheaval in Venezuelan domestic politics, British and US policy-makers continued to focus their attention on the country's oil industry. As a Cold War framework began to develop in international relations, British and US officials became increasingly concerned by the threat posed by communist sabotage of Venezuelan oil production. As such, this chapter argues that throughout this period, while the broad international context changed, British and US policy towards Venezuela was still principally governed by the political economy of oil.

Chapter One

The Formation of British and US Policy towards Venezuelan Oil, 1938-1942

Between 1938 and 1942, the Venezuelan oil industry took on great significance for British and US officials seeking to secure their supplies of foreign oil. These officials did not formulate their policy towards the Venezuelan oil industry in isolation but instead imbued it with their broad geopolitical concerns. Thus, in order to understand British and US intervention in Venezuela during this period, it is necessary to analyse the two government's wider foreign policy aims. In particular, British and US officials' attitudes towards Venezuela were influenced by their perception of Latin America, the world system of trade and the international oil industry while the Second World War intensified their national security concerns. Moreover, these factors continued to influence British and US policy in Venezuela throughout the 1940s. What follows is an analysis of these various strands of British and US foreign policy and the implications for the two governments' policies towards the Venezuelan oil industry.

Between 1938 and 1942, the US government sought to consolidate and expand its hegemonic role in Latin America by leading pan-American economic and political cooperation. Its so-called 'Good Neighbor' policy was designed to create a harmonious relationship with Latin American governments while US officials began to internationalise the New Deal through increased economic intervention throughout the Western Hemisphere. In response to the Great Depression, Washington sought to increase US exports to Latin America through pan-American trade agreements. Indeed, Latin America became a test case for the free trade programme that the US government sought to universalise through international agreements such as the Atlantic Charter. The threat of Axis infiltration in the Western Hemisphere later led US policy-makers to place

increased importance on pan-American solidarity and Latin America's economic stability. As a result, they further extended their hemispheric New Deal to support the economic development of Latin America. US officials also perceived the region as an obvious pool from which the USA could draw its substantial oil needs as fears of diminishing domestic oil reserves led them to begin formulation of a coherent foreign oil policy. Taking inspiration from the British government's role within the international oil industry, US oil policy became based upon increased collaboration with multinational oil corporations. All of these foreign policy strands affected US perceptions of the Venezuelan oil industry throughout the 1940s.

While British officials urgently sought US support for their war against Germany, they were suspicious of the Roosevelt administration's foreign policy and plans for post-war reconstruction. They felt that US policy in Latin America was antagonistic to their own interests in the region and were made anxious by Washington's efforts to open up the British Empire to external trade. Thus, while the Atlantic Charter appeared to advocate international free trade, there was an inconsistency in British and US attitudes towards a universal open door policy. Furthermore, US intervention in the international oil industry had the potential to undermine the British government's wartime reliance on Venezuelan oil. Thus, by 1942, there were a number of unresolved issues that had the potential to cause conflict between the British and US governments in matters relating to the Venezuelan oil industry.

The Origins of US Interest in Venezuelan Oil

US intervention in the Venezuelan oil industry had its origins in Washington's broader policy towards Latin America and, in particular, the formation of its hemispheric New Deal. The crisis of the Great Depression and landslide electoral victory of Franklin D.

Roosevelt in 1932 granted the US government a statist mandate to increase federal intervention in US business and society. The Roosevelt administration's New Deal programme was legitimised by popular demand for economic stability and social justice as First World War interventionist programmes were resurrected and put to use.¹ The government's statism included a desire for increased federal intervention in the national oil industry. Domestic oil policy came under the purview of Secretary of the Interior Harold L. Ickes who subsequently sought to regulate and stabilise domestic oil production with the help of the newly created Petroleum Administrative Board and the Planning and Coordination Committee. Along with government officials, the latter also included representatives from the oil industry.² However, Ickes' statement that the oil industry should be declared a public utility under centralised federal control alienated many oil executives who were concerned by excessive government intervention in their industry.³ Moreover, the conflicting views of large, small, domestic and multinational oil companies made it difficult for the US government to forge an effective alliance between the state, private sector and general public.⁴ Indeed, between 1933 and 1941, the US oil industry and state governments blocked any meaningful federal role in the domestic oil industry.⁵

Concurrently, the potential for the outbreak of war in Europe underlined the importance of oil as a vital war material. In 1934, Japanese policies to increase state control of the oil industry and stockpile oil reserves alarmed both British and US officials who were concerned that the oil would be used for military expansion. Moreover, Japan's

¹ David M. Kennedy, *Freedom From Fear: The American People in Depression and War, 1929-1945* (Oxford, 1999), pp. 242-248; James T. Sparrow, *Warfare State: World War II Americans and the Age of Big Government* (Oxford, 2011), pp. 25-26; Alan Brinkley, *Liberalism and Its Discontents* (Cambridge, MA, 1998), p. 27.

² Stoff, *Oil, War, and American Security*, pp. 10-16; Roger M. Olien and Diana Davids Olien, *Oil and Ideology: The Cultural Creation of the American Petroleum Industry* (Chapel Hill, NC, 2000), p. 197.

³ Gerald D. Nash, *United States Oil Policy, 1890-1964: Business and Government in Twentieth Century America* (Pittsburgh, PA, 1968), p. 148.

⁴ Olien and Davids Olien, *Oil and Ideology*, pp. 207-208.

⁵ Peter H. Irons, *The New Deal Lawyers* (Princeton, NJ, 1982), pp. 58-74; Nash, *United States Oil Policy*, pp. 128-156; David F. Prindle, *Petroleum Politics and the Texas Railroad Commission* (Austin, TX, 1981), pp. 36-39.

increased intervention in the oil industry threatened the free trade principles that the Roosevelt administration sought to promote throughout the 1930s.⁶ Indeed, the importance of securing access to oil must be understood within broader issues relating to international trade. In turn, developments in US trade policy need to be placed within the specific context of the international economic and political climate of the 1930s.

With the Great Depression on-going, US officials saw the need to create export markets for US goods in order to stimulate domestic industry and increase employment. However, the Depression had led national governments to enact trade restrictions and form trading blocs in order to protect their domestic industries from outside competition. Such restrictive controls hindered international trade and prejudiced US exports in foreign markets.⁷ State Department officials in particular favoured tariff reduction with Secretary of State Cordell Hull being an especially vehement advocate of free trade.⁸ For Hull, the importance of free trade was not limited to economics as he contended that trade fostered broader international cooperation while protectionism increased competition and, consequently, the likelihood of war.⁹ He argued in favour of multilateral reduction in tariffs and trade barriers, working on the basis that 'unhampered trade dovetailed with peace; high tariffs, trade barriers, and unfair economic competition, with war.'¹⁰ Although Roosevelt was in favour of reduced tariffs, he did not view the matter with such fervour as his Secretary of State. For the President, free trade was an extension of the New Deal: a means of increasing export markets for US agriculture and industry.¹¹

⁶ Randall, *United States Foreign Oil Policy*, pp. 88-91.

⁷ Barry Eichengreen and Douglas A. Irwin, 'Trade Blocs, Currency Blocs, and the Reorientation of World Trade in the 1930s', *Journal of International Economics*, Vol. 38, No. 1 (February 1995), pp. 1-24; Jakob B. Madsen, 'Trade Barriers and the Collapse of World Trade during the Great Depression', *Southern Economic Journal*, Vol. 67, No. 4 (April 2001), pp. 848-868.

⁸ Thomas W. Zeiler, *Free Trade, Free World: The Advent of GATT* (Chapel Hill, NC, 1999), p. 9.

⁹ Michael Anthony Butler, *Cautious Visionary: Cordell Hull and Trade Reform, 1933-1937* (Kent, OH, 1998), pp. 7-9.

¹⁰ Cordell Hull, *The Memoirs of Cordell Hull, Vol. I* (London, 1948), p. 81.

¹¹ Zeiler, *Free Trade, Free World*, p. 9.

In particular, the Roosevelt administration sought to expand trade with Latin America as a means of creating export markets for US goods. Roosevelt's characterisation of the US government as a 'good neighbor' in his 1933 inaugural address subsequently became synonymous with Washington's policy toward Latin America. However, as originally intended, Roosevelt's aspirations were not limited to the Western Hemisphere as the President sought to break free of isolationism. Indeed, in his address, Roosevelt explicitly referred to US 'world policy', rather than Latin American policy, when he stated that:

In the field of world policy I would dedicate this Nation to the policy of the good neighbor - the neighbor who resolutely respects himself and, because he does so, respects the rights of others - the neighbor who respects his obligations and respects the sanctity of his agreements in and with a world of neighbors.¹²

Nevertheless, what became known as the Good Neighbor policy led the US government to publicly abandon the military intervention that had previously characterised its policy in Latin America.¹³ In its place, the Roosevelt administration sought to promote pan-American cooperation and increase economic ties between the USA and its southern neighbours.¹⁴

As part of this strategy, the government established the Foreign Bondholders Protective Council in 1933 and the Export-Import Bank in 1934 which were designed to protect US investments in, and stimulate trade with, Latin America.¹⁵ Concurrently, US officials promoted free trade principles and policies at pan-American conferences in

¹² Franklin D. Roosevelt, Inaugural Address, 4 March 1933, in Samuel Irving Rosenman (ed.), *The Public Papers and Addresses of Franklin D. Roosevelt, Vol. II: The Year of Crisis, 1933* (New York, NY, 1938), p. 14.

¹³ Wood, *The Making of the Good Neighbor Policy*, pp. 3-10; Gellman, *Good Neighbor Diplomacy*, pp. 10-28.

¹⁴ Charles C. Griffin (ed.), 'Welles to Roosevelt: A Memorandum on Inter-American Relations, 1933', *Hispanic American Historical Review*, Vol. 34, No. 2 (May 1954), pp. 190-192; Green, *The Containment of Latin America*, pp. 18-20.

¹⁵ Hawthorne Arey, *History of Operations and Policies of Export-Import Bank of Washington* (Washington, DC, 1953), p. 4; Dick Stewart, *Trade and Hemisphere: The Good Neighbor Policy and Reciprocal Trade* (Columbia, MO, 1975), pp. 269-270; Eric Roorda, *The Dictator Next Door: The Good Neighbor Policy and the Trujillo Regime in the Dominican Republic, 1930-1945* (Durham, NC, 2004), pp. 73-76.

Montevideo in 1933 and Buenos Aires in 1936.¹⁶ Furthermore, in 1934, the Reciprocal Trade Agreement Act (RTAA) was passed by Congress, which allowed the executive branch to negotiate with other governments for mutual tariff reductions and most-favoured-nation status.¹⁷ These measures constituted an internationalisation of the New Deal as the Roosevelt administration extended its interventionism beyond the domestic economy to that of Latin America.

The principal aim of the RTAA was to increase US exports to Latin America, which had fallen from \$5.240 billion in 1929 to \$1.675 billion in 1933.¹⁸ Furthermore, US exports were facing increasing competition from German goods. From 1934, the Nazi government's 'New Plan' (*Neuer Plan*) redirected German trade toward South America via a system of bilateral barter agreements.¹⁹ By the end of the 1930s, the German share of Latin American exports had increased by twenty-five per cent over its 1929 level, sparking strong complaints from British and US businesses and politicians. Moreover, during the same period, Germany's share of Latin American imports rose by sixty per cent. Conversely, the USA and Britain failed to reach their 1929 share of Latin America's external trade. By 1938, Germany had become the second most significant trading partner with Mexico, Central America, Ecuador, Venezuela, Colombia, Paraguay and Uruguay. In each case, Germany was behind the USA but ahead of third-ranked Britain.²⁰

¹⁶ Gellman, *Good Neighbor Diplomacy*, pp. 22-28, 66-67.

¹⁷ Varying interpretations of RTAA's significance are outlined in: Michael J. Hiscox, 'The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalization', *International Organization*, Vol. 53, No. 4 (Autumn, 1999), pp. 669-698; Karen E. Schnietz, 'The Institutional Foundation of U.S. Trade Policy: Revisiting Explanations for the 1934 Reciprocal Trade Agreements Act', *Journal of Policy History*, Vol.12, No. 4 (October 2000), pp. 417-444.

¹⁸ Randall Bennett Woods, *A Changing of the Guard: Anglo-American Relations, 1941-1946* (Chapel Hill, NC, 1990), p. 219.

¹⁹ Hans-Joachim Braun, *The German Economy in the Twentieth Century: The German Reich and the Federal Republic* (London, 1990), p. 69; Christian Leitz, *Nazi Foreign Policy, 1933-1941: The Road to Global War* (London, 2004), p. 118.

²⁰ Michael Seligmann, 'Fugger, Gildemeister, Schacht und Krupp: Über den Anteil der deutschen Wirtschaft an der Eroberung und Ausbeutung Lateinamerikas, 1492-1992', in Dietmar Dirmoser *et al.* (eds), *Conquista, Kapital und Chaos; Lateinamerika – Analysen und Berichte 15* (Annual 1992), p. 44, cited in Christian Leitz, 'Nazi Germany and the Luso-Hispanic World', *Contemporary European History*, Vol. 12, No. 2 (May 2003), p. 191.

Nevertheless, despite its limited success, the RTAA programme formed a basis from which the US government could build its free trade ambitions and forge stronger cooperative ties with Latin America, complementing the general principles of the Good Neighbor policy.

US officials viewed increased competition from German trade within the context of the wider threat posed by Nazi Germany to their government's preponderant role in Latin America. Throughout 1938 and up to the outbreak of war in Europe, Roosevelt believed that the Axis powers were determined to dominate Europe and Asia, which would subsequently exclude the USA from world trade and undermine its position in Latin America.²¹ Latin America's significance within US policy was increasingly based not only on growing trade and diplomatic cooperation but on hemispheric defence against potential Axis aggression.²² On 14 April 1939, Roosevelt pledged 'that my country will also give economic support, so that no American Nation need surrender any fraction of its sovereign freedom to maintain its economic welfare.'²³ Washington hoped that economic assistance to Latin America would stabilise the region and prevent governments drawing financial support from the Axis powers.²⁴

²¹ C. A. MacDonald, *The United States, Britain and Appeasement, 1936-1939* (London, 1981), pp. 179-180.

²² Franklin D. Roosevelt Presidential Library, Hyde Park, NY [hereafter FDRL], Sumner Welles Papers, Latin American Files, 1919-1943, Box 182, File: Venezuela, 1940-41, memorandum of conversation with Venezuelan Ambassador Diógenes Escalante by Under Secretary of State Sumner Welles, 22 April 1940; FDRL, Adolf A. Berle Diary, Adolf A. Berle, Assistant Secretary of State for Latin American Affairs, to Secretary of State Cordell Hull, 23 March 1940; University of Delaware Library, Newark, DE [hereafter UDL], MSS 109, George S. Messersmith Papers, George S. Messersmith, Ambassador to Cuba, to Welles, 2 July 1940; FDRL, Harry L. Hopkins Papers, Sherwood Collection, Box 311, Book 5: Latin American Affairs, memorandum 'Hemisphere Defense', 11 June 1940; FDRL, Adolf A. Berle Papers, State Department Subject File, Box 60, File: Latin American Republics General, 'Pan American Day Address' by Roosevelt, 14 April 1939; Mark Skinner Watson, *Chief of Staff: Prewar Plans and Preparations* (Washington, DC, 1950), p. 85-102; Max Paul Friedman, *Nazis and Good Neighbors: The United States Campaign Against the Germans of Latin America in World War II* (Cambridge, 2003), pp. 47-74; Gellman, *Good Neighbor Diplomacy*, pp. 105-116.

²³ Franklin D. Roosevelt, Address to the Governing Board of the Pan American Union, 14 April 1939, in Samuel Irving Rosenman (ed.), *The Public Papers and Addresses of Franklin D. Roosevelt, 1939 Vol.: War - and Neutrality* (New York, NY, 1941), p. 198.

²⁴ Green, *The Containment of Latin America*, pp. 46-49.

The eruption of war in Europe led the US government to place further emphasis on pan-American multilateralism and it sought to foster economic cooperation at the first Consultative Meeting of American Foreign Ministers held in Panama in September 1939. Attended by Under Secretary of State Sumner Welles, the meeting led to the creation of the Inter-American Financial and Economic Advisory Committee consisting of twenty-one experts in economic problems, one for each of the American republics, which was installed in Washington. The final act of the meeting stated that the Committee would work on the basis that liberal trade principles formed ‘the goal of their [Latin American governments’] long-term commercial policies in order that the world shall not lack a basis of world-wide international trade in which all may participate after world order and peace may be restored.’ This would include the removal of any ‘obstacles which render difficult the interchange of products’ throughout the Americas, including reduction in custom duties.²⁵ Welles described the committee to Hull in vague and broad terms as a ‘permanent body which will turn its attention to any and all questions of inter-American relationships in these fields in which it may appear that useful result is to be expected.’²⁶ The Second World War placed increased significance on this effort as Washington officials saw free trade as a means of creating greater hemispheric economic stability and solidarity.

As Randall Bennett Woods has argued, following the outbreak of war, US officials perceived multilateralism as ‘the economic phase of internationalism’. Multilateralism became seen by US policy-makers as ‘the only ideological alternative to communism on the one hand and fascism on the other. It was a uniquely American

²⁵ ‘Consultative Meeting of Foreign Ministers of the American Republics’, *The Department of State Bulletin*, Vol. I, No. 15, 7 October 1939 (Washington, DC), pp. 324-325. See also: FDRL, Adolf A. Berle Diary, memorandum by Sub-Committee on Financial and Monetary Problems, Inter-American Advisory Economic Committee, 20 November 1939.

²⁶ NARA, DS 740.00111 A.R./437, Welles to Hull, 4 October 1939.

stratagem that combined humanitarian ideals with free enterprise and the profit motive.²⁷

In his annual message to Congress on 3 January 1940, Roosevelt publically linked economic isolationism with war, stating that:

For many years after the World War blind economic selfishness in most countries, including our own, resulted in a destructive mine-field of trade restrictions which blocked the channels of commerce among nations. Indeed, this policy was one of the contributing causes of existing wars. It dammed up vast unsalable surpluses, helping to bring about unemployment and suffering in the United States and everywhere else.²⁸

Within such a perspective, free trade promoted international peace, cooperation and prosperity while economic protectionism led to suffering, competition for resources and, ultimately, military conflict. Thus, Washington was able to use the language of peace to create export markets for US goods. That is not to say that US policy-makers were insincere in their claims that free trade encouraged peace but, nevertheless, there were also clear economic benefits to be gained by a reduction in tariffs throughout Latin America. As Warren F. Kimball argues, for US officials, '[p]romoting peace and profit simultaneously was an appealing policy.'²⁹

On 6 November 1939, the US and Venezuelan governments agreed a treaty on mutual tariff reduction that demonstrated Washington's desire to increase its economic links with Latin America through free trade policies.³⁰ Moreover, as Venezuela was the world's foremost exporter of oil, the agreement gave Washington an opportunity to secure US access to overseas oil supplies. The increased importance of Venezuela within US foreign policy was reflected when, on 23 December 1938, the US legation in

²⁷ Bennett Woods, *A Changing of the Guard*, p. 15.

²⁸ Franklin D. Roosevelt, Annual Message to the Congress, 3 January 1940, Samuel Irving Rosenman (ed.), *The Public Papers and Addresses of Franklin D. Roosevelt, 1940 Vol.: War - and Aid to Democracies* (New York, NY, 1941), p. 5.

²⁹ Kimball, *The Juggler*, p. 47.

³⁰ 'Analysis of the Trade Agreement with Venezuela', *The Department of State Bulletin*, Vol. I, No. 20, 11 November 1939 (Washington, DC), p. 527; 'U.S. Concludes Trade Agreement with Venezuela', *Wall Street Journal*, 8 November 1939, p. 5.

Venezuela was elevated to an embassy.³¹ The tariff advantages obtained from the Venezuelan government under the treaty covered 96 agricultural and industrial products. On the basis of US trade figures for 1938, exports to Venezuela of products covered by these 96 items represented a value of \$18,712,000 and accounted for 35.9 per cent of total US exports to Venezuela. Duty reductions in varying degree were obtained on 35 items and assurances against less favourable customs treatment were obtained in the case of the remaining 61 items. In return, the US government granted tariff concessions to Venezuela on 14 items, which in 1938 accounted for 88.6 per cent of the total value of Venezuelan exports to the USA. The most important commodities affected were crude petroleum and fuel oil, which in 1938 constituted 74.6 per cent of total imports into the USA from Venezuela, worth \$14,965,000.³²

Imports of crude petroleum and fuel oils from Venezuela were made duty-free but subject to an excise tax. The excise tax was reduced from 1/2 cent to 1/4 cent a gallon on annual imports not in excess of 5 per cent of the total quantity of crude petroleum processed in US refineries during the preceding calendar year. Any imports in excess of the quota continued to be taxed at the 1/2-cent rate, which was bound against increase. The total quantity of crude oil processed in US refineries in 1938 was 1,165,015,000 barrels, 5 per cent of which was 58,251,000 barrels.³³ This 5 per cent quota was split between various oil-exporting countries based on their level of imports into the US in the first ten months of 1939. Under this system, Venezuelan oil was given 92.2 per cent of the quota.³⁴ This was divided between oil shipped directly from Venezuela, which was

³¹ 'U.S. Ambassador Named to Venezuela', *New York Times*, 24 December 1938, p. 4; FDRL, Sumner Welles Papers, Latin American Files, 1919-1943, Box 182, File: Venezuela, 1935-1939, Welles memorandum of conversation with Venezuelan Minister Diógenes Escalante, 27 October 1938.

³² 'Analysis of the Trade Agreement with Venezuela', pp. 527-528; 'U.S. Concludes Trade Agreement with Venezuela', p. 5.

³³ 'Analysis of the Trade Agreement with Venezuela', p. 534; *American Petroleum Interests in Foreign Countries*, pp. 11-12.

³⁴ Rabe, *The Road to OPEC*, pp. 75-76; *American Petroleum Interests in Foreign Countries*, p.11.

given 71.9 per cent of the quota, and Venezuelan oil refined in the Dutch West Indies, which received 20.3 per cent of the quota.³⁵

This arrangement received criticism from those, such as the Independent Petroleum Association of America, who believed that it impinged upon the US domestic oil industry.³⁶ Experts argued that, as it cost nearly \$1 barrel more to produce oil in the USA than in Venezuela, the reduction in import tax would place Venezuelan oil in a position to break the US market.³⁷ Indeed, the Venezuelan trade agreement was of benefit to the US companies operating in Venezuela as it increased the competitiveness of Venezuelan oil in the USA in relation to domestic oil. This was also advantageous to the US government as the agreement encouraged the national market to diversify its supplies of oil, rather than rely on domestic production. Moreover, through this agreement the federal government was able to gain a tariff reduction on US exports entering Venezuela to the benefit of US business interests. Simultaneously, the federal government was able to promote the USA as a market for Venezuelan oil but with strict quota limits that would protect the domestic oil industry. Thus, the US government was able to promote the ideals of free trade and pan-American cooperation while simultaneously protecting its own national interests. Yet ultimately this intervention into the international oil industry was limited and indirect.

US policy towards Venezuela cannot be understood without reference to the question of Latin American economic nationalism. The quota system placed on oil imports into the USA was a means by which the US government could discipline the

³⁵ Rabe, *The Road to OPEC*, p. 214, n. 25.

³⁶ 'A.P.I. Resolution Opposes Imports Of Mexican Oil', *Wall Street Journal*, 17 November 1939, p. 3; 'May Fight Oil Treaty', *New York Times*, 25 November 1939, p. 6; 'Hull Bars Change on Venezuelan Oil', *New York Times*, 3 December 1939, p. 36; 'Pact With Venezuela is Declared a Real Blow to Oil Industry', *Chicago Daily Tribune*, 22 December 1939; 'Trade Treaty Act is Opposed by Democrat', *Chicago Daily Tribune*, 19 January 1940, p. 25; 'Trade Pact Foes to Seek Tax Curb', *New York Times*, 3 February 1940, p. 25.

³⁷ George Rothwell Brown, 'Tax Cut on Oil from Venezuela', *The Milwaukee Sentinel*, 7 November 1939, p. 3; 'Oil Group Fights Regulation Plan', *New York Times*, 17 November 1939, p. 31; NA, CAB 115/422, 'Latin American Memoranda and Economic Notes', 5 September 1940.

Mexican government for its nationalisation of the country's oil industry in 1938.³⁸ The Mexican oil industry was not allocated an individual share of the quota on oil imports into the USA and, instead, was forced to share 3.8 per cent of the quota with other countries that had not been given individual allocations.³⁹ In 1938, the two largest oil companies in Mexico were subsidiaries of Shell and SOCNJ respectively but as a consequence of nationalisation the Mexican government prohibited multinational oil companies from operating in the country and expropriated their operations. British and US officials feared that the Mexican government's actions would set a precedent for nationalisation, thereby threatening oil company operations throughout the world. Thus, they responded by denouncing the nationalisation, supporting the oil companies' legal position and calling for prompt compensation.⁴⁰ In fact, the Mexican case was part of a broader trend of local government intervention in Latin American oil industries.⁴¹

The Argentine government had already created a completely state-run oil company in 1922 and, before a military *coup* in 1930, had considered total nationalisation of the country's oil production.⁴² The Argentine example became an important influence for other Latin American officials as the 1930s saw an increased interest in state capitalism throughout the region. The global economic contraction known as the Great Depression led Latin American governments to seek out new opportunities to industrialise and increase their foreign currency reserves through import-substitution. However, during the 1930s, the major multinational oil companies aimed to stabilise

³⁸ Rabe, *The Road to OPEC*, pp. 75-76.

³⁹ Catherine E. Jayne, *Oil, War and Anglo-American Relations: American and British Reactions to Mexico's Expropriation of Foreign Oil Properties* (Westport, CT, 2001), p. 113; 'U.S. Oil Pact with Venezuela Excludes Mexican Shipments', *Wall Street Journal*, 14 December 1939, p. 16.

⁴⁰ Clayton R. Koppes, 'The Good Neighbor Policy and the Nationalization of Mexican Oil: A Reinterpretation', *The Journal of American History*, Vol. 69, No. 1 (June 1982), pp. 66-70; Lorenzo Meyer, *Mexico and the United States in the Oil Controversy, 1917-1942* trans. Muriel Vasconcellos (Austin, TX, 1977), pp. 183-191; LC, Cordell Hull Papers, Hull memorandum of conversation with Diógenes Escalante, 12 July 1939; FDRL, Henry Morgenthau Diaries, Vol. 116, 24 March 1938, p. 406.

⁴¹ Venn, *Oil Diplomacy*, pp. 75-82.

⁴² George Philip, *Oil and Politics in Latin America: Nationalist Movements and State Companies* (Cambridge, 1982), pp. 162-181.

world oil production and were not prepared to invest heavily in new Latin American operations. In response, Latin American officials sought to lessen their dependency on foreign investment for domestic industrialisation by establishing state-run companies.⁴³ In 1931, the Uruguayan government formed a state refining company which, by 1937, sold fifty per cent of the country's refined oil output.⁴⁴ Moreover, in 1932 and again in 1939, the Chilean government threatened nationalisation of oil production while, in 1937, the Bolivian government proceeded with nationalisation and expropriated SOCNJ's concessions in the country.⁴⁵ Such incidents were not only detrimental to US business interests but also jeopardised the US government's oil security by disrupting oil production and endangering US access to overseas oil.

In the Mexican and Bolivian cases, expropriation had occurred after disputes had arisen between the local governments and foreign-owned oil companies.⁴⁶ While the US-Venezuelan trade agreement might encourage Venezuelan oil exports to the USA, it did not constitute direct intervention in the operation of the oil industry or seek to regulate relations between the local government and US oil companies. However, in the years that would follow, the US government increasingly sought to manage relationships between oil companies and the governments of oil-producing countries. Rather than responding to nationalisation, US officials hoped to defuse conflict in the oil industry in order to preemptively prevent expropriation from occurring. Concurrently, the British government had its own significant interest in Venezuelan oil.

⁴³ *Ibid.*, pp. 198-200.

⁴⁴ *Ibid.*, pp. 190-193.

⁴⁵ *Ibid.*, pp. 184-190, 193-198.

⁴⁶ Wood, *The Making of the Good Neighbor Policy*, pp. 168-171; Meyer, *Mexico and the United States* trans. Vasconcellos, pp. 157-172.

British Dependence on Venezuelan Oil, 1938-1940

By the late 1930s, Britain had become dependent on Venezuelan production for its oil needs, leading the British government to act when the Second World War threatened this vital interest. By the beginning of 1938, thirty-nine per cent of Britain's oil supplies were supplied from refineries on Aruba and Curaçao, and ninety-two per cent of the oil refined on these West Indian islands was of Venezuelan origin.⁴⁷ While the British government held a 51 per cent stake in Anglo-Persian, Iran only accounted for twenty per cent of Britain's oil supplies. As such, Britain was heavily reliant on the operations of Shell, SOCNJ and, to a lesser extent, Gulf in Venezuela. Moreover, Venezuelan oil could be relatively quickly transported to Britain as Curaçao and Aruba were closer in sea miles than the Middle East. Thus, one FO official emphasised that Latin American oil fields were not only important due to 'their size of production, but because they are favourably placed from a sea transport point of view', which would be particularly significant in a time of war.⁴⁸ While access to Venezuelan oil guaranteed Britain's oil supplies, it did make the government highly reliant on foreign oilfields that lay outside its formal empire. In turn, this meant that the British government was dependent on multinational oil companies such as Shell.

In the years immediately prior to the outbreak of war between Germany and Britain, the British directors of Shell were keen that the company should not do anything which would be contrary to British government policy. However, the government could not count on the support of the company's Dutch chairman, Sir Henri Deterding: an admirer of Adolf Hitler who believed that Nazi Germany was the only power capable of thwarting the threat posed by communism and the Soviet Union. In 1935, these views led Deterding to initiate discussions with the Nazi government concerning the possibility of

⁴⁷ NA, ADM 1/10072, P.D.07539/39, 'Supply of Petroleum and Petroleum Products from Venezuelan Oil Fields', 4 March 1939.

⁴⁸ Cited in Yergin, *The Prize*, p. 277.

Shell providing a year's supply of oil to Germany on credit. Disturbed by this development, and by his generally erratic behaviour, the other Shell directors eased the chairman into retirement in 1936. Following Deterding's death six-months before the outbreak of war, his shares were distributed among the other company directors, which effectively thwarted any German ambitions to gain control of Shell and its oil.⁴⁹ Nevertheless, the episode underlined the potentially disastrous consequences of a breakdown in relations between the British government and Shell. Indeed, the overarching British oil policy was reliant on a state-private network that linked the government to multinational oil companies like Shell.

Leading up to the outbreak of war, the British government increased its intimacy with the multinational oil companies. The British Oil Board had been founded in 1925 and given the task of administration and rationing of British oil supplies in a time of war. In January 1939, the separate Petroleum Department was given the broader duty of directing oil policy. At the same time, the major oil companies with business in Britain cooperated with the government to regulate the oil market, which in 1938, was dominated by Shell, SOCNJ and Anglo-Iranian, which held market-share of 40, 30 and 15 per cent respectively. Just prior to the outbreak of war, these companies agreed to pool their resources to form the Petroleum Board which was run out of Shell-Mex House in London. During wartime, the Board would set prices approved by the government, essentially creating a national monopoly for oil products.⁵⁰ The high number of oil company employees who were brought into wartime administration blurred the distinction between private enterprise and government.⁵¹

The downside to British reliance on foreign oil was made apparent by the Mexican government's decision to expropriate its country's oil industry in 1938. For the

⁴⁹ *Ibid.*, pp. 369-370; Sampson, *The Seven Sisters*, pp. 96-97.

⁵⁰ Payton-Smith, *Oil*, pp. 41-45; Yergin, *The Prize*, pp. 369-370.

⁵¹ Bamberg, *The History of the British Petroleum Company*, Vol. 2, p. 209-210.

British government, any attack on the legal position of these companies was not a localised issue but a challenge to the state-private network on which its oil policy was based. Thus, British and oil company officials were concerned that the Venezuelan government might take inspiration from a successful Mexican expropriation.⁵² As one Shell director put it, the expropriation could establish ‘a precedent ... throughout the world, particularly in Latin America, which would jeopardize the whole structure of international trade and the security of foreign investment.’⁵³ Moreover, British officials were concerned that expropriation of oil company holdings could have adverse effects on a future British war effort.

In March 1938, John Balfour, head of the Foreign Office (FO) American Department, outlined these possible ramifications when he wrote that:

We must, moreover, bear in mind that by their oil concessions in foreign countries British interests are able to build up facilities in the way of transport, refineries, etc. which are available for national defence purposes in time of war. It is, moreover, only too certain that for some time to come Latin-American countries are not likely to possess the native capacity and organising power to exploit their own resources as efficiently as foreign interests. The immediate effect, therefore, of the expropriation of British-owned oil properties will inevitably be to diminish the output of oil and consequently to reduce the quantities available for our own purposes. It is to my mind therefore, of the first importance that during this critical period in international affairs we should do all we can to show that it is not in the interests of a Latin-American country like Mexico to eliminate British interests from participating in the exploitation of its oil resources.⁵⁴

This was particularly relevant in relation to Venezuela. As F. C. Starling, head of the Petroleum Department, pointed out, in ‘South American oil producing countries the oil fields are operated mainly by British and American interest and in the event of emergency those countries, particularly Venezuela, will be looked to for substantially increased

⁵² Jayne, *Oil, War and Anglo-American Relations*, pp. 18, 28; NA, CAB 2/7, 322nd meeting of Committee of Imperial Defence, 12 May 1938; CAB 65/19/23, W.M. (41), 87th Conclusions, 28 August 1941.

⁵³ Cited in Yergin, *The Prize*, p. 276.

⁵⁴ NA, FO 371/21464/A2217, Balfour minute, 26 March 1938.

supply.’ Indeed, Starling felt that Venezuela’s ‘importance in time of emergency cannot be over emphasized’ and that, therefore, the British government ‘must leave no stone unturned to prevent the [Mexican] example being followed by other countries.’⁵⁵ This priority would come to bear in later years as the British responded to the Venezuelan government’s increased intervention in the oil industry.

The particular importance of Venezuelan oil to British military strategy was demonstrated by British efforts to ensure the security of the oil refineries on the Dutch colonies of Aruba and Curaçao. By March 1938, the Oil Board had estimated that British war requirements of oil and oil products from the Dutch West Indies would be 9,634,000 tons in the first year of a major war in Europe with the Mediterranean closed, and 6,304,000 tons with the Mediterranean open, on the assumption that oil supplies from the USA would also be available.⁵⁶ Thus, the Admiralty began discussions with the FO over what could be done to secure, what was termed, ‘this vital traffic’ in the event of war in Europe.⁵⁷ The two departments agreed that, if war broke out, British merchant ships sailing from Aruba and Curaçao would be routed via Trinidad and that escort vessels would protect sea routes in the region. In addition to these defensive arrangements, it was agreed that Consular Reporting Officers would be stationed on Aruba and Curaçao in order to carry out any necessary rerouting of shipping.⁵⁸

Following the outbreak of war in Europe, both British and US officials protested to the Dutch government that the defences in the West Indies were inadequate.

⁵⁵ NA, FO 371/21464/A2266/10/26, Starling to J. J. Wills, Board of Trade, 24 March 1938.

⁵⁶ NA, ADM 1/10072, P.D.07539/39, ‘Supply of Petroleum and Petroleum Products from Venezuelan Oil Fields’, 4 March 1939.

⁵⁷ NA, ADM 1/10072, P.D.06579/38, minute by F. R. Garside, Assistant Director of Plans, 3 January 1938; NA, ADM 1/10072, P.D.06580/38, S. H. Phillips, Assistant Secretary to the Admiralty to Foreign Secretary Viscount Halifax, 19 September 1938.

⁵⁸ NA, ADM 1/10072, M.05899/39, Vice-Admiral Sir Sidney Julius Meyrick, Commander-in-Chief, America and West Indies Station, to Secretary of the Admiralty Sir Archibald Carter, 15 June 1939 and attached minutes.

Subsequently, the Dutch government made efforts to bolster the islands' defences.⁵⁹ In April 1940, the British government began to make proposals for sending an Anglo-French force to Aruba and Curaçao in the event of a German invasion of the Netherlands. War Office officials felt that the refineries were 'of great strategic importance' as the oil they produced was of 'vital importance to our war effort'. In particular, the War Office argued that the refineries were an 'indispensable source of aviation fuel', which made their protection a 'necessity' as their security could be threatened by sabotage, naval bombardment, or attack by raiding parties.⁶⁰

Immediately prior to the German invasion of the Netherlands, the British government suggested to the Dutch authorities that British and French troops be stationed on the islands. Initially, the Dutch refused but reversed their position when, the next morning, German troops crossed over the Netherlands border. Subsequently, the Dutch government allowed a small force of British and French troops to be stationed on Curaçao and Aruba respectively on the understanding that they would be 'placed at the disposal of local Dutch authorities'.⁶¹ As Bob Moore argues, the wording 'at the disposal' allowed the British government to ensure the security of the oil refineries while simultaneously respecting the colonial authority of the Netherlands.⁶² Indeed, the War Office made sure to impress upon the troop commander stationed in Curaçao that the island remained a Dutch colony and that the 'status of the territory is in no way modified by the presence of your forces.' Moreover, the War Office ordered the commander to 'do your utmost to

⁵⁹ Fitzroy André Baptiste, *War, Cooperation, and Conflict: The European Possessions in the Caribbean, 1939-1945* (Westport, CT, 1988), p. 33.

⁶⁰ NA, WO 216/151, War Office memorandum, 19 April 1940; NA, WO 216/151, War Office to O. C. Troops, Jamaica, 22 April 1940; NA, WO 216/151, War Office to Ottawa, Canberra, Wellington and Capetown, May 1940.

⁶¹ NA, CAB 77/4, OCB (41), Oil Control Board 14th meeting, 22 December 1941; NA, PREM 3/221/5, minute by Frederick Robert Hoyer Millar, Counsellor at Washington Embassy, 11 January 1942; 'Swift Action in West Indies: Safeguarding The Oil Refineries', *The Observer*, 12 May 1940; FDRL, Sumner Welles Papers, Latin American Files, 1919-1943, Box 182, File: Venezuela, 1940-41, Welles memorandum of conversation with Diógenes Escalante, 5 July 1940.

⁶² Moore, 'Anglo-American Security', pp. 457-459.

cultivate friendly relations' with the Dutch authorities and ensure that British actions met with their 'approval and consent'.⁶³ Nevertheless, as Moore suggests, its reliance on the refineries may have led the British government to station troops on the islands without Dutch permission.⁶⁴

Indeed, Whitehall presented the US government with a *fait accompli* as the British Ambassador in Washington, the Marquess of Lothian, informed Cordell Hull that British and French troops would be sent to the islands only after the decision had already been made in London.⁶⁵ However, Lothian did state that if the US government 'felt inclined to cooperate' with the British, 'such cooperation would be most welcome'.⁶⁶ Hull pointed out that the governments of the Western Hemisphere would, in all likelihood, assume that the British had claimed jurisdiction over Curaçao. Thus, he felt that, regardless of intent, the British government's actions would foster criticism throughout the region. Hull told the ambassador that British interests would have been better served if London had discussed the matter in advance with other interested governments.⁶⁷ Assistant Secretary of State Adolf Berle told Lothian that the US government felt that Dutch authorities had the situation in the West Indies entirely in control.⁶⁸ However, its wartime dependence on Venezuelan oil made defence of Curaçao and Aruba an overriding concern for the British government. Yet this had the potential to create conflict with US officials who were sensitive to broader issues in pan-American politics. The Good Neighbor policy and US desire for hemispheric cooperation led the State Department to take greater interest in the concerns of Latin American governments in contrast with British officials whose primary

⁶³ NA, WO 216/151, War Office to O.C. Troops, Jamaica, 11 May 1940.

⁶⁴ Moore, 'Anglo-American Security', p. 459.

⁶⁵ NARA, DS 856B.01/20, Hull memorandum of conversation with Philip Henry Kerr, 11th Marquess of Lothian, 10 May 1940; NARA, DS 856B.01/11, Lothian to Hull, 10 May 1940.

⁶⁶ NARA, DS 856B.01/11, Lothian to Hull, 10 May 1940; NA, CAB 77/4, OCB (41) 69, report by the Executive Committee of the Oil Control Board, 10 August 1940; NA, CAB 77/4, OCB (41), Oil Control Board 14th meeting, 22 December 1941.

⁶⁷ NARA, DS 856B.01/20, Hull memorandum of conversation with Lothian, 10 May 1940.

⁶⁸ NARA, DS 856B.01/18, Berle memorandum of conversation with Lothian, 11 May 1940.

focus was securing oil supplies for the war effort. Indeed, the US government's political and economic interests in hemispheric solidarity were much greater than those of British officials.

The Venezuelan government was also concerned by British intentions in the Caribbean. Caracas officials feared that the British government, already in possession of Trinidad, might take control of not only Curaçao and Aruba but possibly other islands as well. Such a development would leave the British government with a chain of islands along the northern coast of Venezuela thereby blocking off the north of South America from the Atlantic. The Venezuelan Minister for Foreign Affairs, Dr Gil Borges, told US embassy staff in Caracas that this would be unfavourable to both the Venezuelan and US governments. He pointed out that the refineries on Curaçao and Aruba formed an integral part of the Venezuelan economy and his government would be sensitive to any developments that might jeopardise these interests.⁶⁹

The British government's imperial role in the Caribbean fostered suspicion among Venezuelan officials who had an important economic stake in the status of Curaçao and Aruba. Thus, the security concerns of the oil-importing British government could create conflict with a Venezuelan government economically dependent on oil exports. It is possible that Venezuelan officials, aware of US interest in fostering pan-American solidarity, hoped that Washington would put pressure on the British government to withdraw its troops. However, the US government was unwilling to commit to defending the islands itself and was ultimately satisfied with British assurances that the islands would remain under Dutch control. Thus, British and French troops were stationed on the islands without further discontent.⁷⁰

⁶⁹ NARA, DS 856B.01/21, Winthrop R. Scott, US Chargé d'Affaires to Venezuela, to Hull, 13 May 1940.

⁷⁰ Baptiste, *War, Cooperation, and Conflict*, p. 35.

Following Italy's entry into the war in June 1940, tankers were no longer able to transport oil from the Middle East to Britain via the Mediterranean and, instead, oil had to be shipped the much longer route around the Cape of Good Hope.⁷¹ For the British government, this situation placed even greater importance on ensuring uninterrupted supplies of Venezuelan oil for the war effort. Following the defeat of France in June 1940, British officials no longer felt able to trust the policies of the French government, as when only days later in early July the French military informed London of their plans to withdraw troops from Aruba.⁷² Thus, Whitehall once again became concerned for the safety of the oil refineries as the War Office emphasised that 'both Curacao [sic] and Aruba are vital to British war effort and no risks can be taken'.⁷³ Officials in London were worried that the Dutch authorities might oppose the stationing of British troops on Aruba for fear of Britain gaining too strong a hold over the colony.⁷⁴ However, the Dutch government did not object.

In July 1940, the Marquess of Lothian met with Cordell Hull to discuss the matter. Hull was worried that, at the upcoming Meeting of the Ministers of Foreign Affairs of the American Republics in Havana, Latin American governments could well demand that Caribbean islands be placed under US control for the purposes of defence. The British Ambassador told Whitehall that Hull had voiced his concern that 'the whole of America was extremely sensitive about these landings by one European Power on territory owned by others in the Caribbean'. As such, Hull asked the British government to avoid action that might inflame US opinion and, as a means of avoiding further controversy, he

⁷¹ More, *Black Gold*, p. 72; Winston Churchill, *The Second World War, Vol. II: Their Finest Hour* (London, 1949), pp. 40, 370; Winston Churchill, *The Second World War, Vol. III: The Grand Alliance* (London, 1950), p. 656.

⁷² NA, WO 216/151, O. C. Troops, Jamaica to WO, 1 July 1940.

⁷³ NA, WO 216/151, War Office to O. C. Troops, Jamaica, 2 July 1940.

⁷⁴ NA, WO 216/151, British Consul, Curaçao, to Admiralty, 3 July 1940; NA, WO 216/151, WO to O.C. Troops, Curaçao, 4 July 1940.

suggested that Canadian troops, rather than British, be stationed in Aruba.⁷⁵ Indeed, at the meeting in Havana, the Venezuelan government helped to secure a resolution that prohibited the transfer of any European colony in the Americas to a non-American power. While this principle was intended to prevent German annexation of territory, it would also apply to any British effort to lay permanent claim to Aruba and Curaçao.⁷⁶ Although the British government approached the Canadian authorities in the hopes of sending a combined Anglo-Canadian force to Aruba, the Canadian government refused.⁷⁷ However, after being informed of the Canadian position, the US government acquiesced to British troops being stationed on the island.⁷⁸

The British government's vital wartime interest in securing uninterrupted supplies of Venezuelan oil led British officials to take a proactive commitment to defending the refineries on Curaçao and Aruba. Over the course of the war, the Allies controlled over ninety per cent of the world's oil output while the Axis powers controlled just three per cent. Monopolising such an important war material was of critical value to the British government and its allies. Indeed, as Richard Overy argues, '[i]t would be wrong to argue that oil determined the outcome of the war on its own, though there could scarcely have been a resource more vital to waging modern combat.'⁷⁹ Yet, the British government was entirely dependent on overseas territories for the oil supplies so vital to the country's national security. Indeed, as David Edgerton has argued, due to Britain's 'privileged

⁷⁵ NA, WO 216/151, Lothian to FO, 8 July 1940.

⁷⁶ 'Second Meeting of Ministers of Foreign Affairs of the American Republics', *The American Journal of International Law*, Vol. 35, No. 1, Supplement: Official Documents (January 1941), pp. 28-32; Edith Myretta James Blendon, 'Venezuela and the United States, 1928-1948: The Impact of Venezuelan Nationalism', Ph.D. thesis (University of Maryland, 1971), pp. 63; John A. Logan, Jr., *No Transfer: An American Security Principle* (New Haven, CT, 1961), p. 313. Logan's central thesis is that the 'no transfer' principle has been a key US foreign policy aim since the eighteenth century.

⁷⁷ NA, WO 216/151, Vincent Massey, High Commissioner in Canada, to FO, 11 August 1940; NA, WO 216/151, FO to Lothian, 13 August 1940; NA, WO 216/151, Massey to Thomas Inskip, 1st Viscount Caldecote, Secretary of State for Dominion Affairs, 19 August 1940; NA, WO 216/151, FO to Lothian, 20 August 1940.

⁷⁸ NA, WO 216/151, Lothian to FO, 23 August 1940.

⁷⁹ Richard Overy, *Why the Allies Won* (London, 1995), p. 233.

place' within the international economic order, the British war effort 'could draw on resources from all over the world'.⁸⁰ Thus, while Britain had a 'dependence on overseas supply' for important war materials, the British government remained able to effectively wage war due to its international trade links.⁸¹ Yet this necessitated that the British government act to defend distant strategically vital locales such as Curaçao and Aruba, which had the potential to create conflict with the Dutch, US and Venezuelan governments which all had an important stake in the islands.

Development of US Policy towards Venezuelan Oil, 1939-1941

Between 1939 and 1941, the US government developed its interventionist approach to the economies of Latin America and the international oil industry, which consequently shaped its attitude towards Venezuela. In 1939, a State Department memorandum suggested that greater diplomatic intervention in Latin America could help to prevent future nationalisation of US business interests. The document, submitted to Economic Advisor for International Affairs Herbert Feis and Sumner Welles, argued that:

There are very important American investment and trade interests to be considered. Many of those investments and part of that trade relate to industries and materials in which continued American control or participation is of great importance to our own national interest. Finally, any constructive assistance that the United States can give to other American republics during this critical period may serve to check the growing tendency toward expropriation of foreign (largely American) property in those countries.⁸²

Such a policy of intervention based on 'constructive assistance' rather than militarism allowed Washington's protection of US business interests in Latin America to be undertaken as part of, rather than in opposition to, the tenets of the Good Neighbor policy. US government officials increasingly perceived themselves as regulators of Latin

⁸⁰ Edgerton, *Britain's War Machine*, p. 55.

⁸¹ *Ibid.*, p. 51.

⁸² Cited in Stewart, *Trade and Hemisphere*, p. 268.

American trade, economy and industry. This role differed from that of previous administrations in that it was based on consent via diplomatic cooperation rather than domination through military interventionism.⁸³

The US government was not alone in perceiving Latin American economic nationalism as a threat. SOCNJ executives were fearful that the nationalisation of Mexican oil would put their worldwide operations at risk by setting a precedent for other Latin American governments. In response to the Mexican expropriation, Major Tom R. Armstrong of SOCNJ wrote that:

the United States is in growing danger from any toleration of such confiscatory policies, which will benefit neither the confiscating countries nor, obviously, the American owners of the properties confiscated. They will bring to Latin America a period of disorder and loosen the whole social fabric, for it will be an invitation to the have-nots of all countries to wipe out those whose foresight, prudence and intelligence have enabled them to accumulate the capital and skill without which the creation of wealth becomes impossible. ... Far more is involved in the current issue than oil properties in Mexico. If Mexico can get away with its present arbitrary act there is no safety for American property anywhere in Latin America or elsewhere, and sooner or later in some part of the world, drastic action will be called for.⁸⁴

In 1939, Nelson A. Rockefeller, SOCNJ shareholder and grandson of Standard Oil founder John Davison Rockefeller Sr., took a trip to Venezuela and company officials saw this as an opportunity to defend their interests. Prior to his departure, various SOCNJ executives proposed topics he might bring up in conversation with Venezuelan officials. They suggested to Rockefeller that he should highlight the negative aspects of Mexican expropriation and emphasise the need for the oil industry's production costs to remain low so that the companies could remain competitive.⁸⁵

⁸³ Wood, *The Making of the Good Neighbor Policy*, pp. 3-10.

⁸⁴ T. R. Armstrong, 'Various Aspects of the Mexican Oil Confiscation', *World Affairs*, Vol. 101, No. 3 (September, 1938), pp. 183, 184.

⁸⁵ Rockefeller Archive Center, Sleepy Hollow, NY [hereafter RAC], Rockefeller Family Archives [hereafter RFA], RG 4 Nelson A. Rockefeller, Personal Papers, Series A, Box 144, Folder 1571, R. C. Wells to Tom R. Armstrong, 16 March 1939.

However, Rockefeller felt that it was the attitude of oil company officials that needed to change. During his trip, he attended a dinner party in Caracas where he met the wife of a US businessman who, despite having lived in Latin American for eighteen years, did not speak Spanish. Rockefeller translated for this woman in her conversation with the Venezuelan President of State and, after dinner, asked her why she had failed to learn the local language. 'Why should I learn - who would I talk to if I did?' came the reply. Rockefeller found this attitude very telling. The woman also told the story of a US diplomat who, when drunk, would try to break into the Venezuelan presidential palace. Rockefeller viewed the night's conversation as indicative of the general lack of responsibility on the part of US representatives abroad.⁸⁶

Upon his return to the USA, Rockefeller wrote a memorandum that stressed the need to convince the Venezuelan people that SOCNJ, and US business more generally, was 'not interested solely in coming down to squeeze as many dollars out of the country as possible'.⁸⁷ The document was presented to SOCNJ President William Stamps Farish II who suggested that Rockefeller give a speech on the subject to an audience of SOCNJ executives.⁸⁸ In his address, Rockefeller emphasised the need for oil company employees to recognise their moral and social responsibility to the countries within which they operated. He argued that by acknowledging and acting on these responsibilities the oil companies could avoid later recriminations, such as industry expropriation. In order to 'regain the confidence of the people', he suggested that company employees should learn the language, habits and psychology of local communities and become more involved in

⁸⁶ RAC, RFA, RG 4 Nelson A. Rockefeller, Personal Papers, Series A, Box 18, Folder 113, 'Memorandum of my Conversation with Mr. & Mrs. James Monahan', 7 February 1949.

⁸⁷ RAC, RFA, RG 4 Nelson A. Rockefeller, Personal Papers, Series A, Box 114, Folder 1571, 'Re: Random Thoughts and Reactions Concerning My Visit to Venezuela', 4 April 1939.

⁸⁸ RAC, RFA, RG 4 Nelson A. Rockefeller, Personal Papers, Series A, Box 114, Folder 1571, Rockefeller to Henry Edward Linam, 6 April 1939.

the educational, social and economic development of the areas within which they worked.⁸⁹

Concurrently, SOCNJ employee H. R. Barbour submitted recommendations for a programme designed to improve the company's public relations in Venezuela. However, this consisted entirely of the production of propagandistic promotional material, such as a company magazine.⁹⁰ For some SONCJ executives, avoiding a repeat of Mexican expropriation necessitated victory in a battle of ideas between collectivism and private property rights. Barbour felt it necessary for 'intelligent, long-viewed leaders' to educate the masses who 'feel rather than think, are concerned with the day's needs rather than with tomorrow's social goal.' It would be the role of SOCNJ to 'make use of modern propaganda methods' and 'influence the thinking, understanding and actions of such leaders.' If it failed in this educational task, Barbour believed that 'the have-nots of the world, mislead [sic] by designing and unscrupulous political leaders, finally may get the upper hand and when they do they will destroy the present economic system, its savings and its working capital.'⁹¹

There was certainly an overt paternalistic quality to the views of SOCNJ executives toward oil-producing countries as their statements revealed both a patronising view of the mass public and apprehension of possible class warfare. Subsequently, Barbour's public relations programme was accepted and put into operation by Henry Edward Linam, President of SOCNJ's Venezuelan subsidiary.⁹² Yet such measures were superficial and based on improving the company's public image rather than systemic

⁸⁹ RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 134, Folder 1004, Nelson A. Rockefeller, 'Importance of Community Efforts as Distinguished from Employers Welfare Work on the Part of the Executives', 15 May 1939.

⁹⁰ RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 120, Folder 904, H. R. Barbour memorandum, 31 March 1939.

⁹¹ RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 120, Folder 904, Barbour memorandum, 2 February 1939.

⁹² RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 120, Folder 904, Barbour to Armstrong, 2 May 1939.

changes that would quell economic nationalism or combat the problems outlined by Nelson Rockefeller.

Moreover, none of the suggestions raised within SOCNJ sought increased US government intervention in the company's affairs. Yet, by 1940, State Department officials perceived a need to increase their role within the international oil industry. This formed part of a broader strategy to improve relations between US business and Latin American governments in order to avoid expropriation of private property. Nationalisation of the Mexican oil industry had demonstrated that the escalation of disputes between US businesses and Latin American governments could harm Washington's interests. Avoiding similar clashes was especially important following the outbreak of a major war in Europe, which increased the need for solidarity among the governments of the Western Hemisphere.⁹³

By June 1940, Cordell Hull perceived various international problems relating to the oil industry that needed to be resolved. In a speech prepared for an audience of oil executives, he stated that 'your industry is so important and some of the problems facing it are so urgent' that a 'general size-up of the situation' was needed. The Secretary of State was aware that the relationship between the government and the multinational oil companies was strained. He felt that both parties had made errors, stating that:

I know that there has been considerable criticism of the Department of State in certain instances. To some extent this criticism may be justified. However, in all fairness, you must admit that the companies have also made many mistakes in the past; for instance, looking back over the situation in Mexico, you probably can see that you might have done better and that some of the difficulties could have been avoided, if there had been better teamwork.

⁹³ Jayne, *Oil, War and Anglo-American Relations*, pp. 144-146.

In order to avoid future mistakes, Hull felt that it was necessary to increase the level of cooperation between the oil companies and the State Department, which would help to protect US oil interests. He therefore stated that:

This department and I personally have always wanted to do what is best to protect our American interests and we feel this duty very keenly. Our intentions in this regard are very definite and in order to perform this duty which is incumbent upon us we must have your cooperation and we must have plans prepared to meet difficulties that are foreseeable. We want to work out arrangements to facilitate such cooperation. The problems facing the Department are manifold; we feel our men in the field are doing an excellent job on the whole and we should like to examine the possibility of improving the cooperation between them and your people.⁹⁴

Assistant Secretary of State Adolf Berle put it another way when he wrote in December 1939: '[n]ot that we love the oil companies, but we have to preserve some sort of norm by which relations can be carried on.'⁹⁵

US officials' desire for an increased role in the oil industry was one aspect of a broader international economic interventionism. This interventionism, which had grown out of US policy towards Latin America, was based on a New Deal conception of reform. This outlook was expressed by President Roosevelt on 12 January 1940 when he referred to 'a new approach that I am talking about to these South American things. Give them a share. They think they are just as good as we are and many of them are.'⁹⁶ As David Green points out, notions of 'sharing' reveal differing perceptions of economic sovereignty.⁹⁷ The Mexican government's claim to ownership of subsoil rights had shown that Latin American governments were prepared to use their political authority to gain control over their country's resources rather than merely 'share' in the wealth those resources produced. As Green argues, a Latin American government which implemented

⁹⁴ FDRL, Francis P. Corrigan Papers, Subject File, Box 23, File: Venezuela, Hull speech, 7 June 1940.

⁹⁵ FDRL, Adolf A. Berle Diary, Berle memorandum, 14 December 1939.

⁹⁶ FDRL, Press Conferences of President Franklin D. Roosevelt, 1933-1945, Press Conference 614, 12 January 1940.

⁹⁷ Green, *The Containment of Latin America*, pp. 37-40.

such economic power 'would be making an unequivocal declaration of economic sovereignty. In any international economic transactions, it would be *giving* rather than *receiving* a share of its own nation's resources.'⁹⁸

Thus, Washington was keen for US businesses to improve their relations with Latin American governments as a means of preventing the nationalisation of the region's industries. As such, the US government sought to ensure that business interests retained their power to 'give' Latin American people 'a share' before Latin American governments took that power for themselves. The New Deal had introduced new levels of state intervention within the US domestic economy but, nevertheless, the Roosevelt administration had reformed, rather than rejected, capitalism.⁹⁹ William E. Leuchtenberg has astutely described this reformism as a 'halfway revolution' and it was this approach which Washington sought to export to Latin America.¹⁰⁰ The US government wished to internationalise the New Deal by encouraging reform of state-private sector relations abroad while protecting private property rights. At the same time, improved relations between US businesses and Latin American governments complemented the broader aims of the Good Neighbor policy.

Moreover, by the spring of 1940, following the defeat of France, securing the Western Hemisphere from Nazi infiltration and invasion was a top priority for Roosevelt, Hull and Under Secretary of State Sumner Welles.¹⁰¹ The internationalisation of the New Deal had begun in response to the Great Depression but now Washington officials saw

⁹⁸ *Ibid.*, p. 39.

⁹⁹ Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York, NY, 1996), pp. 4-6; Kennedy, *Freedom From Fear*, pp. 372-377; Donald R. Brand, 'Competition and the New Deal Regulatory State', in Sidney M. Milkis and Jerome M. Mileur (eds), *The New Deal and the Triumph of Liberalism* (Amherst, MA, 2002), pp. 166-192.

¹⁰⁰ William E. Leuchtenberg, *Franklin D. Roosevelt and the New Deal, 1932-1940* (New York, NY, 1963), p. 347.

¹⁰¹ Dallek, *Franklin D. Roosevelt and American Foreign Policy*, pp. 233-236; Franklin D. Roosevelt, Annual Message to the Congress, 6 January 1941, in Rosenman (ed.), *Papers and Addresses of Roosevelt, 1940 Vol.*, pp. 666-667; Stetson Conn and Byron Fairchild, *The Framework of Hemisphere Defense*, (Washington, DC, 1960), pp. 31-39.

hemispheric economic interventionism as a tool of national defence. To limit Axis influence in Latin America and secure hemispheric stability, the US government endeavoured to further support the region's economic development.¹⁰² Roosevelt argued that this pan-American economic cooperation constituted 'a program of economic defense designed to supplement our military defense program'.¹⁰³ With this in mind, in August 1940, Nelson Rockefeller was brought into government as head of the new Office for Coordination of Commercial and Cultural Relations between the American Republics. Later renamed the Office of the Coordinator of Inter-American Affairs, the department was tasked with fostering economic and cultural links between the USA and Latin America.¹⁰⁴ For Rockefeller, US interests in Latin America were best served by stimulating sustained economic growth throughout the region as he argued that 'economic defense of the Hemisphere requires concrete evidence now that this nation is irrevocably committed to a long range, continuing program of Hemisphere economic development and cooperation.'¹⁰⁵ In line with the broad aim of wartime hemispheric solidarity, he used his position to formulate policies aimed at improving Latin Americans' health, diet and general quality of life.¹⁰⁶

These efforts were supported, in September 1940, by a \$500 million increase to the Export-Import Bank's budget which was used to extend lines of credit to Latin

¹⁰² FDRL, Official File [hereafter OF] 87 Pan American Affairs, Box 2, File: Jan.-Sept. 1940, Roosevelt to Hull, 27 September 1940; FDRL, Harry L. Hopkins Papers, Sherwood Collection, Box 311, Book 5: Latin American Affairs, 'Report to Cabinet Committee on Inter-American Affairs from Interdepartmental Committee of Experts' revised draft, 3 July 1940; FDRL, Harry L. Hopkins Papers, Sherwood Collection, Box 311, Book 5: Latin American Affairs, memorandum 'Hemisphere Economic Policy', June 1940; RAC, RFA, RG 4 Nelson A. Rockefeller, Personal Papers, Series O, Box 1, Folder 1, Nelson A. Rockefeller to Carl Spaeth, 1 July 1940; FDRL, Harry L. Hopkins Papers, Roosevelt to Secretary of Agriculture Harry L. Hopkins, 15 June 1940.

¹⁰³ Franklin D. Roosevelt, Presidential Statement on Inter-American Economic Cooperation, 21 June 1940, in Rosenman (ed.), *Papers and Addresses of Roosevelt, 1940 Vol.*, p. 273.

¹⁰⁴ Samuel Irving Rosenman (ed.), *The Public Papers and Addresses of Franklin D. Roosevelt, 1941 Vol.: The Call to Battle Stations* (New York, NY, 1950), pp. 297-306; Darlene Rivas, *Missionary Capitalist: Nelson Rockefeller in Venezuela* (Chapel Hill, NC), pp. 38-67

¹⁰⁵ RAC, RFA, RG 4 Nelson A. Rockefeller, Personal Papers, Series O, Box 1, Folder 2, Nelson A. Rockefeller, Coordinator of Inter-American Affairs, to Vice President Henry Wallace, 13 August, 1941.

¹⁰⁶ Rivas, *Missionary Capitalist*, pp. 51-55.

America to help fund industrialisation, agricultural development and public works. These loans helped the region's governments overcome balance of payments problems and limited the impact of the wartime loss of European markets.¹⁰⁷ Moreover, during the war, US financial advisory missions encouraged Latin American governments to employ Keynesian interventionism as a means of fostering economic development and industrialisation.¹⁰⁸ These measures further expanded Washington's hemispheric New Deal by increasing the US commitment to managing Latin America's social and economic well-being.

As Emily Rosenberg argues, by the time the USA became a full belligerent in the Second World War, 'the President had already acquired a full range of controls over foreign economic affairs'.¹⁰⁹ The crises of the Great Depression and Second World War had led the US government to develop and test these controls in Latin America as part of a hemispheric New Deal designed to encourage trade, economic stability and political cooperation throughout the Americas. US intervention in the industries of Latin America also extended to the oil trade as Washington officials sought to dispel any issues that might create ruptures in pan-American solidarity. Beginning in 1940, Washington acted to expedite a settlement between SOCNJ and the Bolivian and Mexican governments regarding the two expropriation cases.¹¹⁰ The RTAA had enabled the Roosevelt administration to encourage imports of Venezuelan oil to the USA but its action in Bolivia and Mexico constituted a greater involvement in the politics of the international

¹⁰⁷ William H. Becker and William M. McClenahan, Jr., *The Market, the State, and the Export-Import Bank of the United States, 1934-2000* (Cambridge, 2003), pp. 44-50; FDRL, Adolf A. Berle Papers, State Department Subject File, Box 60, File: Latin American Republics General, Berle memorandum 'Use of the \$500 million Increase for the Export-Import Bank', 1 August 1940.

¹⁰⁸ Eric Helleiner, 'The Culture of Money Doctoring: American Financial Advising in Latin America during the 1940s', in Jacqueline Best and Matthew Paterson (eds), *Cultural Political Economy* (New York, NY, 2010), pp. 94-106.

¹⁰⁹ Emily S. Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945* (New York, NY, 1982), p. 188.

¹¹⁰ Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, NJ, 1978), pp. 184-188; LC, Cordell Hull Papers, memorandum of conversation by Herbert S. Bursely, Assistant Chief of the Division of the American Republics, 28 October 1941.

oil industry. Before 1940, Washington had punished Latin American governments for expropriation of oil company properties but it was now committed to resolving such disputes on terms favourable to Latin Americans.¹¹¹

Oil was also central to US relations with the Japanese government as, by 1939, Japan imported around eighty per cent of its supplies from the USA. Following Japanese military aggression in East Asia, the Roosevelt administration was divided on whether to impose an oil embargo on the country. There were those, such as Harold Ickes, who supported an embargo as a means of depriving the Japanese government of the fuel necessary to prosecute war. However, other US officials, such as Cordell Hull, feared that efforts to deny Japan oil would only encourage an attack on the oil-producing Netherlands East Indies. Ultimately, the Japanese invasion of French Indo-China in July 1941 led the US, British and Dutch governments to impose a ban on exports of oil to Japan. While US-Japanese negotiations did take place these ultimately broke down and, on 7 December 1941, the Japanese military attacked the US fleet at Pearl Harbour.¹¹² US official's experience of relations with the Japanese government in the years leading up to the Pearl Harbour attack underlined the international importance of oil as a strategic resource. As Fiona Venn argues, the 'centrality of oil to modern warfare, if it needs further demonstration, is clearly apparent in its prominent role in Japanese-American relations.'¹¹³

Subsequently, New Deal statism was dwarfed by the level of state intervention instigated by the Second World War as the demands of wartime mobilisation led the US government to take a greater role in the lives of its citizens than ever before.¹¹⁴ In

¹¹¹ Krasner, *Defending the National Interest*, pp. 184-188.

¹¹² Venn, *Oil Diplomacy*, pp. 87-90; Waldo Heinrichs, *Threshold of War: Franklin D. Roosevelt and American Entry into World War II* (Oxford, 1988), pp. 118-145.

¹¹³ Venn, *Oil Diplomacy*, p. 90.

¹¹⁴ Paul V. McNutt, 'All-Out Mobilization for All-Out War', in *The Army and Navy Journal, United States at War, December 7, 1941-December 7, 1942* (Washington, DC, 1942), p. 70; James M. Landis, 'Civilians

particular, it was placed in a managing role within the US oil market as war highlighted the military importance of securing readily available sources of oil.¹¹⁵ On 28 May 1941, Roosevelt appointed Harold Ickes as Petroleum Coordinator for National Defense within the newly created Office of the Petroleum Coordinator. Later renamed the Petroleum Administration for War, the office's function was to ensure that the USA was able to maintain adequate stocks of oil as part of the government's wartime mobilisation.¹¹⁶ The conflict also led to the creation of the Army-Navy Petroleum Board in July 1942, which was responsible for procurement, shipment, and distribution of US oil supplies for military purposes.¹¹⁷

During the Second World War the US government employed a number of 'dollar-a-year men'. This term referred to business managers who received a nominal government salary, continued to collect their company pay, and helped to organise US wartime mobilisation.¹¹⁸ This arrangement blurred the state-private dichotomy, creating an intimate relationship between government and private enterprise. These state-private actors included oil executives who were employed by the government to aid with the formulation, and execution, of US oil policy. To provide advice on issues relating principally to the domestic oil industry, the government established the Petroleum Industry War Council which was made up of some seventy-nine industry executives. An additional industry group, the Foreign Operations Committee, was also formed to

in the War', in *The Army and Navy Journal, United States at War*, p. 85; Sparrow, *Warfare State*, pp. 3-15; Polenberg, *War and Society*, pp. 5-36.

¹¹⁵ Harry A. Stuart, 'Petroleum and the War Effort', in *The Army and Navy Journal, United States at War*, p. 51; Harold L. Ickes, *Fightin' Oil* (New York, NY, 1943), pp. 3-17.

¹¹⁶ LC, Harold L. Ickes Papers, Box 219, File: Secretary of Interior File, Oil 15, Roosevelt to Ickes, 28 May 1941; John W. Frey and H. Chandler Ide (eds), *A History of the Petroleum Administration for War, 1941-1945* (Washington, DC, 1946), pp. 14-16; Harold L. Ickes, 'Resources for Victory', in *The Army and Navy Journal*, p. 29; Ickes, *Fightin' Oil*, pp. vii-x; FDRL, OF 4435b Petroleum Industry War Council, Box 3, Petroleum Coordinator for War, File: Petroleum Industry War Council, 1943, Addresses before the 24th Annual Meeting of the American Petroleum Institute, 10-11 November 1943.

¹¹⁷ Randall, *United States Foreign Oil Policy*, p. 125; Frey and Ide (eds), *A History of the Petroleum Administration for War*, p. 18.

¹¹⁸ Sparrow, *Warfare State*, pp. 6-7; Polenberg, *War and Society*, pp. 90-91; Richard E. Holl, *From the Boardroom to the War Room: America's Corporate Liberals and FDR's Preparedness Program* (Rochester, NY, 2005), pp. 1-9.

consider matters relating to the international oil industry.¹¹⁹ In particular, it was becoming increasingly important for the government to formulate a strategy that would ensure the USA's access to overseas oil fields, including those of Venezuela. By 1941, no major new oil fields had been discovered in the USA for a number of years and it was feared that domestic supplies of oil would only last for a further fifteen years.¹²⁰

In order to facilitate the construction of a foreign oil policy, the US government employed oil industry managers who would be able to provide expert opinion. Secretary of the Interior Harold L. Ickes selected Ralph K. Davies, vice president of Standard Oil Company of California (SoCal), to be Deputy Petroleum Coordinator for National Defense. In October 1941, Davies produced a memorandum that outlined the potential problems facing the United States. The document argued that 'the United States must have extra-territorial petroleum reserves to guard against the day when our steadily increasing demand can no longer be met by our domestic supply'. Referring to British oil policy, Davies stated that 'Great Britain has long recognized this principle, and in result we find the British in control of oil fields throughout the world.' The memorandum reasoned that this policy should be emulated, arguing that 'the petroleum resources of Mexico, Colombia, Venezuela, and other Caribbean countries must be considered to be reserves for the United States.'¹²¹

Thus, US officials' concerns regarding oil supplies informed their attitude towards Latin America. While the US government did not have formal control over Latin

¹¹⁹ Randall, *United States Foreign Oil Policy*, pp. 116-119; FDRL, OF 4435b Petroleum Industry War Council, Box 2, Petroleum Coordinator for War, File: Petroleum Industry War Council, 1941, minutes of Petroleum Industry War Council for National Defense meeting, 8 December 1941; *Wartime Petroleum Policy Under the Petroleum Administration for War, Hearings before a Special Committee Investigating Petroleum Resources*, US Senate, 79th Congress, 1st Session, (Washington, DC, 1946), pp. 27-28, 39-41; Joseph A. Pratt, William H. Becker and William M. McClenahan, Jr., *Voice of the Marketplace: A History of the National Petroleum Council* (College Station, TX, 2002), pp. 6-7.

¹²⁰ LC, Harold L. Ickes Papers, Box 221, File: Secretary of Interior File, Oil Octane (100) 1941-1946, Ickes to Roosevelt, 1 December 1941; Ickes, *Fightin' Oil*, p. 11.

¹²¹ LC, Harold L. Ickes Papers, Box 221, File: Secretary of Interior File, Oil Octane (100) 1941-1946, memorandum for the Petroleum Coordinator by Ralph K. Davies, Deputy Petroleum Coordinator for National Defense, 15 October 1941.

America, it exercised a hegemonic level of influence over the region. Combined with the region's geographical proximity to the USA and the presence of rich oil fields in the area, Latin America became an obvious pool from which vital oil supplies could be drawn. Moreover, US companies held concessions for oil production in various Latin American countries, which gave these corporations an element of control over the region's output. After reading Davies' memorandum, Ickes forwarded it to President Franklin D. Roosevelt, writing that it was 'one of the most important documents that I have sent to you'.¹²²

Ickes wrote to Roosevelt in the same vein on 1 December 1941, stating that it was 'of the utmost importance that we look ahead in this matter of oil from a nationalistic point of view as we have not done to date. So far as I can see the future depends upon oil more than upon any other factor.' Like Davies, he felt that the US government should seek to emulate Britain which 'lacking any oil of her own, long ago set out to stake out claims in other parts of the world.' He felt that Washington, conversely, had 'relied upon private companies, whose interests do not always run parallel to those of the Nation. It seems to me that we ought at least begin to formulate a National policy, our known reserves being what they are, and the importance of oil to civilisation being what it is.'¹²³ Roosevelt replied to Ickes stating that he was 'deeply conscious of the situation regarding the future and have talked about it on many occasions with the State Department, the Army and Navy and even private producers. As you say, there is no assurance that our own oil will be sufficient twenty years from now.'¹²⁴

¹²² LC, Harold L. Ickes Papers, Box 221, File: Secretary of Interior File, Oil Octane (100) 1941-1946, Ickes to Roosevelt, 15 October 1941.

¹²³ LC, Harold L. Ickes Papers, Box 221, File: Secretary of Interior File, Oil Octane (100) 1941-1946, Ickes to Roosevelt, 1 December 1941.

¹²⁴ LC, Harold L. Ickes Papers, Box 221, File: Secretary of Interior File, Oil Octane (100) 1941-1946, Roosevelt to Ickes, 3 December 1941.

Furthermore, in July 1941, the State Department appointed Max Weston Thornburg to the role of Special Assistant to Sumner Welles as a consultant on petroleum matters. Thornburg, who had previously worked as a corporate executive at SoCal, was assigned to the Office of the Adviser on International Economic Affairs.¹²⁵ After joining the State Department he began work on the construction of a coherent foreign oil policy for the US government, which he felt was severely lacking. In Thornburg's view, the absence of an office in the State Department devoted particularly to oil problems had resulted in a diversity of policies among its various divisions.¹²⁶ However, he stopped short of Ickes' and Davies' statism, and supported an approach to oil policy that would see both government and private enterprise collaborating to mutual benefit.¹²⁷

Thornburg stated that the USA would not be able to maintain its role as an oil-exporting country and its future position in world oil affairs would depend upon the control it could exercise over the distribution of oil exported by other producing countries.¹²⁸ He supported an approach to oil policy that would see both government and private enterprise working together in the US national interests but felt that the attitude of State Department officials was generally 'sceptical if not mistrustful' towards the large multinational companies. While government officials felt that the oil companies operated with too little regard for international relations, Thornburg also perceived a generally

¹²⁵ NARA, RG 59, General Records of the Department of State, Records of the War History Branch Study, Box 22, File: PED - Petroleum Division, Vol. I, Departmental Order 952 by Sumner Welles, 9 July 1941; Edward S. Mason, 'Introduction', in Max Weston Thornburg, *People and Policy in the Middle East: A Study of Social and Political Change as a Basis for United States Policy* (New York, NY, 1964), pp. ix-xii; Linda Qaimmaqami provides the most thorough analysis of Thornburg's views and career: Linda Wills Qaimmaqami, 'Max Thornburg and the Quest for a Corporate Foreign Oil Policy: An Experiment in Cooperation', Ph.D. thesis (Texas A&M University, 1986); Linda Wills Qaimmaqami, 'The Catalyst of Nationalization: Max Thornburg and the Failure of Private Sector Development in Iran, 1947-1951', *Diplomatic History*, Vol. 19, No. 1 (January 1995), pp. 1-31.

¹²⁶ Max Thornburg Papers, Thornburg memorandum 'Review of Petroleum Adviser's Work', 20 September 1941.

¹²⁷ NARA, RG 59, General Records of the Department of State, Records of the Petroleum Division [hereafter Petroleum Division], Box 19, File: Petroleum Policy Study Group 1943, Thornburg memorandum, 15 January 1943.

¹²⁸ Max Thornburg Papers, Thornburg memorandum 'Immediate Need for the Formulation of a Foreign Oil Policy', 23 November 1942; also found at NARA, Petroleum Division, Box 8, File: Thornburg.

corresponding attitude of scepticism, mistrust and lack of understanding on the side of the companies. He judged that this was down to ‘an almost complete lack of personal acquaintance between responsible leaders in the industry and policy officials in the Department’ and believed that closer ties between the two groups would help foster a ‘mutual understanding and confidence’.¹²⁹ He argued that a ‘tremendous step in advance will have been taken when responsible and representative leaders in the industry and responsible officials of Government begin to put their heads together on problems of national importance’.¹³⁰ Thus, for Thornburg, dispelling this mutual aloofness between government and industry was of urgent importance.¹³¹

On 2 December 1941, he gave Sumner Welles the first outline of a programme of study aimed at formulating a foreign oil policy for the US government. Welles expressed interest and asked to be kept informed as to its progress.¹³² By the end of December, Thornburg had been appointed as Chairman of the Foreign Petroleum Policy Committee and had established the new Office of the Petroleum Adviser, of which he was head.¹³³ The office’s stated aim was to achieve consistency in handling issues concerning oil and to assist ‘all interested branches of the Government and the oil industry to use in the most effective manner our powerful international position in what is perhaps the most important of the strategic raw materials.’¹³⁴

¹²⁹ Max Thornburg Papers, ‘Notes on the Development of our National Foreign Oil Policy in Preparation for Senate Inquiry’, Thornburg, 14 March 1944.

¹³⁰ NARA, Petroleum Division, Box 19, File: Petroleum Policy Study Group 1943, Thornburg memorandum, 15 January 1943.

¹³¹ Max Thornburg Papers, ‘Notes on the Development of our National Foreign Oil Policy in Preparation for Senate Inquiry’, Thornburg, 14 March 1944.

¹³² NARA, Petroleum Division, Box 8, File: Thornburg, Thornburg to Welles, 23 March 1942.

¹³³ NARA, DS 831.6363/1309, Thornburg memorandum, 4 June 1942; NARA, Records of the War History Branch Study, Box 22, File: PED - Petroleum Division, Vol. I, Thornburg memorandum, 31 December 1941.

¹³⁴ NARA, Records of the War History Branch Study, Box 22, File: PED - Petroleum Division, Vol. I, ‘Project for Study of United States Foreign Oil Policy’, Walton C. Ferris, Assistant Petroleum Adviser, to Thornburg, 24 November 1941.

In Thornburg's view, the State Department's general aim should be to reduce friction between multinational oil companies and host countries, which would ultimately be to the benefit of both oil-importing and oil-exporting countries. By creating international agreements, he argued that it was possible to fix certain rights, obligations and rules of behaviour to which governments and private enterprise could conform. Thornburg had faith in the ability and willingness of US oil companies to help write, and then follow, such accords. He argued that it would then be necessary to convince other countries, beginning with Britain, to support these sets of agreements. Such an arrangement would secure each government's vital interests, eliminate the potential for conflict, and allow prosperity for all. Thus, for Thornburg, successful oil policy was based on cooperation between host countries, home countries, and oil companies.¹³⁵

By the end of 1941, various individuals and organisations in Washington were labouring to formulate the government's foreign oil policy. While Ickes endorsed a statist approach to the issue, Thornburg's corporatist model sought to achieve greater voluntary cooperation between national and private interests. Despite these differences, both approaches formed part of the internationalisation of the New Deal as Washington assumed the responsibility to supervise overseas industries. These issues were not limited to Latin American countries, although Thornburg felt that the US national interest was 'more closely woven with theirs than with countries across the world.'¹³⁶ Indeed, hemispheric solidarity took on even greater importance once the US government became a full belligerent in the Second World War.¹³⁷

¹³⁵ Max Thornburg Papers, Thornburg to Rayner, 8 January 1944.

¹³⁶ Max Thornburg Papers, Thornburg memorandum 'Immediate Need for the Formulation of a Foreign Oil Policy', 23 November 1942; also found at NARA, Petroleum Division, File: Thornburg.

¹³⁷ Nelson A. Rockefeller, 'The New World United for Victory', in *The Army and Navy Journal, United States at War*, p.72; Philip W. Bonsal, Radio Address on Inter-American Relationships, 25 April 1942, in *The Department of State Bulletin*, Vol. VI, No. 148, 25 April 1942 (Washington, DC), pp. 369-372; Friedman, *Nazis and Good Neighbors*, pp. 229-235; Gellman, *Good Neighbor Diplomacy*, pp. 117-141.

For Welles, the potential for Axis infiltration into Latin America placed yet even greater import on achieving pan-American cooperation. He wrote that ‘the maintenance of the unity of the Western Hemisphere’ was of ‘vital significance to the United States’ and that ‘the security of the United States depends upon the attainment of that objective’.¹³⁸ Following the Japanese attack on Pearl Harbor, the US naval fleet relied on uninterrupted use of the Panama Canal in order to move ships from the Atlantic to the Pacific. In order for the security of the canal to be assured, it was necessary for Latin American governments to aid in the defence of the hemisphere by taking steps to prevent Axis activities in their territories.¹³⁹ The military shared the State Department’s fears regarding the security of Latin America as Army and Navy planners called for various studies and strategies to be produced in order to counter the threat posed to the Western Hemisphere by the Axis powers.¹⁴⁰

Welles, Hull and Roosevelt agreed that ensuring Latin American support for the Allied cause was of vital importance and it became one of the US government’s central aims at the 1942 Meeting of the Ministers of Foreign Affairs of the American Republics in Rio de Janeiro. Subsequently, Welles was able to secure a resolution supported by the Latin American governments that recommended the breaking of relations with the Axis powers.¹⁴¹ For Welles, the Good Neighbor policy had destroyed ‘the grounds for that bitter hostility toward the United States’ that had been created in Latin America by repeated US military intervention. He argued that the policy had led to a ‘wholly new spirit of co-operation’ between the USA and Latin America and that it was this

¹³⁸ Sumner Welles, *Where Are We Heading?* (New York, NY, 1946), pp. 182-183.

¹³⁹ Welles, *Seven Decisions*, pp. 95-96.

¹⁴⁰ Conn and Fairchild, *The Framework of Hemisphere Defense*, pp. 191-206.

¹⁴¹ Welles, *Seven Decisions*, pp. 115-119; Cordell Hull, *The Memoirs of Cordell Hull, Vol. II* (London, 1948), p. 1145.

‘hemispheric solidarity’ that had caused Latin American countries to support the Allied war effort.¹⁴²

The US government’s war effort also placed further importance on its access to raw materials. Consequently, the pan-American meetings at Havana and Rio increased the Inter-American Financial and Economic Advisory Committee’s purview to include, among other duties, the formation of an economic mobilisation plan and list of strategic raw materials. During the war, Latin America supplied twelve of the fourteen materials listed as strategic by the US Army-Navy Munitions Board in 1940.¹⁴³ US officials perceived hemispheric multilateralism as an important part of wartime contingency as a prerequisite to ensuring against Nazi infiltration and providing the USA with war materials. This particular model of pan-American solidarity constituted a hemispheric New Deal which Washington officials had originally formulated to promote US economic growth but had expanded in response to the Second World War. Moreover, the Western Hemisphere acted a test case for the US government’s broader free trade programme. In order for these plans to come to fruition it was necessary for Washington to form an accord with the British government.

British Response to US ‘Multilateralism’, 1940-1942

Having established their hemispheric New Deal, US officials sought to extend their interventionism to the world as a whole but their efforts to globalise free trade brought them into conflict with Whitehall. Prior to entering the Second World War as a full belligerent, the US government had already begun to formulate its plans for post-war international organisation. In his State of the Union address of 6 January 1941, Roosevelt listed the ‘four essential human freedoms’ upon which the US government would base

¹⁴² Welles, *Where Are We Heading?*, pp. 184-185.

¹⁴³ Edgar S. Furniss, Jr., ‘American Wartime Objectives in Latin America’, *World Politics*, Vol. 2, No. 3 (April 1950), pp. 377-378.

future world security. The President described these four freedoms in decidedly international and universal terms:

The first is freedom of speech and expression -- everywhere in the world.

The second is freedom of every person to worship God in his own way -- everywhere in the world.

The third is freedom from want, which, translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants -- everywhere in the world.

The fourth is freedom from fear, which, translated into world terms, means a world-wide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor -- anywhere in the world.¹⁴⁴

Roosevelt laid out these principles in stark contrast to the military aggression carried out by the Axis powers. He stated that the four freedoms formed ‘a definite basis for a kind of world attainable in our own time and generation. That kind of world is the very antithesis of the so-called new order of tyranny which the dictators seek to create with the crash of a bomb.’¹⁴⁵ These values would later form the basis of US war aims in the minds of the US public and constituted a foundation for post-war reconstruction framed in direct opposition to the Axis powers.¹⁴⁶

Roosevelt’s assertion that it was necessary to secure ‘economic understandings which will secure to every nation a healthy peacetime life’ reflected Washington’s desire to expand its role in economic affairs beyond the Western Hemisphere.¹⁴⁷ Indeed, the US government sought to apply its pan-American free trade paradigm to the rest of the world. As Wayne S. Cole has argued, Latin America served as a ‘side door to internationalism’ for the Roosevelt administration or as Warren F. Kimball puts it, ‘the Good Neighbor

¹⁴⁴ Roosevelt, Annual Message to the Congress, 6 January 1941, in Rosenman (ed.), *Papers and Addresses of Roosevelt, 1940 Vol.*, p. 672. For a history of the drafting of the speech see: Laura Crowell, ‘The Building of the “Four Freedoms” Speech’, *Speech Monographs*, Vol. 22, No. 5, (November 1955), pp. 266-283.

¹⁴⁵ Roosevelt, Annual Message to the Congress, 6 January 1941, p. 672.

¹⁴⁶ Sparrow, *Warfare State*, p. 44; Borgwardt, *A New Deal for the World*, pp. 20-21.

¹⁴⁷ Roosevelt, Annual Message to the Congress, 6 January 1941, p. 672.

Policy was exportable outside the hemisphere.’¹⁴⁸ While Cole and Kimball focus on the US government’s desire to spread the pan-American model of regional organisation, the free-trade agreements that US officials had cultivated in the Americas were also ‘exportable’.¹⁴⁹ As early as 1936, Roosevelt stated that ‘the American Republics have given a salutary example to the world’ as ‘the principles of liberal trade policies’ had ‘shone forth like a beacon in the storm of economic madness which has been sweeping over the entire world’.¹⁵⁰

While the US government was broadly in favour of free trade, this threatened the British Empire’s policy of imperial preference which had been introduced in 1932 to combat the effects of reduced international trade during the Depression. Within this system, intra-empire trade was encouraged through a reduction in tariffs between members of the Empire, thereby prejudicing external trade.¹⁵¹ British support was needed if the US government’s free trade agenda were to become truly international. However, in the first years of the war, with the Axis on the ascendance, US policy-makers were concerned that British officials might give assurances to other governments concerning post-war planning without prior consultation with Washington.¹⁵² In particular, US officials feared that the British government might conclude a deal with German officials that would allow for German penetration of Latin America. Adolf Berle wrote in his diary on 29 March 1940 that:

there has always been a strong opinion in Great Britain for making peace with the Germans on the best terms. ... It would be just like some bright Englishman to concede them a sphere of

¹⁴⁸ Cole, *Roosevelt and the Isolationists*, p. 357; Kimball, *The Juggler*, p. 110.

¹⁴⁹ Cole, *Roosevelt and the Isolationists*, pp. 357-363; Kimball, *The Juggler*, pp. 107-127.

¹⁵⁰ Franklin D. Roosevelt, Address before the Inter-American Conference for the Maintenance of Peace, Buenos Aires, Argentina, 1 December 1936 in Samuel Irving Rosenman (ed.), *The Public Papers and Addresses of Franklin D. Roosevelt, Vol. V: The People Approve, 1936* (New York, NY, 1938), pp. 604, 607-608.

¹⁵¹ Ian M. Drummond, *Imperial Economic Policy, 1917-1939* (London, 1974), pp. 279-290; Allister Hinds, *Britain's Sterling Colonial Policy and Decolonization, 1939-1958* (Westport, CT, 2001), pp. 7-9; Ian M. Drummond, *British Economic Policy and Empire, 1919-1939* (Abingdon, 2006), pp. 89-104.

¹⁵² Alan P. Dobson, *U.S. Wartime Aid to Britain, 1940-1946* (London, 1986), pp. 64-66.

influence in South America, leaving it up to us to meet the ensuing situation.¹⁵³

Indeed, Thomas C. Mills has branded a number of US officials as ‘Hemisphere isolationists’.¹⁵⁴ Mills argues that, while Washington generally advocated an open door policy and sought to bring an end to exclusive trading blocs such as the British Empire, US officials did not always apply this principle to Latin America. For Mills, this isolationist tendency correlates with what John Lamberton Harper has labelled ‘Europhobic-hemispherism’.¹⁵⁵ Indeed, Lamberton Harper argues that suspicions of British policy were dominant within the Roosevelt administration.¹⁵⁶ Certainly, Sumner Welles was antagonistic towards the British presence in Latin America and was critical of Britain’s imperial role in South America and the Caribbean.¹⁵⁷

Throughout 1941, Cordell Hull and the State Department sought to achieve, what they considered to be, the linked aims of combating German military aggression and gaining entry into the British Empire’s markets.¹⁵⁸ During 1940, the British government sold securities and exhausted its gold and dollar reserves to finance the purchase of war materials from the US yet, despite this, Washington policy-makers continued to overestimate British economic strength.¹⁵⁹ Many US officials believed that the British government was deliberately exaggerating its financial difficulties and Latin America was repeatedly discussed in conversations regarding possible provisos attached to US aid. Washington officials, including Roosevelt, suggested that before receiving economic assistance, the British should sell their assets in the Western Hemisphere or transfer them

¹⁵³ FDRL, Adolf A. Berle Diary, 29 March 1940.

¹⁵⁴ Thomas C. Mills, ‘The “Hemisphere Isolationists” and Anglo-American Economic Diplomacy during the Second World War’, *The Journal of Transatlantic Studies*, Vol. 9, No. 1 (March 2011), pp. 63-75.

¹⁵⁵ Mills, *Post-War Planning on the Periphery*, p. 224, n. 40; John Lamberton Harper, *American Visions of Europe: Franklin D. Roosevelt, George F. Kennan and Dean G. Acheson* (Cambridge, 1996), p. 49.

¹⁵⁶ Lamberton Harper, *American Visions of Europe*, p. 60.

¹⁵⁷ Christopher D. O’Sullivan, *Sumner Welles, Postwar Planning, and the Quest for a New World Order, 1937-1943* (New York, NY, 2008), p. 106.

¹⁵⁸ Kimball, *The Juggler*, p. 49.

¹⁵⁹ R. S. Sayers, *Financial Policy, 1939-1945* (London, 1956), pp. 363-374.

to US ownership. Similarly, they proposed that the British government could repay Lend-Lease aid by transferring their Latin American assets to US control.¹⁶⁰ British financial withdrawal from the Americas would lead the USA to increase its political and economic hegemony in the region yet further and amounted to a modification, and extension, of the Monroe Doctrine with the aim of limiting European influence in Latin America.

Ultimately, US officials felt that rising nationalism in Latin America made the ownership of British assets a curse rather than a windfall.¹⁶¹ Nevertheless, US undertakings to provide the British government with war materials increasingly included conditions that were of benefit to US business interests. Many US officials felt it unreasonable that their government provided aid to the British while US exports were simultaneously being denied access to a seemingly affluent British Empire. The Lend-Lease Act became seen by many US officials as a means of forcing the British government to abandon its system of imperial preference.¹⁶² Such thinking was distinct from, but nevertheless correlated with, President Roosevelt's distaste for European imperialism which he viewed as an out-dated and unacceptable feature of international relations.¹⁶³

While the State Department wished to gain commitments from the British government concerning specific policy details, the President sought to limit Anglo-US agreements to broad principles. For Roosevelt, discussion of policy minutiae, especially regarding trade, would potentially create conflict within the emerging Anglo-US wartime alliance at a time when unity between the two governments was of paramount importance.¹⁶⁴ By the summer of 1941, the precarious state of their war effort meant that

¹⁶⁰ Mills, *Post-War Planning on the Periphery*, p. 58.

¹⁶¹ *Ibid.*

¹⁶² Kimball, *The Juggler*, pp. 46-49.

¹⁶³ Gerhard L. Weinberg, *Visions of Victory: The Hopes of Eight World War II Leaders* (Cambridge, 2005), pp. 191-195; Kimball, *The Juggler*, pp. 128-129.

¹⁶⁴ Dobson, *U.S. Wartime Aid to Britain*, pp. 64-67.

British officials were enthusiastic about the opportunity to enter into discussions with their US counterparts who might potentially be persuaded to enter the war as full belligerents.¹⁶⁵ Subsequently, after discussions between top level officials from the two governments, on 14 August 1941, the Atlantic Charter was issued as a joint Anglo-US declaration that broadly laid out the two governments' plans for the post-war world.¹⁶⁶ Elizabeth Borgwardt has described the Anglo-US talks as 'a bold attempt on the part of Roosevelt and his foreign policy planners to internationalize the New Deal.'¹⁶⁷ More precisely, the Atlantic Charter was an expansion of the Roosevelt administration's earlier efforts to internationalise the New Deal throughout Latin America. As such, the Charter reflected US officials' ambition to extend their leadership role in the Americas to cover international post-war reconstruction.

The issue of free trade had created discord between British and US officials leading up to, and during, construction of the Atlantic Charter. Article IV of the Charter, which dealt with the issue of trade, proved to be most divisive for US and British officials.¹⁶⁸ Article II stated that the signatories 'respect the right of all peoples to choose the form of government under which they will live'. Simultaneously, in Article IV, the two governments agreed to 'endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity'. Thus, self-determination did not extend to a government's trade policy and instead the Charter universalised free trade practices. The Charter had been

¹⁶⁵ David Reynolds, 'The Atlantic "Flop": British Foreign Policy and the Churchill-Roosevelt Meeting of August 1941', in Douglas Brinkley and David Richard Facey-Crowther (eds), *The Atlantic Charter* (New York, NY, 1994), p. 136

¹⁶⁶ *FRUS*, 1941, Vol. I, pp. 341-369; Theodore A. Wilson, *The First Summit: Roosevelt and Churchill at Placentia Bay, 1941* (London, 1969), pp. 173-202.

¹⁶⁷ Borgwardt, *A New Deal for the World*, p. 3.

¹⁶⁸ Dobson, *U.S. Wartime Aid to Britain*, pp. 69-75; Zeiler, *Free Trade, Free World*, pp. 24-27; Patrick J. Hearden, *Architects of Globalism: Building a New World Order during World War II* (Fayetteville, AK, 2002), pp. 31-32.

written solely by British and US officials yet it was an agreement to which all governments were now expected to conform as it called into question the right of a national government to dictate its own economic and foreign policies. This was indicative of the contradictions inherent within the US brand of liberalism, which maintained that a people had the right to choose their own form of government but placed limits on what form of government was acceptable.

Welles and Roosevelt drafted Article IV to state that the British and US governments 'will endeavor to further the enjoyment by all peoples of access without discrimination and on equal terms to the markets and to the raw materials of the world which are needed for their economic prosperity.' Welles told Churchill that the article was intended to apply to the Ottawa Agreement but that the phrase 'they will endeavor to further' did not imply formal and immediate contractual obligation. The Prime Minister told Welles and Roosevelt that, while he was personally opposed to the Ottawa Agreements, he would need to consult the Dominions before he could commit to the article as written. In order to avoid delay, Roosevelt agreed to enter the proviso 'with due respect for their existing obligations' into the article and remove the phrase 'without discrimination'.¹⁶⁹ However, Welles believed that this modification destroyed any value in the article and felt that if the British and US governments could not agree to 'a restoration of free and liberal trade policies, they might as well throw in the sponge and realise that one of the greatest factors in creating the present tragic situation in the world was going to be permitted to continue unchecked in the postwar world.'¹⁷⁰ In his memoirs, Cordell Hull also described himself as being 'keenly disappointed' by Article IV. He felt that the phrase 'with due respect for their existing obligations' 'deprived the

¹⁶⁹ Welles, *Where Are We Heading?*, pp. 6-16.

¹⁷⁰ *Ibid.*, pp. 13-14.

article of virtually all significance since it meant that Britain would continue to retain her Empire tariff preferences against which I had been fighting for eight years.’¹⁷¹

The issue was raised again in relation to Lend-Lease as US officials once more attempted to gain a British commitment to free trade. During the autumn of 1941, British and US officials discussed the Lend-Lease Master Agreement that the latter hoped would bring an end to imperial preference. However, this plan received stiff opposition from British officials, especially from John Maynard Keynes. Moreover, as the US government entered the war in December 1941, Roosevelt was keen to avoid disagreement over a contentious issue that might undermine Anglo-US cooperation. As such, the President agreed to Churchill’s request that, again, imperial preference be exempt from any agreement on free trade.¹⁷² Nevertheless, in July 1942, Harry Hawkins, head of the State Department’s Division of Commercial Policy Agreements, argued that Washington’s priority should be to pressure Whitehall to accept ‘the virtual abolition of Empire preferences and renunciation of bilateralism.’¹⁷³ Despite these sentiments, British imperial preference remained in place throughout the Second World War and US officials only succeeded in gaining vague commitments concerning free trade from their British counterparts.¹⁷⁴ As John Darwin has argued, Whitehall officials ‘imagined survival [of the Second World War] in imperial terms, as the full recovery of the British world-system’. This included restoring Britain as the centre of a global network of trade and resisting demands for the Empire to be opened to US business.¹⁷⁵

¹⁷¹ Hull, *Memoirs, Vol. II*, pp. 975-976.

¹⁷² Dean Acheson, *Present at the Creation: My Years in the State Department* (London, 1969), pp. 27-33; Armand Van Dormael, *Bretton Woods: Birth of a Monetary System* (London, 1978), pp. 21-28; Alan P. Dobson, *Anglo-American Relations in the Twentieth Century: of Friendship, Conflict and the Rise and Decline of Superpowers* (London, 1995), pp. 85-86; William J. Barber, *Designs within Disorder: Franklin D. Roosevelt, the Economists and the Shaping of American Economic Policy, 1933-1945* (Cambridge, 1996), pp. 154-155.

¹⁷³ Cited in Bennett Woods, *A Changing of the Guard*, p. 54

¹⁷⁴ Dobson, *Anglo-American Relations in the Twentieth Century*, pp. 85-86.

¹⁷⁵ Darwin, *The Empire Project*, p. 515.

Moreover, Whitehall officials sought to expand, as well as maintain, their international influence. In April 1942, Victor Perowne produced a memorandum entitled 'Anglo-Latin American Relations' which argued that short and long range considerations dictated that British policy should be 'to establish or maintain the most intimate and cordial relations possible with the Latin American countries'. Perowne stated that, in the short term, Latin America was the last remaining source of supplies essential for the successful prosecution of the war while, in the longer term, it would play an important role for Britain in the post-war period. Perowne pointed to the region's significance as an 'immense' area of British capital investment, a source of supply, and a market for British manufactured goods. The memorandum also highlighted the increasingly important political role Latin American countries would play after the war. Perowne felt that, in the coming years, the region would be able to exert considerable influence over the USA due to the Good Neighbor policy and the needs of Pan-American defence.¹⁷⁶ Ronald Fraser, Assistant Secretary at the Board of Trade, felt that Britain was in a fairly strong position to achieve such aims. He believed that, following the war, South American countries would have to look to Europe as a market for a very important part of their production, while 'a natural reaction against the U.S.A. after the war may lead them to act in a friendly manner towards ourselves'.¹⁷⁷ There were, therefore, compelling reasons for Whitehall officials to pursue increased British influence in Latin America.

In order to achieve this aim, British policy-makers sought to collaborate with the US government and form a bilateral approach to Latin American questions.¹⁷⁸ As such they were pleased with the anti-Axis resolutions made at the 1942 pan-American

¹⁷⁶ NA, FO 371/30503/A4098, draft memorandum 'Anglo-Latin American Relations' by J. Victor Perowne, head of FO South American Department, 28 April 1942.

¹⁷⁷ NA, FO 371/30503/A2021, Ronald Fraser, Assistant Secretary at the Board of Trade, to Rodney A. Gallop, FO, 26 February 1942.

¹⁷⁸ Mills, 'Hemisphere Isolationists', pp. 63-75

conference in Rio de Janeiro.¹⁷⁹ After the surrender of France in June 1940, it seemed improbable that British victory would be achieved through military victory on European soil. Rather than attempting to overwhelm Germany with direct force in central Europe, British strategists now focused on blockading German trade. This approach, combined with Anglo-US offensives against Germany's allies in the Mediterranean and Asia, remained central to British strategy up until the Allied invasion of Normandy in June 1944. This campaign played to British naval strength and ability to control international trade networks but, in order to be fully effective, the blockade needed the support of other governments, particularly those of Latin America.¹⁸⁰ As a 1940 War Cabinet memorandum stated, 'the central and south American countries could provide the enemy with large quantities of essential raw materials'. Thus, 'the whole-hearted co-operation of the Americas with us in enforcing the blockade by curtailing potential sources of supply would be of the utmost value, and would afford a very substantial relief to the Royal Navy by freeing ships engaged on blockade duties for service elsewhere'.¹⁸¹ US efforts to enlist the support of Latin American governments to the Allies' cause could well aid the British government's overall military strategy.

However, the Roosevelt administration's economic intervention in Latin America, which formed the basis of their hemispheric New Deal, created concerns in London. As Thomas Mills has revealed, British officials were suspicious of the motivations behind US efforts to achieve a broader form of pan-Americanism. Washington's efforts to ensure British support for international free trade made US officials susceptible to accusations of

¹⁷⁹ Wood, *Dismantling the Good Neighbor Policy*, pp. 3-4.

¹⁸⁰ David Reynolds, 'Roosevelt, Churchill and the Wartime Anglo-American Alliance, 1939-1945: Towards a New Synthesis', in Roger Louis and Bull Hedley (eds), *The 'Special Relationship': Anglo-American Relations since 1945* (Oxford, 1986), pp. 24-25; Gerhard L. Weinberg, *A World at Arms: A Global History of World War II* (Cambridge, 2005), p. 394; Edgerton, *Britain's War Machine*, pp. 282-283; J. R. M. Butler, *Grand Strategy, Vol. II: September 1939 – June 1941* (London, 1957), pp. 71-80.

¹⁸¹ NA, CAB 66/8/39, memorandum 'Economic Aid from the New World to the Old' by Minister without Portfolio Arthur Greenwood, 16 June 1940. See also: NA, BT 11/1465, 'Minutes of Meeting to consider South American Trade', 25 September 1940; NA, BT 11/1466, draft report on Latin America, 7 October 1940.

hypocrisy if they appeared to stray from multilateralism.¹⁸² In regards to Latin America, Victor Perowne felt that some US officials sought to create a form of imperial preference for themselves. Despite Cordell Hull's distaste for British imperial preference, British officials perceived the Secretary of State to be an ally in regards to Latin America. They believed that Hull's support of free trade extended to Latin America, unlike some of his colleagues, most notably Under Secretary Sumner Welles.¹⁸³ British officials were particularly wary of Welles, who they believed was determined to eliminate European interests and influence in the region.¹⁸⁴ At the end of 1941, Perowne was of the opinion that Welles specifically 'quite naturally regards Latin America as his own particular oyster'.¹⁸⁵ Indeed, throughout the Second World War, British officials believed that US policy-makers were consistently hindering their ambitions in Latin America. Such feelings were summarised by Francis Edward Evans, who stated that:

I find the U.S. attitude consistent with American tradition and reasonable in the light of American experience. It is an extension – indeed, no more than a continuance – of the policy which has been followed by the U.S. for 120 years ... Europe, in the Pan-American view, must be allowed no part of the politics of the Americas, for as long as Europe produces imperialism, Europe is suspect.¹⁸⁶

Within Whitehall, it was widely believed that US officials aimed to achieve hemispheric self-containment and US preponderance in Latin America.

In November 1939, *The Economist* magazine warned that unless the British government acted to encourage trade with Latin America, 'the alternative is still further decay in our export industries and impairment of that ability to call on the resources of the

¹⁸² Mills, *Post-War Planning on the Periphery*, pp. 82-117.

¹⁸³ NA, FO 371/30503/A4132, Owen Chalkley, Commercial Counsellor in Washington, to Neville Montague Butler, head of the FO North American Department, 20 April 1942.

¹⁸⁴ Mills, 'Hemisphere Isolationists', pp. 65-69

¹⁸⁵ NA, FO 371/26036/A10669, Perowne minute, 31 December 1941.

¹⁸⁶ NA, FO 371/30504/A1817, minute by Francis E. Evans, FO North American Department, 18 March 1942.

whole world on which our ability to win the war unconditionally depends.’¹⁸⁷ Indeed, during the Second World War, British policy-makers specifically identified Latin America as an area within which British influence could, and should, be expanded.¹⁸⁸ However, *The Economist* also cautioned that throughout the region, ‘United States influence is strong. No easy task awaits British traders in these parts.’¹⁸⁹ The 1942 pan-American conference in Rio only heightened British concerns. Prior to the conference, Reuters quoted a senior official in the US Commerce Department who claimed that the USA had drawn up a programme designed to promote inter-American trade. The proposed policy would abolish all trade barriers within the Americas, establish a common currency for all anti-Axis nations, and permit the use of US naval and air units to convoy hemispheric shipping. Perowne felt such a move would gain support among US policy-makers as a balance to British imperial preference. Moreover, he believed some US officials considered it a legitimate aim to achieve the virtual, if not complete, elimination of European trade from the markets of Latin America.¹⁹⁰

Ronald Fraser at the Board of Trade perceived a ‘rather ugly train of opinion in the United States’ on the subject of ‘hemispheric solidarity’. He felt it likely that after the war the US government would ‘wish to lay the foundations of hemispheric self-containment in the strategical sphere which might in certain circumstances extend to economic self-sufficiency.’ Such a policy would ‘fall in with the wishes of those Americans whose one idea will be to grab the [South American] markets.’¹⁹¹ In March 1942, Perowne wrote: ‘[I]et us admit that at times a Pan-American customs union must look pretty attractive to the Department of Commerce, to the Import and Export Bank,

¹⁸⁷ ‘New Markets for Britain’, *The Economist*, 11 November 1939, p. 201.

¹⁸⁸ NA, FO 371/30503/A4098, Perowne draft memorandum ‘Anglo-Latin American Relations’, 28 April 1942; Mills, *Post-War Planning on the Periphery*, pp. 152-155.

¹⁸⁹ ‘New Markets for Britain’, *The Economist*, 11 November 1939, p. 201.

¹⁹⁰ NA, FO 371/30503/A912, Perowne to Fraser, 9 March 1942.

¹⁹¹ NA, FO 371/30503/A2021, Fraser to Gallop, 26 February 1942.

and to commercial entities with a large stake in South America.’ He went on to write that such a union:

would be inconsistent with efforts to remove or reduce the incidence of Imperial Preference, and would mean the abandonment, for the duration of the war at least, of Mr. Cordell Hull’s long campaign on behalf of liberal principles of international trade. None the less, there may be not a few in Washington who would like to see Pan-American preference put into the scales to balance imperial preference¹⁹²

Thus, British officials criticised US Latin American policy by invoking the very multilateral free trade doctrine that US officials espoused.¹⁹³

Reuters’ insights into the pan-American conference proved to be erroneous as the US government failed to table such a policy at Rio. Sir Owen Chalkley, the Commercial Counsellor at the British Embassy in Washington, rubbished the idea that US officials had ever considered doing so. Chalkley did, however, concede that the problem of Anglo-US economic relations with Latin America was ‘most difficult’. He felt that any difficulties could only be solved by ‘a spirit of mutual confidence which I fear is still lacking in many American as in British quarters.’ He went on to say that ‘mutual suspicions remain and will continue to plague us’.¹⁹⁴ Christopher Steel, First Secretary in the FO, suggested that Chalkley had ‘become a bit tinged with the Washington point of view’ during his ten years in the USA, leading him to view ‘his American friends with less suspicion than he might in consequence’.¹⁹⁵

Sir Edward Mather-Jackson at the FO felt that British suspicions were justified having been ‘aroused by a marked difference in Anglo-American relations in that which concerned Latin America and that which concerned other parts of the world.’¹⁹⁶ It appeared to British officials that the US government promoted a multilateral open door

¹⁹² NA, FO 371/30503/A912, Perowne to Fraser, 9 March 1942.

¹⁹³ Mills, *Post-War Planning on the Periphery*, p. 91.

¹⁹⁴ NA, FO 371/30503/A4132, Chalkley to Butler, 20 April 1942.

¹⁹⁵ NA, FO 371/30503/A4132, minute by Christopher Steel, First Secretary in the FO, 12 May 1942

¹⁹⁶ NA, FO 371/30503/A4132, minute by Sir Edward Mather-Jackson, FO, 6 May 1942.

policy everywhere but Latin America.¹⁹⁷ Thus, it was not unreasonable for Mather-Jackson to be concerned that the USA's 'materialistic urge might be set free to achieve its own ends in South America at a time when our own hands were bound by the war effort.'¹⁹⁸ At the same time, there was a belief within the FO that the US government would use blacklisting against German industry in Latin America as a justifiable means of promoting US business in the region. In February 1942, Lord Halifax felt that there could be 'no doubt' that the US government intended for German business interests to be 'entirely supplanted' by their own.¹⁹⁹ US officials were similarly distrustful of British blacklisting policy, which they felt was equally business orientated. British Ambassador Donald St. Clair Gainer reported that US officials in Caracas neither understood nor approved of British blacklisting policy, viewing it as 'purely mercenary'.²⁰⁰

Despite being allies in the Second World War, British and US officials held a mutual distrust when it came to Latin American issues. This suspicion of US policy in Latin America was indicative of British officials' wider concern that the long-term aims of US foreign policy and post-war planning would undermine their own global interests. In June 1943, Welles wrote that wartime cooperation between the American republics was 'the outstanding achievement' in the history of international relations.²⁰¹ He viewed pan-American cooperation as an example of an informal 'regional federation' that 'should constitute a cornerstone in the world structure of the future.'²⁰² The Under Secretary oversaw the formation of the Roosevelt administration's post-war planning committee and its various subcommittees. In July 1942, Welles became head of the international

¹⁹⁷ Mills, 'Hemisphere Isolationists', pp. 63-75; Mills, *Post-War Planning on the Periphery*, pp. 84-95.

¹⁹⁸ NA, FO 371/30503/A4132, Mather-Jackson minute, 6 May 1942.

¹⁹⁹ NA, FO 371/30500/A1516, Halifax to Ministry of Economic Warfare (MEW), 15 February 1942.

²⁰⁰ NA, FO 837/198, Donald St. Clair Gainer, Ambassador to Venezuela, to MEW, 6 June 1941. For detailed analysis of Anglo-US mistrust regarding Latin American blacklisting see: Mills, *Post-War Planning on the Periphery*, pp. 63-71, 100-109.

²⁰¹ Sumner Welles, 'The Americas United', *The Rotarian*, June 1943, p. 11.

²⁰² Sumner Welles, Memorial Day Address, 30 May 1942, in *The Department of State Bulletin*, Vol. VI, No. 153, 30 May 1942 (Washington, DC), p. 488.

organisation subcommittee which held a total of forty-five meetings between July 1942 and June 1943. The subcommittee met weekly in Welles' office and was tasked with designing post-war international organisation. The outlines which the group created reveal the extent to which Welles, and the US government, sought to globalise the New Deal.²⁰³

Welles' statements on post-war international organisation led to British Foreign Secretary Anthony Eden's concerns that US policy-makers aimed to construct a 'New Deal for the World'.²⁰⁴ British policy-makers believed that, following the end of the Second World War, Britain would continue to play a pivotal role in international politics but were unsure as to the form that post-war international organisation would take and the effect of US policy on their own world position.²⁰⁵ Meanwhile, Churchill's concentration on military matters made him indisposed to formulate a coherent British plan for post-war international organisation.²⁰⁶ Eden feared that US policy-makers sought to impose 'their "Tennessee Valley Authority" nostrums for the organization of international society, which they tend to urge with missionary fervor.'²⁰⁷ Similarly, the British Ambassador in Washington, Isaiah Berlin, argued that US officials viewed 'the New Deal as the New Islam, divinely inspired to save the world.'²⁰⁸ Such scepticism was common among Whitehall officials who feared that US efforts to fashion a global New Deal would hinder British post-war reconstruction.²⁰⁹

The Roosevelt administration had extended the domestic reach of the federal government through a variety of New Deal programmes and society-wide mobilisation

²⁰³ O'Sullivan, *Sumner Welles.*, pp. 194-223.

²⁰⁴ NA, FO 371/31525/U783, memorandum 'The "Four Power" Plan' by British Foreign Secretary Anthony Eden, 20 October 1942.

²⁰⁵ David Ellwood, *The Shock of America: Europe and the Challenge of the Century* (Oxford, 2012), pp. 236-242.

²⁰⁶ E. J. Hughes, 'Winston Churchill and the Formation of the United Nations Organization', *Journal of Contemporary History*, Vol. 9, No.4 (October 1974), pp. 177-194.

²⁰⁷ NA, FO 371/31525/U783, Eden memorandum 'The "Four Power" Plan', 20 October 1942.

²⁰⁸ Cited in Ellwood, *The Shock of America*, p. 124.

²⁰⁹ *Ibid.*, pp. 236-246.

for the Second World War. The perceived success of these endeavours gave US policy-makers the optimism to extend their intervention to a global level and design post-war international organisation.²¹⁰ For Elizabeth Borgwardt, this globalised New Deal culminated in the ‘*Zeitgeist* of 1945’ as Washington officials took a leading role in establishing multilateral international institutions such as the United Nations and World Bank.²¹¹ Michael J. Hogan has similarly argued that a synthesis of New Deal principles formed the basis of Washington’s post-war Marshall Plan.²¹² As a precursor to these initiatives, US officials first established a hemispheric New Deal programme as, between 1933 and 1941, Latin America became a testing ground for the Roosevelt administration’s extension of domestic interventionism to an international level. The experience of fostering pan-American economic and political cooperation gave the US government the confidence and experience to construct a truly global New Deal. This marked the beginning of a pattern within US foreign policy as, in the second half of the twentieth century, Washington also trialled neoliberal and neoconservative policies in Latin America before applying them to the rest of the world.²¹³

Conclusion

Various historians have analysed the US government’s increasing role in the international oil industry during the early 1940s but have failed to acknowledge the important role the internationalisation of the New Deal played in this development.²¹⁴ US intervention in the international oil industry, which began in Latin America, did not exist in a vacuum but

²¹⁰ Borgwardt, *A New Deal for the World*, pp. 1-11, 70-71, 85-86; Anne-Marie Burley, ‘Regulating the World: Multilateralism, International Law, and the Projection of the New Deal Regulatory State’, in John Gerard Ruggie (ed.), *Multilateralism Matters: The Theory and Praxis of an Institutional Form* (New York, NY, 1993), pp. 125-126; John Joseph Wallis, ‘Lessons from the Political Economy of the New Deal’, *Oxford Review of Economic Policy*, Vol. 26, No. 3, pp. 455-457.

²¹¹ Borgwardt, *A New Deal for the World*, pp. 85-86.

²¹² Hogan, *The Marshall Plan*, pp. 1-25.

²¹³ Grandin, *Empire’s Workshop*; David Harvey, *A Brief History of Neoliberalism* (Oxford, 2005), pp. 5-38.

²¹⁴ Randall, *United States Foreign Oil Policy*; Painter, *Oil and the American Century*; Stoff, *Oil, War, and American Security*.

was part of a broader hemispheric New Deal as the Great Depression and Second World War led the US government to form policies, institutions and multilateral agreements to manage Latin America's economic development. This chapter adds credence to the literature arguing that the Second World War led to the rise of a US effort to globalise the New Deal. However, it also provides a necessary corrective to existing accounts of this development by demonstrating the importance of Latin America as a testing-ground for US foreign policy.

Between 1933 and 1941, Washington trialled its management of international economics and multilateral organisation in Latin America before making them part of its global New Deal programme. These initiatives were initially prompted by the US government's desire to stimulate domestic economic growth through increased trade with Latin America. Subsequently, the outbreak of war in Europe led the US government to foster hemispheric solidarity and stability through increased economic interventionism in Latin America. By exporting New Deal reformism to Latin America, Washington also hoped to ensure that the region's governments did not follow a form of economic nationalism that might lead to expropriation of US business interests. In order for the New Deal to be exported to Latin America, it was necessary for Washington to forge closer and more cordial relationships with the region's governments. This was achieved through the Roosevelt administrations' Good Neighbor policy and its leading role in pan-American organisation during the Great Depression and opening years of the Second World War.

The expansion of the New Deal overseas also required that Washington take a proactive interventionist role in the affairs of multinational corporations operating in Latin America. Just as the New Deal had renegotiated the US government's role in domestic business, Washington now sought to protect its foreign interests by supervising

the relationship between multinational corporations and Latin American governments. Representing the evolution of the hemispheric New Deal, the Roosevelt administration's forays in the oil trade began in Venezuela as part of the RTAA programme and later became more pronounced as Washington sought to bring an end to disputes in Mexico and Bolivia. By 1941, Thornburg and Ickes both sought to extend this interventionism beyond the Americas through a corporatist and statist approach respectively.

Concurrently, Washington sought to extend its hemispheric free trade programme to the rest of the world. In order for the New Deal to be truly globalised, it was necessary for US officials to reach an understanding with Whitehall regarding post-war international organisation. However, British officials sought to protect their own international role and perceived aspects of US foreign policy to be antagonistic to their interests. In particular, they became concerned that the US government was attempting to remove British influence from Latin America. Seen from a British perspective, US promotion of pan-American solidarity was merely an attempt to create a hemispheric trading bloc comparable to the Empire's system of imperial preference. Thus, as the British government sought to protect its own trading bloc from being dismantled by US officials, they perceived an element of hypocrisy in US policy.

Moreover, while US foreign oil policy took inspiration from that of the British government, it also created the potential for conflict within the newly formed Anglo-US wartime alliance. Increased State Department interventionism within the international oil industry could create competition between the British and US government for control of overseas oil sites. Thus, there remained a number of unresolved issues that had the potential to create conflict between the British and US governments. In subsequent years, Anglo-US variance would come to the fore in Venezuela, as British and US officials

sought to protect their often incompatible interests within Latin America and the oil industry.

Chapter Two

British and US Intervention in Venezuelan Tax Negotiations, 1941-1943

The Second World War led the British and US governments to collaborate to an unprecedented degree but the politics of international oil were still able to create conflict between the allies as they sought to protect their wartime, and post-war, fuel supplies. By the onset of war, the British government had already developed intimate ties with Shell but the conflict increased the importance of this relationship as Britain became reliant on Venezuelan oil to fuel its global war effort. However, the expropriation of the Mexican oil industry had demonstrated that Latin American governments could undermine a British oil policy that was reliant on privately-owned corporations. Therefore, British policy-makers felt obliged to act when it appeared that their interests in Venezuelan oil were threatened by the independent actions of the local government.

For the US government, the war years involved greater involvement in the international oil industry than had previously been attempted. Through the New Deal and wartime mobilisation, the Roosevelt administration had increased its role in the US domestic economy and the perceived success of these endeavours provided the government with an ideology that espoused the virtues of state involvement in private enterprise.¹ Having increasingly intervened in the domestic oil industry, Washington policy-makers began to apply the same approach to the international oil trade.² This increasingly interventionist role went beyond matters strictly relating to oil as the US government sought to convert privately-owned multinational oil corporations into agents of foreign policy. This strategy would both guarantee US supplies of oil and ensure that

¹ Sparrow, *Warfare State*, pp. 3-15; Polenberg, *War and Society*, pp. 35-36; Brinkley, 'The New Deal and the Idea of the State', pp. 85-121.

² Stoff, *Oil, War, and American Security*, pp. 10-22; Nash, *United States Oil Policy*, pp. 128-179.

the independent actions of oil executives did not undermine the government's foreign policy aims.

This was particularly significant in Latin America where growing demand for economic reform had the potential to create tension between US business interests and the local population.³ By mediating between oil companies and Latin American governments, US policy-makers hoped to defuse any such conflict and uphold the tenets of the Good Neighbor policy.⁴ This interventionism characterised the US government's foreign policy during the Second World War as the Roosevelt administration shaped post-war international organisation.⁵ Consequently, the international oil industry became a test case for the state-private sector collaboration which would be central to post-war US foreign policy and its globalised New Deal.

Between 1941 and 1943 British and US policy-makers intervened in the Venezuelan government's attempts to increase taxation of Venezuela's oil industry in order to safeguard their access to Venezuelan oil. However, while the US approach reflected the broad aims of the Good Neighbor policy, the principal objective of British officials was to secure the legal rights of the multinational oil companies operating in Venezuela. These conflicting approaches created tension within Anglo-US relations, which was exacerbated as both governments sought to gain the support of privately-owned oil companies for their disparate policies.

³ David Rock, 'War and Postwar Intersections: Latin America and the United States', in David Rock (ed.), *Latin America in the 1940s: War and Postwar Transitions* (Berkeley, CA, 1994), pp. 15-40.

⁴ Max Thornburg Papers, Thornburg memorandum 'Immediate Need for the Formulation of a Foreign Oil Policy', 23 November 1942; FDRL, Francis P. Corrigan Papers, Box 23, File: Venezuela, Hull speech, 7 June 1940.

⁵ Borgwardt, *A New Deal for the World*, pp. 46-86; Stephen C. Schlesinger, *Act of Creation: The Founding of the United Nations* (Cambridge, MA, 2003), pp. 111-126; Leo Panitch and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire* (London, 2012), pp. 67-110; Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton, NJ, 2013); John Lewis Gaddis, *The United States and the Origins of the Cold War, 1941-1947* (New York, NY, 1972), pp. 1-31.

Background to the Tax Negotiations

In 1941, Venezuelan oil production was dominated by the industry giants of SOCNJ, Shell and Gulf.⁶ While SOCNJ and Gulf were US based companies, Shell's holdings in Venezuela were under British managerial control.⁷ However, the three major companies had acquired their concessions at different times and on the basis of differing petroleum laws. There were, in fact, ten different laws under which the various companies operated. Some operated according to the Mining Law of 1905, others according to the Mining Law of 1910. Some of the companies paid royalties on a basis of quantity, others on the basis of value.⁸ While Shell, paid a royalty tax of only 2 bolívares (Bs.) per ton of oil produced, SOCNJ and Gulf had acquired their concessions later and, therefore, paid a higher rate of 7.5-15 per cent of the commercial value of their gross production.⁹

Any concession dating from 1908 to 1935 had been granted during the rule of the country's former dictator, General Juan Vicente Gómez, who enjoyed cordial relations with SOCNJ, Shell and Gulf.¹⁰ Following Gómez's death, his successor, Eleazar López Contreras, introduced a new law governing the oil industry that set minimum royalties on crude oil at 15 per cent. However, this new legislation only applied to new concessions and, consequently, the oil companies simply refused to extend their holdings in the country.¹¹ Subsequently, the Second World War put further pressure on the Venezuelan government to reform taxation of the country's oil industry.

⁶ Tinker Salas, *The Enduring Legacy*, p. 3.

⁷ Payton-Smith, *Oil*, pp. 13-14.

⁸ NARA, DS 831.6363/1252, 'Reported Possible New Legislation in Venezuela Affecting American Oil Companies. Visit of Gustavo Manrique Pacanius, Procurer General of Venezuela, to Negotiate, According to Report, with Oil Companies', James P Moffitt, Consul in Caracas, to Hull, 8 August 1941.

⁹ NARA, DS 831.6363/1252, 'General Report on the Oil Situation in Venezuela, Aruba, and Curacao' Knowles to Ickes, 11 September 1941.

¹⁰ McBeth, *Gómez and the Oil Companies*, pp. 213-214; Rómulo Betancourt, *Venezuela: Oil and Politics* (Boston, MA, 1979), pp. 3-48; Rabe, *The Road to OPEC*, p. 40.

¹¹ Edwin Lieuwen, 'The Politics of Oil in Venezuela', in John D. Wirth (ed.), *The Oil Business in Latin America: The Early Years* (Lincoln, NE, 1985), p. 198.

In response to the outbreak of war, the Venezuelan government announced its neutrality and continued to trade with both the Axis and Allied powers but, nevertheless, the conflict illustrated the oil industry's vulnerability to external disturbances.¹² Before the outbreak of hostilities, the principal markets for Venezuelan oil were the countries of Western Europe. However, the British wartime blockade of continental Europe prevented Venezuelan oil from reaching the substantial overseas markets of German-controlled countries and the loss of these markets was not appreciably offset by increased exports to Britain and its allies.¹³ This drop in demand had a knock-on effect for Venezuelan production which fell from 560,400 barrels per day in 1939 to 502,300 barrels in 1940 and, as the government taxed the oil companies based on the amount of oil they produced, tax revenue also declined.¹⁴

However, in the second half of 1940, the closure of the Mediterranean and the German threat to the Middle East increased British demand for Venezuelan oil while the USA also increased its imports. In 1939, forty per cent of total British oil imports were of Venezuelan origin and this had increased to eighty per cent by 1942.¹⁵ Significantly, Venezuelan oil was particularly suitable for conversion into the 100-octane aviation fuel necessary for powering the Royal Air Force.¹⁶ As such, Venezuelan production began to make a progressive recovery and reached record average daily output of 621,300 barrels

¹² George M. Lauderbaugh, 'Bolivarian Nations: Securing the Northern Frontier', in Thomas M. Leonard and John F. Bratzel (eds), *Latin America During World War II* (Lanham, MA, 2007), p. 120; NA, T 160/1098 Sir Donald St. Clair Gainer to Halifax, 12 November 1940.

¹³ 'Crude Oil Production in 1940', *The Economist*, 1 February 1941, p. 156; 'Commercial History and Review of 1940', *The Economist*, 15 March 1941, p. 24; 'Capital Spending By Oil Companies to Lag Next Year', *Wall Street Journal*, 12 November 1940, p. 6; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 2 April 1942.

¹⁴ Tugwell, *The Politics of Oil in Venezuela*, p. 183; Edwin Lieuwen, *Petroleum in Venezuela: A History* (Berkeley, CA, 1954), pp. 86-87; 'Creole Production Steady despite Venezuela Output Cut', *Wall Street Journal*, 28 August 1940, p. 11; 'World Crude Output Drops', *Wall Street Journal*, 14 February 1941, p. 2; 'Creole Petroleum', *Wall Street Journal*, 23 April 1941, p. 6; Lauderbaugh, 'Bolivarian Nations', p. 122; Salazar-Carrillo and West, *Oil and Development in Venezuela*, p. 103; NA, CAB 115/422, 'Latin American Memoranda and Economic Notes', 3 July 1941.

¹⁵ NA FO 371/22851/A5540, Starling to Balfour, 8 August 1939; NA, FO 371/30748/A1220, FO memorandum, 2 February 1942;

¹⁶ Baptiste, *War, Cooperation, and Conflict*, p. 145.

in 1941.¹⁷ Indeed, that same year, oil comprised 94.3 per cent of the total value of Venezuelan exports.¹⁸ Nevertheless, the volatile and unpredictable nature of wartime trade created an incentive for the Venezuelan government to reassess taxation of an industry of such importance to the national economy.

Moreover, the Venezuelan government had a political, as well as economic, incentive to revise taxation of the oil industry. In 1941, President Isaías Medina Angarita came to power amidst public clamour for social and economic reform. While the Venezuelan political system was largely undemocratic, the opposition Acción Democrática party (AD) was granted legal recognition the same year and began to enter candidates for election. AD was a well-organised social democratic group that pressed the Medina government to introduce various reforms, including legislation that would increase taxation of the foreign oil companies.¹⁹ At the beginning of July 1941, President Medina's personal representative, Attorney General Gustavo Manrique Pacanins, invited the three major oil companies to enter into discussions that would lead to the formation of a new law governing the oil industry. Manrique stated his intention to negotiate with the oil companies to formulate mutually acceptable legislation which would set a uniform rate of taxation covering all of their operations.²⁰ In a memorandum sent to the companies, he expressed his desire to create a 'good law which would fully satisfy the requirements of the oil industry of Venezuela and secure foundations favourable to its

¹⁷ RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 120, Folder 904, R. B. Marston to Laurence S. Rockefeller, 18 November 1941; RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 120, Folder 904, 'Comparison of Standard Oil Company of Venezuela's Production with Other Principal Producers and Total Venezuelan Industry' and attached letter, 10 June 1942; 'Venezuela's Oil Trade', *The Economist*, 25 March 1942, p. 572; Tugwell, *The Politics of Oil in Venezuela*, p. 183; Lieuwen, *Petroleum in Venezuela*, pp. 86-87; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 2 April 1942; NA, CAB 115/422, 'Latin American Memoranda and Economic Notes', 3 July 1941.

¹⁸ Tugwell, *The Politics of Oil in Venezuela*, p. 182.

¹⁹ Betancourt, *Venezuela*, pp. 63-66; Blendon, 'Venezuela and the United States', pp. 28-43; Robert Jackson Alexander, *Rómulo Betancourt and the Transformation of Venezuela* (New Brunswick, NJ, 1982), pp. 168-180; RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 120, Folder 904, Creole report, 31 July 1941.

²⁰ Edwin Lieuwen, *Petroleum in Venezuela: A History* (Berkeley, CA, 1954), pp. 93-94.

future development.’²¹ British and US interests in Venezuelan oil led both governments to take a keen interest in developments.

British Reaction to Events in Venezuela

On 24 June 1941, the British Ambassador in Caracas, Donald Gainer, reported to the FO that the Venezuelan government was in the process of fashioning a new petroleum law designed to increase taxation of the oil companies. Gainer was concerned that the ‘rising tide of nationalism’ in Venezuela would lead any change in tax laws to be politically, rather than purely economically, motivated. He argued that such political motives would take ‘little account of justice or expediency’ and lead the government to arbitrarily disregard the oil company’s legal rights.²² If the Venezuelan government attempted to impose heavy financial burdens on the privately-owned oil companies, this could lead to a prolonged dispute which could potentially hinder oil production in the country. Maintaining access to Venezuelan oil was vital to Britain and any disruption within the industry could potentially cause serious harm to the British war effort. For the British government, a challenge to Shell’s position in Venezuela was not a localised issue but a challenge to the state-private network on which British oil policy was based. Thus, Gainer concluded that that ‘sooner or later grave difficulties will arise’.²³

Within the British government, the matter was principally handled by the Foreign Office and the Petroleum Department (PD). The two departments immediately began communication with high-level Shell officials, namely Barthold Th. W. van Hasselt and Sir Frederick Godber, Shell’s most senior managers in Caracas and London respectively. Van Hasselt had had been chosen by Shell to represent the company in discussions with

²¹ NARA, DS 831.6363/1247, Manrique memorandum ‘The Proposed Law of Hydrocarbons and Other Combustible Minerals of the United States of Venezuela’ 9 July 1941.

²² NA, POWE 33/224, Gainer to Eden, 24 June 1941.

²³ *Ibid.*

Manrique and F. C. Starling, the director of the PD, judged him to be a ‘good, straightforward fellow’ with a clear understanding of the situation.²⁴ Rather than two distinct entities that can be clearly defined, Whitehall and Shell bureaucracies were at times intertwined to a remarkable degree. As each party informed the other of developments in Venezuela, they collaborated fully and enjoyed a cordial relationship. Shell officials were given government documents to study, including transcripts of discussions between British and foreign delegates. Similarly, Shell sent Whitehall officials copies of their company’s internal correspondence.²⁵ The views of the FO, PD and Shell officials largely corresponded.²⁶ They felt that, legally, the oil companies’ position was very strong but also agreed that any prolonged delay in reaching a settlement could provoke friction which could potentially have serious consequences.²⁷ Thus, British and Shell officials shared a common interest in seeking to prevent the Venezuelan government from taking radical action.

However, PD and FO officials emphasised different aspects of the case. Starling, stressed that due to British ‘dependence, particularly in war but also in peace, upon freely available supplies of oil from overseas it is difficult to exaggerate the importance of counteracting at every stage a tendency to weaken the legitimate links between this country [Britain] and its nearest source of supply [Venezuela].’²⁸ If the Venezuelan government drastically altered the terms of Shell’s concessions, this could create a precedent that other oil-producing countries might follow. This would not only endanger Britain’s wartime oil supplies but would undermine a British oil policy that relied on foreign governments recognising the legal claims of multinational corporations. PD officials did not view events in Venezuela as a local issue but placed them within a

²⁴ NA, POWE 33/224, Starling to Perowne, 7 October 1942.

²⁵ NA, POWE 33/224, Sir Frederick Godber, Shell, to Starling, 21 August 1942.

²⁶ NA, POWE 33/224, Maurice R. Bridgeman, PD, to Perowne, 22 December 1941.

²⁷ NA, POWE 33/224, Bridgeman to Godber, 17 December 1941.

²⁸ NA, POWE 33/224, Starling to Foreign Under-Secretary Richard Law, November 1941.

lineage of nationalist action that included the 1928-1932 dispute between Iran and Anglo-Persian, and the Mexican expropriation of 1938.²⁹ Thus, for Starling and the PD, it was vital that the British government should intervene in order to support the oil company's legal rights.³⁰ FO officials, while sympathising with this view, placed greater importance on maintaining cordial relations with the Venezuelan government. They were concerned that a prolonged dispute between the oil companies and the Venezuelan government would hinder oil production in the country, and therefore seriously endanger the British war effort. Victor Perowne, head of the FO's South America Department, stated that 'it is to be hoped that the companies will behave sensibly. The prime consideration must, anyhow, be the maintenance of the existing flow of the Venezuelan oil into the Allied pool'.³¹

Britain's military strategy was highly reliant on an international trade network that connected the British Isles to the Empire and beyond as the government was unable to support its war effort through domestic materials and goods. It was through this network that Britain ensured access to vital war materials, such as oil.³² With this in mind, Foreign Secretary Anthony Eden stated that the 'oil companies will be wise if they accept the additional burdens with good grace.'³³ Eden also agreed with Deputy Under-Secretary of State Orme Sargent who felt that it would be fatal for the oil companies to 'haggle overmuch in the hope of getting slightly better terms'.³⁴

Due to Shell's close association with the British government, a long-lasting disagreement between the oil company and Venezuelan authorities could well have an adverse impact on Anglo-Venezuelan relations. In the case of Mexican expropriation,

²⁹ NA, POWE 33/224, Starling to Perowne, 21 August 1942.

³⁰ NA, POWE 33/224, Starling minute, 6 November 1941.

³¹ NA, FO 371/30742/A7468, Perowne minute, 14 August 1942.

³² Edgerton, *Britain's War Machine*, pp. 51-56, 159-166.

³³ NA, FO 371/30742/A4797, Eden minute, 27 May 1942.

³⁴ NA, FO 371/30742/A7468, minute by Deputy Under-Secretary of State Orme Sargent, 14 August 1942.

British policy-makers had supported Shell's legal rights by boycotting Mexican oil and severing diplomatic ties with the country but such action conflicted with their broader aim of increasing, rather than reducing, British links with Latin America.³⁵ Thus, Perowne wrote to the PD, stating that the FO was 'impressed with the unfortunate repercussions which any embitterment of the dispute between the companies and the Government would have on our relations with Venezuela and perhaps also with the United States'.³⁶ It was known that the US government desired economic and political stability throughout Latin America and would look unfavourably on any disturbance caused by British companies in the region. Godber succeeded in placating FO fears by stating that that it 'would be highly impolitic for the Oil Companies to deal arbitrarily with the Government' and that the issue required 'delicate and sympathetic handling'.³⁷

In order to protect their shared interests, Whitehall and Shell officials felt that the oil companies should present the Venezuelan government with a united front in any negotiations. Gulf and SOCNJ managers also agreed with this policy. This united front, supported by both the British and US governments, would allow the oil companies to resist any unreasonable Venezuelan demands and safeguard British oil supplies.³⁸ Whitehall officials felt that the attitude of US policy-makers with regards to Mexico had been unhelpful, with their complacency leading to a lack of unity that undermined the oil companies' position. They had always feared that the US attitude towards Mexico would encourage the Venezuelan government to take unreasonable action against the oil

³⁵ NA, CAB 66/18/38, Eden memorandum 'Mexico: Resumption of Diplomatic Relations and Settlement of the Oil Dispute', 6 September 1941; Brian McBeth, *British Oil Policy, 1919-1939* (London, 1985), p. 127; NA, FO 371/30503/A4098, Perowne draft memorandum, 28 April 1942; NA, FO 371/30503/A2021, Fraser to Gallop, FO, 26 February 1942; NA, FO 371/45012/A1599, Perowne memorandum, 17 March 1945.

³⁶ NA, POWE 33/224, Perowne to Bridgeman, 15 December 1941.

³⁷ NA, POWE 33/224, Godber to Bridgeman, 20 December 1941; NA, POWE 33/224, Bridgeman to Perowne, 22 December 1941; NA, POWE 33/224, Gallop to Bridgeman, 30 December 1941.

³⁸ NA, POWE 33/224, Perowne to Bridgeman, 15 December 1941; NA, POWE 33/224, Bridgeman to Perowne, 22 December 1941; NA, POWE 33/224, Gainer to FO, 6 October 1942; FO 371/30743/A9194, Gallop minute, 6 October 1942; FO 371/30743/A9717, Godber to Frank J. Hopwood, Shell, 21 October 1942; *Documenten betreffende de Buitenlandse Politiek van Nederland 1919-1945, Series C, Vol. V*, document 177, Shell memorandum, 3 September 1942.

companies and, keen to avoid this, now aimed to gain the support of their US counterparts.³⁹

US Reaction to Events in Venezuela

The State Department learnt of the Venezuelan government's plans at the beginning of July 1941 when Major Tom R. Armstrong of SOCNJ informed Livingston Satterthwaite of the State Department's Division of the American Republics. Satterthwaite was immediately concerned and told his colleagues that the 'question was of such importance' that the Department needed to keep abreast of events.⁴⁰ However, Ruth Sheldon Knowles, the Petroleum Specialist within the Office of the Petroleum Coordinator for National Defence, perceived 'mutual distrust and considerable antagonism between the government and the companies and both parties expect it will be exceedingly difficult to reach an agreement'. She compared the situation to a 'momentous poker game and there are nothing but blue chips on the table and each holds a strong hand'.⁴¹ Such concerns shaped the attitude of US officials towards the negotiations.

Unlike Britain, the USA did not depend on Venezuelan oil for its wartime needs but US policy-makers were cognizant of the importance it held for the Allied forces more generally. Cordell Hull felt that Axis action could lead to a state of affairs whereby the 'entire war situation' might hinge on the maximum production and distribution of the oil resources of Venezuela.⁴² Similarly, Sumner Welles was aware that anything impairing the efficient functioning of the oil companies would 'threaten the availability of an asset

³⁹ NA, FO 371/30742/A7468, Gallop minute, 13 August 1942; NA, POWE 33/224, Perowne to Bridgeman, 15 December 1941.

⁴⁰ NARA, DS 831.6363/1244, Livingston Satterthwaite, State Department Division of the American Republics, to Walter N. Walmsley, Philip W. Bonsal, Laurence Duggan and Welles, 3 July 1941.

⁴¹ NARA, DS 831.6363/1252, 'General Report on the Oil Situation in Venezuela, Aruba, and Curacao' Knowles to Ickes, 11 September 1941.

⁴² LC, Cordell Hull Papers, Hull memorandum of conversation with Netherlands Minister Dr. Alexander Loudon and Netherlands Foreign Minister Eelco van Kleffens, 2 February 1942.

vital to the successful conduct of the war.’⁴³ Furthermore, such disruption could well create economic problems for the Venezuelan government, which derived a huge part of its income from the oil industry. US officials perceived the economic well-being of Latin America to be an important aspect of the Good Neighbor policy and a requirement for ensuring that the region remained stable and able to secure itself from Axis attack or influence.⁴⁴

In the late 1930s, disagreements between the national governments and oil companies in Mexico and Bolivia had resulted in nationalisation and expropriation and, by 1941, the US government was in the process of attempting to arbitrate a settlement that would bring both cases to a close.⁴⁵ Such prolonged disputes between US oil companies and Latin American governments threatened to undermine the hemispheric solidarity which US officials saw as vital for wartime national security.⁴⁶ Within this context, State Department officials were worried that any legal dispute between the Venezuelan government and US oil companies could generate animosity towards the USA throughout the region.⁴⁷ Such apprehensions led them to be sympathetic to the Venezuelan position and concerned by the attitude of oil company managers.

Moreover, State Department officials and Frank P. Corrigan, the US Ambassador to Venezuela, were sceptical of the specific representatives that SOCNJ and Gulf had appointed. Livingston Satterthwaite of the State Department’s Division of the American Republics stated that he would be greatly surprised if Henry Edward Linam and Tom Armstrong, the SOCNJ representatives, would be able to ‘generate an atmosphere in

⁴³ FDRL, OF 535 Venezuela, Welles to Roosevelt, 30 December 1942.

⁴⁴ Max Thornburg Papers, Thornburg to Rayner, 8 January 1944; Green, *The Containment of Latin America*, pp. 46-49; Franklin D. Roosevelt, Presidential Statement on Inter-American Economic Cooperation, 21 June 1940, in Rosenman (ed.), *Papers and Addresses of Roosevelt, 1940 Vol.*, p. 273.

⁴⁵ Krasner, *Defending the National Interest*, pp. 178-187; Clayton R. Koppes, ‘The Good Neighbor Policy and the Nationalization of Mexican Oil: A Reinterpretation’, *The Journal of American History*, Vol. 69, No. 1 (June 1982), pp. 71-76.

⁴⁶ Wood, *The Making of the Good Neighbor Policy*, pp. 193-197, 253-254.

⁴⁷ NARA, DS 831.6363/1229, State Department to Frank P. Corrigan, Ambassador to Venezuela, 8 April 1941.

which the really serious oil problems can be settled'.⁴⁸ In November 1938, in response to the Mexican government's expropriation of the oil industry, Linam had stated that the large oil companies would focus their future development programmes in countries where their investments were protected by conservative and friendly governments. At the time, Linam had singled out the López Contreras government for particular praise, comparing its policies favourably to those of the Mexican government.⁴⁹

Both Linam and Armstrong now felt that the terms of the oil companies' old concessions should be maintained and were against a change in legislation. This view was shared by Dr Alejandro Pietri, who worked for SOCNJ in Venezuela, as well as SOCNJ Director Everit Jay Sadler. Their position was also supported by Professor Edwin M. Borchard of Yale University, a specialist in international law who worked as a SOCNJ consultant. These men felt that it was better to risk loss in Venezuela than to create a dangerous precedent that could lead to problems in other oil-producing countries.⁵⁰ Moreover, Corrigan feared that James M. Greer, the lawyer representing Gulf, would frustrate the Venezuelans with an overly legalist point of view.⁵¹ The US Ambassador informed Washington that Manrique had also been disappointed by the oil companies' choices, having hoped to speak directly with the management of the parent companies.⁵² State Department officials were concerned that the attitude of these oil company representatives could lead to a drawn-out disagreement that would undermine their own interests in Venezuela.

⁴⁸ NARA, DS 831.6363/1308, Satterthwaite to Bonsal and Duggan, 18 August 1942.

⁴⁹ 'Foreign Oil Projects To Expand in Friendly Countries, Says Linam', *Wall Street Journal*, 15 November 1938, p. 11.

⁵⁰ Henrietta Larson, E. H. Knowlton and Charles S. Popple, *History of Standard Oil Company (New Jersey)*, Vol. 3: *New Horizons, 1927-1950* (New York, NY, 1971), p. 482.

⁵¹ NARA, DS 831.6363/1247, Corrigan to Hull, 12 August 1941.

⁵² NARA, DS 831.6363/1247, 'Proposed New Venezuelan Petroleum Law' Corrigan to Hull, 12 August 1941.

Unlike the FO, the State Department had not immediately collaborated with the oil companies operating in Venezuela and, in general, there was a great deal of mistrust between the two groups. The antagonism between oil company managers, especially those of SOCNJ, and the US government was no doubt informed by the 1911 antitrust ruling that had forced Standard Oil to split into several separate companies.⁵³ These misgivings were then given further credence by the Roosevelt administration's New Deal philosophy, which espoused the virtues of government intervention in business dealings. Executives from the large oil firms had been opposed to the New Deal's intervention into the oil business and had been repulsed by the statist principles espoused by Petroleum Coordinator for War Harold L. Ickes.⁵⁴

Indeed, a number of oil company officials held anti-New Deal and anti-Roosevelt views.⁵⁵ Linam, President of SOCNJ's Venezuelan subsidiary, was described by Rodney A. Gallop of the FO as a 'fanatically anti-New Deal' businessman who 'hates Roosevelt's guts'.⁵⁶ Similarly, Everette Lee DeGolyer, a prominent figure within the oil industry, felt that the New Deal would lead 'either to revolution or dictatorship'.⁵⁷ In 1935, Joseph Newton Pew Jr., President of the Sun Oil Company and a prominent member of the anti-New Deal group the American Liberty League, argued that the oil industry 'has not asked for and doesn't want Government control'.⁵⁸ Pew warned that New Deal policies aimed to establish 'economic dictatorship' and were 'merely the beginning of a grand program for centering all authority, credit, financial resources and economic direction in the Government at Washington'.⁵⁹ The Pew family consequently spent \$1.5 million in a vain

⁵³ Yergin, *The Prize*, pp. 108-110; Simpson, *The Seven Sisters*, p. 49.

⁵⁴ Nash, *United States Oil Policy*, p. 148.

⁵⁵ NA, FO 371/30742/A8546, Gainer to Eden, 1 September 1942.

⁵⁶ NA, FO 371/30743/A9283, Gallop minute, 13 October 1942.

⁵⁷ Lon Tinkle, *Mr. De: A Biography of Everette Lee DeGolyer* (Boston, MA, 1970), pp. 218-19.

⁵⁸ J. Howard Pew, 'Which Road to Take?' (Washington, DC, 1935), pp. 11, 14.

⁵⁹ *Ibid.*, p. 14.

attempt to thwart Roosevelt's 1936 presidential campaign.⁶⁰ 'New Dealer' became used by oil executives as a derogatory term to refer to those wishing to increase government involvement in their affairs.⁶¹ By the late 1930s, this antipathy towards the New Deal and President Roosevelt was common among US business executives.⁶²

US government efforts to export the New Deal to Latin America caused domestic tensions between state and business interests to be internationalised. Just as the New Deal had increased the federal government's role in the domestic economy, Washington officials now appeared to seek an increased role in US businesses operating overseas. From the perspective of the oil companies, this could only lead to less autonomy and greater government intervention in their affairs. Furthermore, oil company officials feared that the Good Neighbor policy would cause any intervention to be favourable to the Venezuelan government, rather than to themselves. Summarising these fears, van Hasselt told the FO that he was wary of the US position, concerned by the possible effect of the Good Neighbor policy and felt that negotiations could be imbued with 'quite a lot of "new deal" unpleasantness'.⁶³

Such misgivings were exacerbated by the relationship between the US Ambassador and the oil executives in Venezuela. In general, the US oil officials were very distrustful of Ambassador Corrigan whom they considered to be a New Dealer, personally opposed to their interests.⁶⁴ Van Hasselt was also unimpressed with Corrigan, feeling that the Ambassador was unhelpfully vague.⁶⁵ For his own part, Corrigan was incensed with the oil companies' constant, and sometimes very outspoken, disapproval of

⁶⁰ Kenneth J. Heineman, *Catholic New Deal: Religion and Reform in Depression Pittsburgh* (University Park, PA), p. 98.

⁶¹ NA, FO 371/30742/A8150, Gainer to FO, 31 August 1942; NA, POWE 33/225, Barthold Th. W. van Hasselt, Shell, to Godber, 21 February 1942; J. Howard Pew, 'Which Road to Take?' (Washington, DC, 1935), p. 11.

⁶² Colin Gordon, *New Deals: Business, Labor, and Politics in America, 1920-1935* (Cambridge, 1994), pp. 280-287.

⁶³ NA, FO 371/30742/A504, van Hasselt to Godber, 13 October 1941.

⁶⁴ NA, FO 371/30742/A8150, Gainer to FO, 31 August 1942.

⁶⁵ NA, FO 371/30742/A8945, van Hasselt to Godber, 6 September 1942.

President Roosevelt, which he felt verged on the treasonable.⁶⁶ The US Ambassador did not take the oil companies fully into his confidence and was of the opinion that ‘local managers are so blinded by local problems that they cannot see the whole picture.’⁶⁷ He described the local oil executives as ‘a reactionary group of men’ who were constantly ‘harking back always in their minds to the old Gomez [sic] days as the golden days, hoping against hope that the calendar will be turned back.’ He believed that the whole case came down the fact that the oil companies, who had ‘invested in and taken out many millions of dollars from the Venezuelan subsoil have neglected to develop the important asset of good will’. The Ambassador felt that the local oil company officials had shown ‘political ineptness’ for their failure to gain sympathetic contacts within the Venezuelan government.⁶⁸

Things came to a head when Corrigan failed to inform US company officials of a conversation he had held with President Medina, which increased Linam’s distrust of the Ambassador to the point where he stated that he was ‘through with the Embassy for keeps.’⁶⁹ Oil executives did not mislead the State Department, nor did they withhold information when explicitly asked to provide it, but Corrigan lamented their reluctance to take US officials into their confidence.⁷⁰ Thus, the State Department did not share Whitehall’s ability to utilise the oil company bureaucracies as agents of government foreign policy. There was now a growing perception among US officials that this should change, and that their government should take a greater interventionist role in the international oil industry.

⁶⁶ NA, FO 371/30742/A8150, Gainer to FO, 31 August 1942.

⁶⁷ NA, FO 371/30742/A7345, Gainer to FO, 7 August 1942.

⁶⁸ NARA, DS 831.6363/1314, ‘Relations between the Oil Companies and the Venezuelan Government’ Corrigan to Hull, 4 September 1942.

⁶⁹ NA, FO 371/30742/A8945, van Hasselt to Godber, 6 September 1942.

⁷⁰ NA, POWE 33/224, Gainer to Eden, 4 September 1942.

Events in Venezuela must be placed within this greater context of the evolution of US foreign oil policy as depleting domestic oil reserves placed increased significance on overseas oil fields. US officials repeatedly perceived British oil policy, which had successfully secured Britain's access to foreign oil, as a model to which the US government could, and should, aspire. This policy would be based on a national approach to oil that would see US policy-makers increasingly intervene in the international oil industry.⁷¹ Petroleum Adviser Max Thornburg had stressed that such a strategy required increased cooperation and collaboration between the government and US oil companies operating overseas.⁷² Events in Venezuela presented an opportunity to test these ideas.

State Department Intervention

Between August and November 1941, Manrique discussed the proposed legislation with Henry Edward Linam, James M. Greer and Barthold Th. W. van Hasselt who represented SOCNJ, Gulf and Shell respectively. These talks culminated, at the end of October, with the oil companies presenting a draft law to Manrique that was hoped could serve as a working basis for the new legislation. At the end of November, he informed the oil companies that the draft seemed to be a good basis on which to start negotiations and that, after preparing his comments, he would again meet with the oil companies no later than the middle of January. The Attorney General failed to organise such a meeting but, at the beginning of 1942, further economic and political pressures would lead the Venezuelan authorities to take a more proactive approach to negotiations.⁷³

⁷¹ LC, Harold L. Ickes Papers, Box 221, File: Secretary of Interior File, Oil Octane (100) 1941-1946, Ickes to Roosevelt, 1 December 1941.

⁷² NARA, Petroleum Division, Box 19, File: Petroleum Policy Study Group 1943, Thornburg memorandum, 15 January 1943.

⁷³ NA, POWE 33/224, van Hasselt memorandum 'Case history of discussions initiated and carried on by Dr. G. Manrique Pacanins with Standard, Royal-Dutch Shell, and Mene Grande', 3 September 1942; *Documenten betreffende de Buitenlandse Politiek van Nederland 1919-1945, Series C, Vol. V*, document 167A, Shell memorandum, 24 August 1942.

Throughout 1941 and 1942, the wartime needs of hemispheric defence led to a greater degree of cooperation between the US and Venezuelan governments. Venezuelan war preparedness was particularly important for US national security due to the country's oil industry and proximity to the Panama Canal.⁷⁴ Consequently, at the beginning of 1941, the Venezuelan government allowed US bombs and a small number of troops to be stationed on its mainland as additional protection against Axis attack on West Indian oil refineries.⁷⁵ Furthermore, in March 1941, the two governments agreed that a four-year US naval mission would be dispatched to Venezuela in order to help organise the local navy and, in July 1941, they negotiated a Lend-Lease agreement that would enable the Venezuelan government to spend a total of \$20 million on military materiel.⁷⁶ On 28 April 1941, President Medina outlined his support for the US defence programme for the Western Hemisphere and declared that 'nations living close together must stick together.'⁷⁷

Following the US entry into the war at the end of 1941, the Venezuelan government quickly froze Axis funds and broke off diplomatic relations with Germany, Italy and Japan.⁷⁸ Subsequently, in January 1942, delegates at the Meeting of the Ministers of Foreign Affairs of the American Republics in Rio de Janeiro passed a resolution recommending that all Latin American governments follow suit.⁷⁹ The Venezuelan authorities also conferred with US officials to ensure that steps were taken to

⁷⁴ Lauderbaugh, 'Bolivarian Nations', p. 109.

⁷⁵ *Foreign Relations of the United States* [hereafter *FRUS*], 1941, Vol. VII, pp. 607-609.

⁷⁶ 'Naval Mission', *Department of State Executive Agreement Series*, No. 203 (Washington, DC, 1941); *FRUS*, 1941, Vol. VII, pp. 609-612; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 13 August 1942; CAB 115/422, 'Latin American Memoranda and Economic Notes', 4 September 1941.

⁷⁷ 'Venezuela Elects Medina President', *New York Times*, 29 April 1941, p. 6.

⁷⁸ 'Venezuela Freezes Axis Funds', *New York Times*, 13 December 1941, p. 7; 'Venezuela Opens Ports to U.S.', *New York Times*, 14 December 1941, p. 55; 'Venezuela Breaks with Axis Regimes', *New York Times*, 1 January 1942, p. 14; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 2 April 1942; FDRL, Sumner Welles Papers, Latin American Files, 1919-1943, Box 182, File: Venezuela, 1940-41, Welles memorandum of conversation with Diógenes Escalante, 31 December 1941.

⁷⁹ 'Third Meeting of Ministers of Foreign Affairs of the American Republics', *The American Journal of International Law*, Vol. 36, No. 2, (April 1942), pp. 61-95.

defend the country's oil fields from sabotage and subsequently announced that foreign residents would require travel permits to pass through oil-producing regions.⁸⁰ This was followed up by a further Lend-Lease agreement in March 1942 that saw US weaponry and personnel dispatched to Venezuela to help secure the oil industry from coastal attack.⁸¹ At the same time, in coordination with the US and Dutch authorities, the Venezuelan government formed a civil and military commission to aid in the defence of Aruba and Curaçao.⁸²

Despite these precautions, the Venezuelan oil industry was further disrupted by the Second World War throughout 1942 as the German military increased its U-boat operations in the Caribbean.⁸³ On 16 February 1942, Axis submarines sank two tankers off the coast of Aruba before attacking and slightly damaging SOCNJ's oil refinery.⁸⁴ In reprisal for these losses, the Venezuelan government confiscated seven Axis vessels, two of which had been scuttled by the Axis powers in an effort to obstruct oil exports.⁸⁵ Nevertheless, Axis attacks in the Caribbean continued and, on 19 April 1942, U-boats bombarded Shell's refinery on Curaçao.⁸⁶ By July 1942, German submarines had sunk some 141 ships in the Caribbean area and a further 173 ships by September.⁸⁷ These

⁸⁰ 'Venezuela Guards Oil Fields', *New York Times*, 9 December 1941, p. 22; 'Venezuela Curbs Aliens To Prevent Oil Sabotage', *New York Times*, 22 January 1942; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 13 August 1942.

⁸¹ *FRUS*, 1941, Vol. VII, pp. 612-614; *FRUS*, 1942, Vol. VI, pp. 735-743

⁸² 'Venezuela Joins Aruba Defense' *New York Times*, 27 February 1942, p. 5; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 2 April 1942.

⁸³ A. Timothy Warnock, *The Battle Against the U-Boat in the American Theater* (Washington, DC, 1992), pp. 13-18.

⁸⁴ *Ibid.*, p. 16; 'Aruba is Shelled', *New York Times*, 17 February 1942, pp. 1, 3; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 11 July 1942.

⁸⁵ 'Latin America and the Axis', *The Economist*, 23 May 1942; 'Venezuela Seizes Axis Ships' *The Observer*, 22 March 1942, p. 8.

⁸⁶ 'Submarine Shells Curacao Refinery', *New York Times*, 20 April 1942, p. 5; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 11 July 1942.

⁸⁷ Warnock, *The Battle Against the U-Boat in the American Theater*, p. 16.

attacks, along with an Allied tanker shortage, made it impossible to export all of the oil Venezuela produced.⁸⁸

In response, the oil companies limited their production to an eight-year low of 405,900 barrels per day in 1942.⁸⁹ This drop in output had a knock-on effect for the Venezuelan government's tax revenue which was reduced to Bs. 291.8 million for 1942, compared with Bs. 350.9 million for 1939.⁹⁰ Yet, in April 1942, SOCNJ's Venezuelan subsidiary announced its financial results for the previous year which showed a record net income of \$12,297,275 for 1941 as compared with \$6,834,170 for 1940.⁹¹ This announcement coincided with a time of economic hardship for the Venezuelan people as the scaling down of oil production led to high unemployment, a reduction in government salaries and the introduction of new taxes.⁹² Again, economic and political pressures on the Venezuelan government combined as AD and the Venezuelan press intensified their calls for an increase in taxation of the oil industry.⁹³

On 12 March 1942, Manrique called each of the three major companies to inform them that he was travelling to the USA but that this was chiefly for reasons of health rather than in connection with the new oil legislation.⁹⁴ In fact, Manrique used his time in Washington to encourage the US government to intervene in tax negotiations. During his visit, Manrique met with officials from the State Department's Division of the American

⁸⁸ 'One by One', *The Economist*, 29 August 1942; 'Venezuela's Oil', *The Economist*, 29 May 1943, p. 691; Lieuwen, *Petroleum in Venezuela*, p. 90; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 11 July 1942.

⁸⁹ RAC, RFA, RG 2 Office of the Messrs. Rockefeller, Series C, Box 120, Folder 904, 'Comparison of Standard Oil Company of Venezuela's Production with Other Principal Producers and Total Venezuelan Industry' and attached letter, 10 June 1942; Tugwell, *The Politics of Oil in Venezuela*, p. 183; Lieuwen, *Petroleum in Venezuela*, pp. 90-91; 'World's Crude Oil Output Estimated 8% Lower in 1942', *Wall Street Journal*, 5 January 1943, p. 1.

⁹⁰ Tugwell, *The Politics of Oil in Venezuela*, p. 182.

⁹¹ 'Creole Petroleum Earned \$12,297,275', *New York Times*, 15 April 1942, p. 35; 'Creole Petroleum Had Record Net Last Year', *Wall Street Journal*, 15 April 1942, p. 13.

⁹² Betancourt, *Venezuela*, pp. 67-68; 'Venezuela Faces Serious Job Crisis', *New York Times*, 17 August 1942, p. 4.

⁹³ Betancourt, *Venezuela*, pp. 66-70; Blendon, 'Venezuela and the United States', pp. 113-115; NA, CAB 115/421, 'Latin American Memoranda and Economic Notes', 11 July 1942.

⁹⁴ NA, POWE 33/224, van Hasselt memorandum, 3 September 1942.

Republics and complained that ‘the companies, while being extremely affable and full of protestations of a desire to cooperate, continue to insist on taking a legalistic approach rather than a broad approach to the problem.’ He stated that the companies did not wish to give up any of the ‘so-called rights’ that they had acquired in the past and if their attitude did not change, court action would be the only alternative.⁹⁵

Manrique was keen to avoid a repeat of the Mexican expropriation but believed that in Venezuela there was an unhelpful tendency for both the government and oil companies to entrench themselves in a legal position and expect the other party to surrender. The Attorney General appeared sympathetic to the position of the oil companies, suggesting that the greater share of the blame for past conflict ‘must be placed on lack of intelligence, or honesty, or both, on the part of Venezuelan officials’. He felt that both the Venezuelan government and public were almost completely ignorant of matters pertaining to the oil trade and usually ignored industry advice. Nevertheless, Manrique argued that any concession pre-dating 1936 held the ‘original sin’ of having been granted under the Gómez regime. Thus, in order to reach a complete understanding between the oil companies and the government, he argued that a general revision of concessions was necessary.⁹⁶

The Attorney General had been involved in contentious discussions with the foreign oil companies before. In the first quarter of 1941 the Venezuelan government threatened legal action against both Gulf and SOCNJ after it was discovered that the two companies had unpaid back taxes. While SOCNJ agreed to make a settlement of Bs. 4,000,000, the Venezuelan Government struggled to reach an agreement with Gulf, who

⁹⁵ NARA, DS 831.6363/1276, Satterthwaite memorandum of conversation, 26 March 1942.

⁹⁶ Max Thornburg Papers, Gustavo Manrique Pacanins, ‘What is Wrong with the Venezuelan Oil Industry’, 8 April 1938.

owed an estimated Bs. 47,643,608.⁹⁷ Manrique negotiated on behalf of the government and eventually Gulf agreed to pay \$10,000,000, roughly two-thirds of the amount owed. The oil company considered this to be a considerable sacrifice while Philip W. Bonsal, of the State Department's Division of the American Republics, felt that Gulf had been 'very fortunate in extricating themselves from a very difficult situation in which their own unreasonableness had placed them'.⁹⁸

Throughout this affair, US policy-makers had been concerned that a public disagreement between the Venezuelan government and the US oil company would create unfavourable publicity that they felt would, in all probability, have repercussions throughout Latin America. Thus, wishing to avoid the case going to court, the State Department found it necessary to intervene and encouraged Gulf to reach a settlement.⁹⁹ While its involvement was minor, this episode demonstrated the State Department's willingness to promote sound relations between US companies and foreign governments through pro-active intervention. While the US government held no stake in the particulars of Gulf's tax bill, the matter became imbued with wider State Department concerns to ensure wartime hemispheric cooperation. Manrique's depiction of oil company intransigence in the more recent tax negotiations seemed to confirm US officials' existing fears that the independent actions of oil company managers would undermine their own interests in Venezuela and, therefore, they felt compelled to intervene.

⁹⁷ NARA, DS 831.6363/1252, 'General Report on the Oil Situation in Venezuela, Aruba, and Curacao' Knowles to Ickes, 11 September 1941; NARA, DS 831.6363/1229, 'Claim by Venezuela Government against Mene Grande Oil Company (Gulf Oil interest) for unpaid royalties' Corrigan to Hull, 28 March 1941.

⁹⁸ NARA, DS 831.6363/1239, memorandum of conversation with J. Frank Drake, President of Gulf Oil Corporation, by Philip W. Bonsal, State Department Division of the American Republics, 19 April 1941.

⁹⁹ NARA, DS 831.6363/1226, Hull memorandum, 2 April 1941; NARA, DS 831.6363/11227A, Hull to Drake, 1 April 1941; NARA, DS 831.6363/1229, 'Claim by Venezuela Government against Mene Grande Oil Company (Gulf Oil interest) for unpaid royalties' Corrigan to Hull, 28 March 1941; NARA, DS 831.6363/1230, 'Claim by Venezuela Government against Mene Grande Oil Company (Gulf Oil interest) for unpaid royalties' Corrigan to Hull, 2 April 1941; NARA, DS 831.6363/1229, Satterthwaite to Welles, 8 April 1941.

In March 1942, Bonsal met with Wallace Pratt, the vice president of SOCNJ, and made it clear that his government expected the oil companies to act promptly to resolve the Venezuelan tax issue. He informed Pratt that he was speaking at the instruction of Under Secretary Sumner Welles and emphasised the national interest in maintaining the flow of oil from Venezuela. He stated that this would best be achieved through continued operations by US companies but that this had now been placed under threat. Pratt expressed surprise that the situation was as serious as Bonsal had described and stated that he would think over what had been said.¹⁰⁰ In fact, Pratt's own outlook made him more receptive to State Department opinion than either Linam or Armstrong as the expropriation of the Mexican oil industry had convinced him that the oil corporations needed to alter their conduct in Latin America. Pratt felt that the relationship between the oil industry and Latin American governments should be based on the mutual interest of both parties, rather than merely legal obligation.¹⁰¹ Manrique's trip to the USA had successfully led the State Department to take a proactive involvement in the negotiations and to begin placing pressure on US companies to adopt a position amenable to the Venezuelan government. In August 1942, President Medina once again dispatched Manrique to Washington, this time with a memorandum outlining Venezuelan grievances and a personal letter from Medina to President Franklin D. Roosevelt.¹⁰² This constituted a clear attempt to gain the further involvement, and support, of the US government in the negotiations. FO officials viewed events with trepidation.¹⁰³

British and US Disagreement

¹⁰⁰ NARA, DS 831.6363/1308, Bonsal memorandum of conversation, 28 July 1942.

¹⁰¹ Henrietta, Knowlton and Popple, *New Horizons*, pp. 482-483

¹⁰² NARA, DS 831.6363/1301-1/2, 'Memorandum attached to the letter of August 3 that the President of Venezuela sends to His Excellency, Franklin D. Roosevelt, President of the United States'; FDRL, Sumner Welles Papers, Latin American Files, 1919-1943, Box 182, File: Venezuela, 1942-43, Welles memorandum of conversation with Diógenes Escalante, 17 August 1942;

¹⁰³ NA, POWE 33/224, Gainer to FO, 7 August 1942.

Before Manrique left for Washington, Gainer emphasised to the Attorney General that any agreement between the oil companies and the Venezuelan government ‘must be freely and frankly negotiated by mutual consent and not forced on the companies by any form of coercion by the Government.’¹⁰⁴ British officials believed that Manrique’s visit to Washington was a ‘fishing trip’ designed to measure US support of the Venezuelan position and Perowne felt that ‘the attitude of Mr. Welles may make the catch a good one!’¹⁰⁵ FO officials were generally frustrated by the views of Sumner Welles who, at the beginning of October 1942, made clear his disdain for the British desire for a united front.¹⁰⁶

While for British officials, Mexican expropriation had demonstrated the importance of maintaining a united front, Welles had been given the opposite impression. The Under Secretary felt that hard-line stance from the oil companies in Mexico had led to the prolonged antagonism that had culminated in the industry’s expropriation. He argued that the tactics of the oil companies in Venezuela had been characterised by similar ‘delay and evasion’ and that the country’s oil legislation was ‘no longer applicable to an established industry operating one of the richest and best proven oil fields in the world.’ Thus, Welles felt it necessary to impress on the oil companies the need to abandon an ‘exaggeratedly legalistic position’ and proposed that they should enter into separate discussions with the Venezuelan government, which would encourage a swift end to negotiations.¹⁰⁷

Throughout his time in the State Department, the Good Neighbor policy took primacy in the mind of Sumner Welles who was fluent in Spanish and had a long-held

¹⁰⁴ NA, POWE 33/224, Gainer to FO, 7 August 1942.

¹⁰⁵ NA, FO 371/30743/A9194, Perowne minute, 7 October 1942; NA, FO 371/30743/A9283, Perowne minute, 14 October 1942.

¹⁰⁶ NA, FO 371/30742/A9369, Gallop memorandum, 10 October 1942.

¹⁰⁷ NA, FO 371/30742/A8944, Halifax to FO, 3 October 1942; NA, FO 371/30742/A9369, Gallop memorandum, 10 October 1942; FDRL, OF 535 Venezuela, Welles to Roosevelt, 30 December 1942.

professional interest in Latin American affairs, having served as a diplomat in Argentina during the First World War. In May 1920, he was named deputy chief of the Division of Latin American Affairs and, a few months later, was made its acting chief.¹⁰⁸ In 1928, Welles wrote that US strategy in Latin America constituted ‘a blustering policy of intimidation’ and argued that if US policy-makers wished to maintain their preeminent role in world affairs it was necessary for them to re-evaluate their attitude towards Latin America. Summarising these views, he asserted that:

In the identification of its interests both political and material, on a basis of absolute equality, with the interests of its sister republics of the continent, and in the rapid removal of the grounds for their distrust lies [the USA’s] real advantage.¹⁰⁹

In 1933, Welles wrote to Roosevelt, stating his belief that the ‘creation and maintenance of the most cordial and intimate friendship between the United States and the other republics of the American Continent must be regarded as a keystone of our foreign policy.’¹¹⁰ Therefore, he rejected the notion that military intervention should be used to protect the investments of US businesses in Latin America.¹¹¹

In 1937, Welles was made Under Secretary of State and he quickly began to exert his influence over US foreign policy. Due to Cordell Hull’s failing health, the Secretary of State was unable to perform many of his duties and Welles stepped in to manage the day-to-day operations of the State Department. He had daily meetings with President Roosevelt, who was keen to evade Cordell Hull and personally shape his administration’s foreign policy.¹¹² Charles E. Bohlen, a long-serving US diplomat, recalls that ‘Welles, with Roosevelt’s support, usurped many of the Secretary’s functions, and Hull did not

¹⁰⁸ Benjamin Welles, *Sumner Welles: FDR's Global Strategist* (New York, NY, 1997), pp. 63.

¹⁰⁹ Sumner Welles, *Naboth's Vineyard: The Dominican Republic, 1844-1924, Vol. II* (New York, NY, 1928), pp. 936-937.

¹¹⁰ Griffin (ed.), ‘Welles to Roosevelt’, p. 191.

¹¹¹ James B. Reston, ‘Acting Secretary’, *The New York Times Magazine*, 3 August 1941, p. 9.

¹¹² O’Sullivan, *Sumner Welles*, pp. 20-21.

attend any of the summit meetings.’¹¹³ The Under Secretary also re-designed the State Department bureaucracy, combining the Latin American and Mexican Divisions into a single ‘American Republics’ Division that was led by his close colleague Laurence Duggan. Concurrently, Welles ensured that all matters relating to inter-American affairs were channelled through his own office.¹¹⁴

The Under Secretary clearly felt that he was better suited to managing US-Latin American relations than his superior, Cordell Hull, stating in 1951 that:

The truth is that Mr. Hull was devoid not only of any knowledge of Latin-American history, but also of the language and culture of our American neighbors. He had no understanding of Latin-American psychology. He had little grasp of the social and economic problems that the Latin-American republics presently confront.¹¹⁵

Thus, while originally formed under Cordell Hull, the Good Neighbor policy was largely implemented under the direction of Welles. The policy was particularly important in a time of war, and in a country as rich in oil as Venezuela.

British policy-makers, fearful of Latin American nationalism, viewed the situation differently. Gallop of the FO summed up the feelings of Whitehall when he stated that a united front was the only method by which the oil companies ‘would be in a position to resist Venezuelan demands and attempts to play them off against each other.’¹¹⁶ British officials were generally concerned that Welles’ commitment to the Good Neighbor policy could lead him to ‘appease’ Latin American governments to an unhelpful degree.¹¹⁷ At the end of 1941, Perowne commented that ‘Mr. Welles is a champion turner of the other cheek as far as Latin America is concerned’ and, in the case of Venezuela, he feared that

¹¹³ Charles E. Bohlen, *Witness to History, 1929-1969* (New York, NY, 1973), p. 129.

¹¹⁴ Irwin F. Gellman, *Secret Affairs: Franklin Roosevelt, Cordell Hull, and Sumner Welles* (London, 1995), pp. 139-140.

¹¹⁵ Welles, *Seven Decisions*, p. 119.

¹¹⁶ NA, FO 371/30743/A9283, Gallop minute, 13 October 1942.

¹¹⁷ NA, FO 371/30320/A266/266/2, Perowne minute, 8 January 1942.

Welles' idea of separate discussions could only lead to a greater risk of expropriation.¹¹⁸

This view was shared by Harold Wilkinson who, demonstrating Whitehall's intimate ties with the oil industry, acted as both President of Shell's US marketing subsidiary and the British government's Petroleum Representative in Washington.¹¹⁹

Moreover, Wilkinson felt that Max Thornburg was determined to ensure US control over the oil resources of the Western Hemisphere and suspected him, and the State Department generally, of conspiring to remove Shell from Venezuela. He believed that US officials would be pleased with Venezuelan expropriation of the oil industry if it allowed the USA to gain greater influence within the country. Starling was equally pessimistic while Perowne felt that, for the purposes of preserving British interests in Venezuela, the FO would be wise to contemplate the worst and attempt to persuade the US government that its interests would not be best served by eliminating Shell from Venezuela.¹²⁰ Gallop felt that the FO was contending with the 'deeply rooted prejudices of Mr. Sumner Welles, who has strong views on both Oil Companies and Latin America, and who seems fundamentally averse from facing any Latin American country with an Anglo-American united front in any circumstances and on any issue.'¹²¹ The level of influence that Sumner Welles had over US foreign policy in Latin America meant that he would likely dictate the level of Anglo-US cooperation in Venezuela and his dismissal of a united front boded ill for British hopes for a multilateral approach. Godber of Shell was unhappy with how things had developed and argued that 'a continued policy of appeasement is unlikely to result in a permanent solution to difficulties'.¹²²

¹¹⁸ NA, FO 371/25704/A10298/15/2, Perowne minute, 20 December 1941; NA, FO 371/30743/A9283, Perowne minute, 14 October 1942.

¹¹⁹ Payton-Smith, *Oil*, p. 255.

¹²⁰ NA, FO 371/30743/A9283, Perowne minute, 14 October 1942.

¹²¹ NA, POWE 33/224/A9283, Gallop to Starling, 17 October 1942.

¹²² NA, POWE 33/224, Godber to Hopwood, 27 August 1942.

While British officials viewed US policy towards Venezuela within their pre-existing suspicions of the Good Neighbor policy, Fiona Venn has revealed how rivalry over control of oil sites took on a central role in Anglo-US relations throughout the twentieth century.¹²³ This competition could create suspicion and mistrust between British and US officials, evidenced in the case of Venezuela. Such views reveal that underlying the Anglo-US wartime alliance were deep-seated suspicions as officials from both countries sought to promote their own overseas interests. Thus, while the British and US governments enjoyed an unprecedented level of collaboration during the Second World War, a competitive element still existed in Anglo-US relations which could come to the fore over issues pertaining to oil and Latin America. In Venezuela, there was a stand-off as both Whitehall and Washington officials sought to follow disparate policies aimed at furthering their own interests. While US policy was more accommodating to the Venezuelan position, the British desire for a united front was more sympathetic to the interests of the oil companies. This deadlock was broken, not by discussion between British and US policy-makers, but by a decision made by the SOCNJ Executive Committee.

The Success of US Policy

Manrique's second trip to Washington in August 1942 would prove crucial and lead the US government to intervene more directly in negotiations. The memorandum he delivered to Roosevelt stressed the unhelpful attitude of the oil companies and Venezuelan hopes that legal action could be avoided.¹²⁴ In keeping with the principles of the Good Neighbor policy, Roosevelt's reply emphasised his desire for continued good relations between the

¹²³ Venn, *Oil Diplomacy*.

¹²⁴ NARA, DS 831.6363/1301-1/2, 'Memorandum attached to the letter of August 3 that the President of Venezuela sends to His Excellency, Franklin D. Roosevelt, President of the United States'.

USA and Venezuela.¹²⁵ Manrique repeated the Venezuelan view of events to Sumner Welles who reassured him that the State Department 'would do whatever it appropriately could to facilitate a friendly adjustment'.¹²⁶ Manrique's trip confirmed Washington suspicions that the oil companies were placing the USA's future oil supplies, and the Good Neighbor policy, at risk. In response to this impending calamity, the State Department increased its involvement in negotiations.

During Manrique's visit, Max Thornburg's role increased dramatically as he used events in Venezuela as a test case of US government intervention in the international oil industry. He met unofficially with Manrique repeatedly during the Attorney General's stay in Washington with the two men speaking for hours at a stretch about the Venezuelan oil situation.¹²⁷ Thornburg also discussed the matter with personal friends who worked for the oil companies involved and spoke at length with Wallace Pratt, the vice president of SOCNJ.¹²⁸ Ultimately, the Petroleum Adviser believed that if Henry Linam was involved in negotiations they would 'get nowhere except deadlock' and argued that both he and Thomas Armstrong were 'incapable of dealing with this situation except on the basis of the experience they have had during the past twenty years.'¹²⁹ This intransigent position hindered the application of Thornburg's collaborative vision of US foreign oil policy. On 23 September 1942, Welles, Thornburg and Bonsal met with Clarence H. Lieb, Wallace Pratt and Armstrong of SOCNJ. During this meeting the State Department officials successfully convinced Pratt that Linam should take no further part in negotiations.¹³⁰ On 21 October, Manrique spoke to Bonsal, stating that the oil

¹²⁵ NARA, DS 831.6363/1325, Roosevelt to Medina 14 September 1942.

¹²⁶ NARA, DS 831.6363/1311, Welles memorandum of conversation with Diógenes Escalante and Manrique, 20 August 1942.

¹²⁷ NARA, DS 831.6363/1321-1/2, Thornburg memorandum, 23 September 1942.

¹²⁸ NARA, Petroleum Division, Box 8, File: Thornburg, Thornburg to Manrique, 30 October 1942.

¹²⁹ NARA, DS 831.6363/1321-1/2, Thornburg memorandum, 23 September 1942.

¹³⁰ NARA, DS 831.6363/1324, Bonsal memorandum of conversation, 23 September 1942.

companies appeared much more amenable, a fact he attributed to Thornburg's involvement.¹³¹

Pratt's meetings with State Department officials had convinced him that SOCNJ needed to follow a more accommodating policy in Venezuela but it was now necessary for him to convince the SOCNJ leadership to commit the company to State Department policy. Pratt could credibly argue that a new tax law had practical advantages for SOCNJ as its existing position in Venezuela might struggle to withstand legal scrutiny. The company's concessions in Venezuela had been acquired under the country's former dictator, Juan Vicente Gómez, and were stained by allegations of bribery. If the Venezuelan government did take the matter to court, SOCNJ executives did not feel that their company would be given a fair hearing. Moreover, these old concessions were valid for another twenty years, whereas if SOCNJ agreed to a new tax law, they would be granted new concessions covering a forty-year period. Pratt's case was supported by Manrique, who also met with the SOCNJ management in New York in the autumn of 1942.¹³²

Furthermore, throughout 1942, SOCNJ executives had been publicly accused of treason due to their association with the German firm IG Farben.¹³³ During the Second World War, Senator Harry S. Truman led the US Senate Special Committee to Investigate the National Defense Program which found that this business relationship had directly hindered US wartime rubber production. As Truman explained at the time:

Standard Oil [of New Jersey] had agreed with the German I. G. Farben Company that in return for Farben giving Standard Oil a monopoly in the oil industry, Standard Oil would give the Farben Company complete control of patents in the chemical field, including rubber. Thus when certain American rubber

¹³¹ NARA, DS 831.6363/1334, Bonsal memorandum, 21 October 1942.

¹³² NA, FO 371/30743/A11148, Halifax to FO, 24 November 1942; NA, POWE 33/225, Hopwood to Godber, 28 December 1942; Larson, Knowlton and Popple, *New Horizons*, pp. 482-483.

¹³³ Mira Wilkins, *The History of Foreign Investment in the United States, 1914-1944* (Cambridge, MA, 2004), pp. 533-535.

manufacturers made overtures to Standard Oil Company for licenses to produce synthetic rubber, they were either refused or offered licenses on very unfavorable terms ... Needless to say, I. G. Farben's position was dictated by the German government.¹³⁴

On 25 March 1942, SOCNJ agreed to license its rubber patents, royalty-free, to US firms but this failed to prevent further investigation into the company and the detrimental effect of international cartels on the US war effort.¹³⁵ Between April and August 1942, the Senate's Committee on Patents also scrutinised SOCNJ's dealings with IG Farben. During the Committee's hearings, Senator Robert M. La Follette condemned SOCNJ in emotive terms when he asserted the 'people are not in a frame of mind to be gentle with industrial treason at home while American boys die on battlefields scattered all over the globe.' He went on to state that 'the efforts of our own and other anti-Axis countries to prepare for war were impaired if not hamstrung by giant cartel agreements which crossed national boundaries and thwarted announced governmental policies.'¹³⁶ This called into question the rights of companies to protect their private property if, in so doing, they hindered the US war effort. Speaking of the rights of SOCNJ to protect its rubber patents, Committee Chairman Senator Homer T. Bone argued that:

It would present an intolerable picture to Americans that private property rights should be protected by the lives of our boys and those property rights should not be enlisted in this fight. ... I do not think that Americans generally are going to look with tolerance on any argument that patent rights are above the human rights of our boys; and the sooner we can recognize that, the sooner we can expand the whole war effort.¹³⁷

¹³⁴ HSTL, RG 46 Records of the US Senate, Senate Special Committee to Investigate the National Defense Program, Box 1, Folder: Speeches - Senator Harry S. Truman, 1942, Blue Network Radio Broadcast, 'Rubber in America' by Harry S. Truman, 15 June 1942.

¹³⁵ Wilkins, *Foreign Investment in the United States*, pp. 533-535.

¹³⁶ *Hearings before the Committee on Patents*, US Senate, 77th Congress, 2nd Session, Vol. I (Washington, DC, 1942), p. 11.

¹³⁷ *Ibid.*, p. 15.

Society-wide mobilisation for war had altered perceptions of the relationship between the state and the private sector as US companies were now expected to support the war effort, regardless of whether or not it was in their financial interests.

This issue received wide-spread press coverage and the high-profile case may have discouraged SOCNJ officials from inciting the displeasure of the US government any further.¹³⁸ Gallop of the FO suspected that this was the case when he argued that the State Department was ‘profiting’ from the oil company’s ‘weakened position in the United States to detach them from the United Front of the Companies’.¹³⁹ Believing that they could expect no support from the US government and fearing prolonged disruption to their Venezuelan operations, SOCNJ’s Executive Committee did in fact decide to leave the British government’s united front. Both Armstrong and Linam resigned soon after and Pratt was appointed to take their place in negotiations.¹⁴⁰ In a letter to President Roosevelt, Sumner Welles described this action as the removal of ‘persons who had ceased to be agreeable to the President of Venezuela and other leading Venezuelan officials.’¹⁴¹

Having convinced SOCNJ to abandon the united front, the State Department now approached Shell and, at the end of October, the company’s representative in the US, Frank J. Hopwood, met with Manrique and Thornburg. Thornburg said that US companies would now furnish the State Department individually with the terms which they would accept and if Venezuelan officials felt that these were constructive they would consider resuming negotiations. He told Hopwood that if Shell wanted to follow the same

¹³⁸ For examples of press coverage see: ‘Arnold Says Standard Oil (N.J.) Gave Nazis Synthetic Rubber Patents Withheld Here’ *Wall Street Journal*, 27 March 1942, p. 3; ‘Charges of Arnold on Rubber Denied’, *Los Angeles Times*, 1 April 1942, p. 7; Windsor Booth, ‘Rubber Data Hidden from Our Navy, Oil Chief Admits’, *Washington Post*, 2 April 1942, p.1; C.P. Trussell, ‘Deception is Laid to Standard Oil’, *New York Times*, 1 June 1942, p. 1.

¹³⁹ NA, FO 371/30743/A9283, Gallop minute, 13 October 1942.

¹⁴⁰ NA, FO 371/30743/A11148, Halifax to FO, 24 November 1942; Larson, Knowlton and Popple, *New Horizons*, pp. 482-483; ‘Venezuela Wins Oil Deal’ *New York Times*, 3 December 1942, p. 3.

¹⁴¹ FDRL, OF 535 Venezuela, Welles to Roosevelt, 30 December 1942.

course he would be happy to act as a mediator.¹⁴² Following his return to Venezuela, Manrique began a written correspondence with Thornburg and, on 30 October, Thornburg sent the Attorney General a detailed nine-point outline of the policy he felt the Venezuelan government should follow. The document advised that Venezuelan officials abandon the threat of legal action and resume negotiations with the foreign oil companies. Thornburg also suggested that the government tax oil production at a flat rate of one-sixth, which he felt was optimum both for the Venezuelan government and the oil companies.¹⁴³ Copies of this letter were also sent to all the oil companies operating in Venezuela.¹⁴⁴

FO officials were rather dismayed by this sudden development. Gallop felt that it was clear that Manrique had ‘been given the green light by Mr. Sumner Welles’ and, in reference to the earlier fishing trip metaphor, stated that the Attorney General’s ‘catch must have exceeded his wildest dreams’.¹⁴⁵ He went on to say that it was ‘most exasperating that we should have been put on the spot in this way by Mr. Sumner Welles’ while Perowne felt that Welles had ‘successfully manoeuvred to gain control of the situation’ and would have successfully endeared himself to the Venezuelan government.¹⁴⁶ PD officials also very much disliked the way the matter had been handled by the State Department.¹⁴⁷ On the matter of how best to proceed, Shell officials were now placed in an uncomfortable position. If they agreed to Thornburg’s offer, any measure of a hard-line stance would have to be abandoned and the State Department’s policy followed. Yet if they refused, their company would be forced to act alone and risk

¹⁴² NA, FO 371/30743/A9898, Hopwood to Godber, 27 October 1942; SLA, CO/119/11/31 V4, Godber memorandum ‘Venezuela’ to the Anglo-Saxon board, 7 November 1942.

¹⁴³ NARA, Petroleum Division, Box 8, File: Thornburg, Thornburg to Manrique, 30 October 1942.

¹⁴⁴ FDRL, OF 535 Venezuela, Welles to Roosevelt, 30 December 1942.

¹⁴⁵ NA, FO 371/30743/A9898, Gallop minute, 30 October 1942.

¹⁴⁶ NA, FO 371/30743/A9898, Perowne minute, 30 October 1942.

¹⁴⁷ NA, FO 371/30743/A10253, Starling to Perowne, 5 November 1942.

possible legal action.¹⁴⁸ Ultimately, Gallop felt that if Shell ‘attempts to take an independent line ... their prospects will be poor’.¹⁴⁹

After discussing the situation with Whitehall it was decided that at least some semblance of a united front should be attempted in order to avoid Shell’s isolation and, consequently, the company’s board acquiesced to Thornburg’s proposal.¹⁵⁰ Thornburg was at first concerned about the intransigent position of Gulf officials and, in response, the Venezuelan government threatened to produce claims against the company for past avoidance of taxation. Thus, once Shell and SOCNJ had agreed to the State Department’s proposal, Gulf officials had little choice but to follow suit.¹⁵¹ The oil companies had now abandoned any notion of a hard-line stance based on a united front and had acquiesced to State Department demands.

This development was met with alarm among Shell’s senior management. Godber was unhappy with how things had developed and argued that matters were ‘getting seriously out of hand’ and that the ‘present trend of negotiations is very serious’.¹⁵² Van Hasselt argued that in view of the ‘web of political intrigue which as a matter of course is woven around the whole situation in Caracas we cannot be cautious enough’. The Shell manager considered Thornburg to be a ‘New Dealer and Good Neighbour [sic] Policy advocate apt to consider no price too high to obtain a long term peace’.¹⁵³ He predicted that their ‘Latin mentality’ would drive Venezuelan officials to seek the highest possible concessions from the oil companies.¹⁵⁴ In so-doing, he pre-emptively discredited Venezuelan demands by casting them as the result of unreasonable racial temperament,

¹⁴⁸ NA, FO 371/30743/A9898, Hopwood to Godber, 29 October 1942.

¹⁴⁹ NA, FO 371/30743/A9898, Gallop minute, 30 October 1942.

¹⁵⁰ NA, FO 371/30743/A10853, FO to Gainer, 9 November 1942; POWE 33/225 Hopwood to Thornburg, 9 November 1942; NARA, DS 811.6363/1344, Thornburg to Manrique, 18 November 1942.

¹⁵¹ NA, FO 371/30743/A11561, Gainer to FO, 10 December 1942; NA, FO 371/30743/A11700, Gainer to FO, 16 December 1942; NA, POWE 33/225, Gainer to Eden, 30 December 1942.

¹⁵² NA, POWE 33/225, Godber to van Hasselt, 18 December 1942.

¹⁵³ NA POWE 33/225, van Hasselt to Godber, 21 December 1942.

¹⁵⁴ NA, POWE 33/225, van Hasselt to Godber, 16 December 1942.

rather than considered government policy. It followed, therefore, that Shell's resistance to the Venezuelan attitude was valid, logical and natural. The Shell manager also believed that Thornburg was 'out to secure through a deal made here improvement in relationships in other Latin-American countries.'¹⁵⁵ From van Hasselt's perspective, the combination of Venezuelan assertiveness and US mollification could lead to onerous financial burdens being placed on Shell. US oil company officials were also bitterly opposed to Thornburg's involvement and felt that they had 'once again been sold down the river by the State Department and a bunch of new dealers in Washington'.¹⁵⁶ Alenjandro Pietri of SOCNJ declared it a 'disgrace' that the Venezuelan government had approached the State Department.¹⁵⁷

The Roosevelt administration's Good Neighbor policy was designed to encourage pan-American solidarity as a means of ensuring wartime hemispheric defence, export markets for US goods and political cooperation throughout the Americas.¹⁵⁸ One aspect of this strategy was to ensure cordial relations between US business interests and Latin American governments. Consequently, US officials, including Thornburg, consistently took on a self-assigned mediator role between US businesses and Latin American officials. By taking on this responsibility, US officials hoped to prevent nationalisation of important Latin American industries, as had occurred in Mexico.¹⁵⁹ If successful, government intervention could protect the private property rights of US businesses while simultaneously advancing broad foreign policy aims. Indeed, Thornburg told Hopwood

¹⁵⁵ NA, POWE 33/225, van Hasselt to Godber, 21 December 1942.

¹⁵⁶ NA, FO 371/30743/A11407, Gainer to Eden, 17 November 1942.

¹⁵⁷ NA, POWE 33/225, Gainer to Eden, 17 November 1942.

¹⁵⁸ Wood, *The Making of the Good Neighbor Policy*, pp. 3-10; Gellman, *Good Neighbor Diplomacy*, pp. 117-126; Green, *The Containment of Latin America*, pp. 37-58.

¹⁵⁹ Max Thornburg Papers, 'Notes on the Development of our National Foreign Oil Policy in Preparation for Senate Inquiry', Thornburg, 14 March 1944; Green, *The Containment of Latin America*, pp. 37-40.

that he believed that a satisfactory settlement in Venezuela would pave the way for a better atmosphere in Latin America, and in particular, a solution in Mexico.¹⁶⁰

At the beginning of November 1942, Thornburg wrote to Manrique, urging the Attorney General to strike while the 'iron is hot'. While this was, in theory, an unofficial correspondence, copies were forwarded to State Department officials, including Cordell Hull.¹⁶¹ Subsequently, in November, the Venezuelan government invited the Petroleum Adviser to offer consultation on general world oil affairs.¹⁶² Thornburg added a handwritten 'ostensibly, of course' to this description of his role and the State Department urged him to accept the invitation so that he could help bring negotiations to a speedy conclusion.¹⁶³ Once he arrived in Venezuela, Thornburg informed Gainer that the negotiations fell within the scope of his instructions and discussions subsequently recommenced on the basis of his 30 October letter to Manrique.¹⁶⁴ Starling informed the FO that both Shell and PD officials felt that the terms demanded by the Venezuelan government were unreasonable and would be 'more onerous' on Shell than the US companies. Yet he also stated that 'I have already indicated in earlier correspondence how much we dislike having to settle our problems through the medium of the State Department, but for the moment there is apparently no alternative.'¹⁶⁵

The State Department had successfully constructed a situation best suited to Venezuelan pacification and any obstruction to the US preference for a prompt settlement had been removed. Despite the Anglo-US wartime alliance and British reliance on

¹⁶⁰ NA, POWE 33/225, Hopwood to Godber, 5 December 1942.

¹⁶¹ NA, POWE 33/225, Gainer to Eden, 30 December 1942; NARA, DS 831.6363/1339A, Thornburg to Manrique, 5 November 1942.

¹⁶² NARA, DS 831.6363/1354, Diógenes Escalante to Welles, 27 November 1942; FDRL, Sumner Welles Papers, Latin American Files, 1919-1943, Box 182, File: Venezuela, 1942-43, Welles memorandum of conversation with Diógenes Escalante, 27 November 1942.

¹⁶³ NARA, DS 831.6363/1384, Thornburg memorandum, 28 November 1942; NARA, DS 831.6363/1354, Bonsal to Welles, 30 November 1942.

¹⁶⁴ NA, FO 371/30743/A11561, Gainer to FO, 10 December 1942; NA, POWE 33/225, Starling to Perowne, 24 December 1942.

¹⁶⁵ NA, POWE 33/225, Starling to Perowne, 24 December 1942.

Venezuelan oil, State Department officials did not seek to collaborate with Whitehall when formulating their policy. Instead the attitude of US officials was informed by the Good Neighbor policy and their emerging foreign oil strategy. While this oil policy did include consideration of the Allies' wartime needs, British opinion was not sought after. Corrigan and Gainer did share their views at an embassy level but such discussions had no impact on the formation of State Department policy.¹⁶⁶ A new petroleum law was enacted in Venezuela on 13 March 1943 that increased the taxation of the petroleum industry to royalties of one-sixth: the rate that Thornburg had suggested to Manrique.¹⁶⁷ In response, Welles told the British Ambassador in Washington, Viscount Halifax, that a 'fresh disaster' had been avoided.¹⁶⁸

While the new hydrocarbons law increased taxation of the Venezuelan oil industry, it also provided the oil companies with the right to convert their old concessions into new ones of forty years' duration. Moreover, the law stipulated that after these forty-year concessions expired, the holders would have the right of first-refusal in their renewal. It also empowered the oil companies to search government-owned land for new sources of crude oil. Oil company officials hoped that the new law would foster a stable relationship with the government and they felt able to plan their future Venezuelan operations with increased assurance.¹⁶⁹ Thus, by the end of May 1943, 46 oil companies controlling 99.6 per cent of Venezuela's oilfields had converted their holdings to the new

¹⁶⁶ NA, POWE 33/224, Gainer to Eden, 4 September 1942.

¹⁶⁷ NARA, RG 253 Records of the Petroleum Administration for War, Foreign Legislation Records Concerning Foreign Petroleum Legislation, 1943, Box 4819, File: Report by Mr. L.L. Anderson to Mr. Duce concerning Foreign Petroleum Legislation, Manuel Natienzo memorandum 'New Petroleum Law of Venezuela (Enacted March 13, 1943)', 1 June 1943; NARA, Petroleum Division, Box 8, File: Thornburg, Thornburg to Manrique, 30 October 1942; 'Venezuelan Oil Concessions', *The Times*, 21 June 1943, p. 7.

¹⁶⁸ NA, FO 371/30743/A11636, Halifax to FO, 12 December 1942.

¹⁶⁹ 'Venezuelan Oil', *The Manchester Guardian*, 17 May 1943, p. 2; 'Venezuela's Oil', *The Economist*, 29 May 1943, p. 691; 'Venezuelan Oil Concessions', *The Times*, 18 July 1944, p. 8; 'Creole Petroleum Votes To Convert Concessions to Fit Venezuelan Law', *Wall Street Journal*, 23 April 1943, p. 3.

forty-year concessions while the president of SOCNJ's local subsidiaries, Clarence H. Lieb, quickly announced plans for 'intensified development' of Venezuela's oilfields.¹⁷⁰

Ramifications for British Oil Policy

For Perowne, the whole affair had undermined the notion that British oil policy should be built upon a state-private network. He believed that Britain's access to Venezuelan oil relied upon sound relations between the British and Venezuelan governments and that this did not necessitate that British companies operated in the country.¹⁷¹ Indeed, for Perowne, Shell's holdings in Venezuela were likely to cause tension within Anglo-Venezuelan relations as British ownership of 'public utilities' in South America could too often create friction between the British government and the 'lusty, young nationalistic republics of the sub-continent' which resented foreign domination of their industries.¹⁷² Yet he pointed out that 'Starling, for reasons which he has never been able to explain, believes that there is some special virtue in British ownership of foreign oilfields insofar as concerns the supply of oil to this country'. For Perowne, this was incorrect thinking and he argued that it would not be in Britain's best interest to see Shell expand their operations in Venezuela.¹⁷³ Thus, Perowne wrote to Starling, contending that 'the greater the stake Shell has in Venezuela, the greater the hostages to fortune we shall have given in that country, and the greater possibility of trouble between the two governments and of that trouble being of more serious dimensions.'¹⁷⁴

Starling was 'disturbed' by Perowne's suggestion that Shell should limit its holdings in Venezuela. As no other major British oil companies operated in the country,

¹⁷⁰ 'New Venezuela Holdings', *Wall Street Journal*, 20 May 1943, p. 3; 'Venezuelan Oil', *The Manchester Guardian*, 17 May 1943, p. 2.

¹⁷¹ NA, FO 371/30743/A9283, Perowne minute, 14 October 1942.

¹⁷² NA, FO 371/34258/A1786, Perowne to Starling, 3 April 1943.

¹⁷³ NA, FO 371/34258/A1786, Perowne minute, 29 March 1943.

¹⁷⁴ NA, FO 371/34258/A1786, Perowne to Starling, 3 April 1943.

asking Shell to limit its expansion in Venezuela would lead the industry to become completely dominated by US companies. Moreover, he argued that the general idea that Britain should deliberately limit its involvement in the international oil industry ‘would be a very serious step indeed from a national and defence point of view and one which we certainly could not support.’¹⁷⁵ Starling had also discussed the issue with Godber, to which both Perowne and Gallop took exception.¹⁷⁶ Perowne emphasised the high level of intimacy that existed between the PD and Shell when he commented that ‘the fact of course is that to Mr Starling it is the F.O. who are the outsiders, not Sir F. Godber.’¹⁷⁷

Indeed, the British government had, since the beginning of the twentieth century, based their oil policy on a state-private network that emphasised the benefits of close ties between government and multinational oil companies. Perowne was, rather casually, suggesting a reversal of this entire policy. The relationship between the PD and the privately-owned multinational oil companies was especially close. Thus, when the PD and FO disagreed over the utility of Shell’s holdings in Venezuela, some in the FO questioned their colleague’s objectivity. This split within Whitehall suggests that, while a British policy built upon state-private collaboration had been in operation for a number of years, it could still cause tension within Whitehall. As the governments of oil-producing countries were increasingly demanding a greater share of industry profits, the British government’s corporate ties could be perceived as a burden rather than a blessing.

Thornburg’s Role

Max Thornburg would later write that conflict in Venezuela was brought about by ‘the superficial antagonism arising out of mutual distrust, personal antipathies, petty chiselling

¹⁷⁵ NA, FO 371/34259/A3484, Starling to Perowne, 13 April 1943.

¹⁷⁶ *Ibid.*; NA, FO 371/34259/A3484, Gallop minute, 15 April 1943; NA, FO 371/34259/A3484, Perowne minute, 16 April 1943.

¹⁷⁷ NA, FO 371/34259/A3484, Perowne minute, 16 April 1943.

and increasingly severe combat tactics'. Yet he contended there still existed an 'underlying body of mutual benefit and dependence, upon which a lasting and beneficial relationship could be made to rest.'¹⁷⁸ It was this mutually beneficial relationship that Thornburg sought to bring to the fore and he wrote that it was due to State Department intervention that 'both the welfare of Venezuela and our continued interest in her oil exports seem now to be assured'. He argued that the fact that the State Department had not officially taken part in negotiations was 'begging the question'.¹⁷⁹ Thornburg's role had been usefully ambiguous as it had allowed him to advise the State Department, Venezuelan government and oil companies simultaneously, all the while ensuring that US foreign policy objectives were met. Moreover, keeping State Department intervention 'unofficial' helped to prevent any offense to Venezuela's national dignity.¹⁸⁰

Thornburg felt that the episode had highlighted the benefits of government intervention in the oil industry more generally and pressed for a continuation of such action in other areas of the globe.¹⁸¹ Such ideas were quickly gaining support within the US government as the Second World War highlighted oil's importance as a strategic resource. From a military perspective, the Joint Chiefs of Staff stressed the tactical need for US post-war control of overseas oil fields in case of any future conflict.¹⁸² The level of State Department interest in this topic was made clear when, in February 1943, Herbert Feis, Adviser on International Economic Affairs, joked that it appeared to be 'Committees

¹⁷⁸ Max Thornburg Papers, 'Notes on the Development of our National Foreign Oil Policy in Preparation for Senate Inquiry', Thornburg, 14 March 1944.

¹⁷⁹ NARA, Petroleum Division, Box 8, File: Thornburg, Thornburg memorandum, 23 November 1942.

¹⁸⁰ Max Thornburg Papers, 'Notes on the Development of our National Foreign Oil Policy in Preparation for Senate Inquiry', Thornburg, 14 March 1944.

¹⁸¹ NARA, Petroleum Division, Box 8, File: Thornburg, Thornburg memorandum, 23 November 1942.

¹⁸² NARA, RG 218, Records of the U.S. Joint Chiefs of Staff, Box 458, JCS 342/1, Memorandum for the President, Subject: Oil Reserves, 8 June 1943; LC, Cordell Hull Papers, State Department memorandum for Roosevelt, 14 June 1943.

for Petroleum Week' as US officials proposed the creation of an ever increasing number of high-powered petroleum committees and organisations.¹⁸³

Such views led to a foreign policy based upon a New Deal conception of state-private sector interaction that sought to increase the governmental role in private enterprise, ensuring that companies such as SOCNJ and Gulf acquiesced to the fulfilment of the Roosevelt administration's foreign policy objectives. Such beliefs lay behind the Roosevelt administration's decision to create the Petroleum Reserves Corporation (PRC) in June 1943. The PRC was formed with the intention that it would purchase a controlling interest in the Arabian-American Oil Company in an attempt to create a national oil company comparable to the British Anglo-Iranian. However, this proved to be an ill-fated venture as opposition from the oil industry, general public and Congress meant that the project was quickly abandoned.¹⁸⁴ Nevertheless, the episode should be viewed as a continuation and extension of US policy in Venezuela. Britain was seen as a model for how US oil policy could operate overseas, with close ties between the state and the private sector perceived to be of vital importance.

Attitudes within the federal administration were shifting with an increased desire for government involvement in the international oil industry. By 1942, there was a consensus in Washington that the US government had a central role to play in managing the international oil industry and, in Venezuela, its intervention had proven effective. This interventionism formed part of a broader hemispheric New Deal as the US government intervened in the industries of Latin America to ensure wartime economic stability and hemispheric solidarity. Michael J. Hogan has argued that, following the Second World

¹⁸³ NARA, Petroleum Division, Box 27, File: IPPC – H. international oil agreement, Feis to Pete Collado, 19 February 1943.

¹⁸⁴ Stephen J. Randall, 'Harold Ickes and United States Foreign Petroleum Policy Planning, 1939-1945' *The Business History Review*, Vol. 57, No. 3 (Autumn 1983), pp. 367-387; LC, Cordell Hull Papers, State Department memorandum for Roosevelt, 14 June 1943; FDRL, Francis P. Corrigan Papers, General Correspondence, Box 9, File: Thornburg, Max, Thornburg to Hull, 27 March 1943.

War, New Deal principles became applied to foreign policy as US policy-makers sought to rebuild the economies of Western Europe, via the Marshall Plan, through corporatist collaboration and public-private power sharing.¹⁸⁵ Similarly, Scott Lucas has developed the term ‘state-private network’ to describe US foreign policy during the Cold War.¹⁸⁶ For Lucas, this term denotes “the extensive, unprecedented collaboration between ‘official’ US agencies and ‘private’ groups and individuals in the development and implementation of political, economic, and cultural programs in support of US foreign policy”.¹⁸⁷ The international oil industry became a testing ground for the state-private sector collaboration that characterised US post-war foreign policy as US policy-makers explored how multinational corporations could be utilised to meet foreign policy objectives.

Nevertheless, Thornburg’s ambiguous part in the affair did cause multiple controversies. During the negotiations, William F. Buckley Jr., attorney for Pantepec Oil Company, wrote to Thornburg stating that the new legislation was a ‘triumph for Shell, Standard and Gulf’. He alleged that these larger companies would be in a position to cease production in Venezuela once the one-sixth royalty became too burdensome and instead transport oil from their substantial reserves in the Middle East whereas the smaller companies, such as Pantepec, would be forced out of business. He stated that US government intervention was ‘certainly not clear to those not admitted to the inner circle in these negotiations’ and asserted ‘one must disregard, of course, the fiction that Mr Thornburg is not representing the State Department in this situation.’¹⁸⁸ The allegation that Thornburg was ignoring the interests of the smaller companies in order to protect the multinational corporations would prove to be enduring.

¹⁸⁵ Hogan, *The Marshall Plan*, pp. 1-25.

¹⁸⁶ Lucas, *Freedom’s War*, pp. 93-106.

¹⁸⁷ Liam Kennedy and Scott Lucas, ‘Enduring Freedom: Public Diplomacy and U.S. Foreign Policy’, *American Quarterly*, Vol. 57, No. 2 (June 2005), p. 312.

¹⁸⁸ NARA, DS 831.6363/1361A, ‘Memorandum for Mr. Max Thornburg on the Venezuelan Oil Situation’, Buckley, 15 December 1942.

At the end of December 1942, certain US officials, among them Harold L. Ickes, were suspicious of Thornburg's role in Venezuela and feared that he was manipulating US foreign policy to protect the interests of the large multinational oil companies. Ickes believed that Thornburg had placed himself in a 'thoroughly contradictory position' which could lead to a 'very unpleasant scandal'.¹⁸⁹ Thornburg wrote to Dean Acheson, the Assistant Secretary of State, challenging Ickes' view of events, asserting that his aim had always been to create an atmosphere that would be conducive to successful negotiations. To this end, he had successfully persuaded the large oil companies to disregard the advice of their lawyers who had argued that a legal case against the Venezuelan government would be successful. Moreover, he had convinced them to abandon their united front and accept a reduction in revenue of many millions of dollars a year. Thornburg pointed out that, during this process, it had been necessary to convince SOCNJ to remove Linam from his position, despite a lifetime of work for the company. In essence, he had persuaded the oil companies to accept 'the public judgement that their ways in the past had not been the best' while also the convincing the 'highly inflamed' Medina to abandon legal action. Thornburg also indicated that he suspected that the allegations made against him were a 'personal attack'.¹⁹⁰

Sumner Welles wrote to President Roosevelt, exonerating Thornburg of any wrongdoings. He stated that the Petroleum Adviser had realised an 'important achievement' having 'handled the situation with tact and ability' and argued that Ickes' view of events could only be based on 'insufficient and distorted information.'¹⁹¹ Thornburg and Dean Acheson also met with Ickes in person in order to explain that

¹⁸⁹ LC, Harold L. Ickes Papers, Diary, 13 December 1942, pp. 7289-7291.

¹⁹⁰ NARA, DS 831.6363/1260-1/2, Thornburg to Assistant Secretary of State Dean Acheson, 27 December 1942.

¹⁹¹ FDRL, OF 535 Venezuela, Welles to Roosevelt, 30 December 1942.

Thornburg's actions were all at the behest of the State Department.¹⁹² Thornburg's suggestion that the criticisms were a politically motivated 'personal attack' was not groundless as Ickes felt that the role of Petroleum Adviser undermined his own position as Petroleum Coordinator for National Defense. Indeed, Ickes was keen to ensure that all issues relating to the government's petroleum policy came under his jurisdiction.¹⁹³ He was particularly suspicious of Thornburg, stating in December 1941 that the Petroleum Adviser had 'lost no time in trying to dig [himself] in so completely that [he] cannot be blasted out.'¹⁹⁴

Such infighting was widespread within the Roosevelt administration due to the President's deliberate habit of assigning the same task to multiple individuals or government agencies.¹⁹⁵ Moreover, Harold Ickes argued that the State Department was plagued by factions and constituted the 'weakest link' in the Roosevelt administration.¹⁹⁶ The Secretary of the Interior held both Hull and Welles in low regard, believing that Hull had no control over his department and that Welles was ambitious and arrogant.¹⁹⁷ He believed that the State Department had acted incompetently in its appeasement of Fascism prior to the war and wrote that 'our State Department is not without responsibility, serious responsibility at that, for the dreadful situation in which the world today finds itself.'¹⁹⁸ In April 1941, Ickes went as far as to write 'Goddamn the Department of State' in his diary

¹⁹² LC, Harold L. Ickes Papers, Diary, 3 January 1943, pp. 7357-7359; *Nomination of Edwin W. Pauley for Appointment as Under Secretary of the Navy, Committee on Naval Affairs*, US Senate, 79th Congress, 2nd Session, Vol. 3, (Washington, 1946), pp. 452-461, 469-470; Acheson, *Present at the Creation*, pp. 62-63.

¹⁹³ LC, Harold L. Ickes Papers, Diary, 4 January 1942, pp. 6173-6179; LC, Harold L. Ickes Papers, Diary, 11 January 1942, pp. 6197-6200; LC, Harold L. Ickes Papers, Diary, 18 January 1942, pp. 6246-6249; LC, Harold L. Ickes Papers, Box 219, File: Oil 20, Ickes to Roosevelt, 14 January 1942.

¹⁹⁴ LC, Harold L. Ickes Papers, Box 219, File: Oil 19, Ickes to Bureau of the Budget Director Harold Smith, 31 December 1941.

¹⁹⁵ Matthew J. Dickinson, *Bitter Harvest: FDR, Presidential Power and the Growth of the Presidential Branch* (Cambridge, 1996), pp. 207-211.

¹⁹⁶ *Ibid.*, p. 216; Dean Acheson, *Present at the Creation*, p. 62.

¹⁹⁷ Harold L. Ickes, *The Secret Diary of Harold L. Ickes: The Lowering Clouds, 1939-1941* (New York, NY, 1954), p. 217.

¹⁹⁸ *Ibid.*, pp. 217-218.

in reaction to the State Department's appeasement of Japan.¹⁹⁹ Ickes' attack on Thornburg's role in Venezuela was, by extension, an attack on the State Department's handling of the affair. Thus, it may well have been an attempt to discredit the State Department more generally and call into question its competency in handling the government's oil policy. Welles' forceful defence of Thornburg to the President was, therefore, also a defence of his own ability to manage US foreign affairs.

In February 1944, Thornburg was served a subpoena to appear before the Supreme Court of New York and asked to give testimony in a case brought by a group of shareholders of the Creole Petroleum Company, which operated in Venezuela as a subsidiary of SOCNJ. The Creole shareholders felt that Thornburg, and by extension the State Department, had undermined their company's interests by becoming unsuitably involved in the tax negotiations.²⁰⁰ Unfortunately for Thornburg, the idea that he was a tool of the major oil companies was persistent and ultimately led to his resignation from the State Department on 24 June 1943.²⁰¹ Thornburg's troubles were indicative of the often ambiguous, and at times uneasy, relationship between the US government and the oil industry. His resignation reveals that those groups with a financial stake in the oil industry were able to place considerable pressure on public officials who encroached upon their private interests.

Conclusion

Although intimate allies in their war against the Axis powers, the British and the US governments nevertheless held mutual distrust in matters relating to Latin America and the international oil industry. These tensions came to the fore in Venezuela as both

¹⁹⁹ *Ibid.*, p. 473.

²⁰⁰ NARA, Petroleum Division, Box 18, File: Venezuela, Bonsal memorandum of conversation with Thornburg, 24 February 1944.

²⁰¹ Max Thornburg Papers, Thornburg to H. H. MacCaregill, Vice President of SoCal, 30 October 1943; Max Thornburg Papers, Hull to Thornburg, 24 June 1943.

governments attempted to gain the support of privately-owned multinational oil companies for their divergent policies. Such support was of crucial importance in determining the success of these policies as the attitude of oil company executives was likely to dictate the outcome of negotiations with the Venezuelan government. Indeed, the British government's over-arching oil policy was reliant on a state-private network that linked Whitehall with multinational oil companies such as Shell. As such, any challenge to the legal position of the oil companies in Venezuela not only threatened Britain's access to vital wartime oil supplies but could also set a precedent that might undermine the entire system upon which British oil policy rested. Fearing that their wartime, and post-war, supplies of oil could be put at risk by Venezuelan nationalism, British officials sought to form a united front that would protect the oil companies' operations and their own interests. However, the US government had formed its own, conflicting view of the situation.

While the State Department pressured the oil companies to adopt a more conciliatory attitude in their negotiations with the Venezuelan government, this policy was not intended to oppose the interests of private enterprise but, rather, protect these interests by resolving the dispute before it escalated to the point of nationalisation. This approach formed part of the Roosevelt administration's broader Good Neighbor policy which was designed to establish greater cooperation between the USA and Latin America. Such cooperation became especially important during the Second World War as the US government encouraged hemispheric solidarity as a means of defending against Axis aggression. Thus, regional politics played a pivotal role in shaping US attitudes towards the Venezuelan oil industry as the State Department sought to limit antagonism between US business interests and Latin American governments which might undermine pan-American unity.

US intervention in Venezuela was also informed by Washington's experience of the New Deal which was now internationalised as the Roosevelt administration increased its role in private enterprise abroad as well as domestically. In particular, events in Venezuela can be viewed as a case study of the increasingly interventionist role played by the US government within the international oil industry, which came to resemble that of Britain. The actions of US policymakers serve as a precursor to the state-private sector collaboration that would come to full fruition following the Second World War while the New Deal interventionism that characterised the US government's dealings in the oil industry would also influence its attempts to shape post-war international organisation. However, Whitehall officials were concerned that US 'appeasement' of the Venezuelan government would merely serve to encourage nationalisation of the oil industry while some perceived State Department policy as specifically designed to ensure US control of the Venezuelan oilfields at British expense.

Anglo-US disagreement was not settled by discussions between the two sets of officials but rather through the manipulation of private enterprise as the State Department's ability to secure oil company support ultimately led to its success and British failure. Thornburg's role as a mediator between the State Department, oil companies and Venezuelan government was crucial in achieving this outcome. Holding a monopoly of corporate backing was enough to ensure that US foreign policy aims could be achieved without the need for discussion or collaboration with Britain, creating a form of diplomacy by proxy. What this reveals is that a government's ability to gain the support of private enterprise can become a vital instrument, and indicator, of power.

Chapter Three

Applying the Atlantic Charter to the Venezuelan Oil Industry, 1943-1944

The bilateral Atlantic Charter demonstrated the hierarchy within international relations as Whitehall and Washington presented the rest of the world with the principles that would govern post-war politics and trade. Despite these grand designs, the conflicting interests of private enterprise, oil-importing countries and oil-exporting countries undermined efforts to apply the Charter to the international oil industry. In particular, during 1944, the Venezuelan government demonstrated that it was possible to successfully challenge British and US interpretation and application of the document. Yet, concurrently, the Charter proved to be a valuable rhetorical device for private enterprise as Shell employed it to engineer diplomatic intervention in support of its private interests.

In March 1944, the Venezuelan government published a resolution that was designed to compel oil companies to refine crude on the mainland rather than in the West Indies. Shell officials quickly denounced the policy and the resulting dispute brought to the fore the conflicting interests of oil-importing and oil-exporting countries. While the Venezuelan government sought to increase the revenue it gained from the oil industry, British and US officials were concerned by the ramifications of restricting the global movement of oil. In particular, the free trade principles written into the Atlantic Charter would become a central component of discussions surrounding the refinery issue. Subsequently, the British and US governments condemned Venezuelan policy in an effort to uphold their plans for post-war reconstruction and defend their global interests.

The Roosevelt administration had consistently promoted international free trade as a means of securing peace and economic stability in the post-war world. As part of this effort, US officials had fought to gain British support for these principles through the bilateral Atlantic Charter and Lend-Lease agreements. Thus, they felt compelled to intervene when Venezuelan efforts to place geographical restrictions on oil refining appeared to undermine their attempts to universalise free trade. For British officials, the Venezuelan government's policy set a dangerous precedent that had the potential to seriously disrupt the international oil industry, and therefore, British oil supplies. By 1944, the British government had not yet fully committed itself to a policy of free trade but Whitehall officials were prepared to make reference to the Atlantic Charter when it was advantageous to do so. The ideals outlined in the Charter could be used to justifiably condemn the actions of foreign governments when British interests were threatened. Thus, Whitehall officials made use of the Charter in order to denounce a Venezuelan policy which had the potential to jeopardise their future oil supplies. This episode reveals the important role played by private enterprise within international relations as British and US officials collaborated with oil company executives to formulate, and carry out, policy.

Interpreting the Atlantic Charter

On 14 August 1941, the British and US governments released their Atlantic Charter which laid out 'certain common principles' that they professed to 'base their hopes for a better future for the world.' It declared a joint ambition to reshape international relations and bring about the 'assurance that all the men in all lands may live out their lives in freedom from fear and want'. Although the Charter had been negotiated and written solely by British and US government officials, its broad policies were

apparently to be applied globally to the supposed benefit of ‘all of the nations of the world’.¹ This illustrated the hierarchical nature of international affairs as the two ‘great powers’ took it upon themselves to prescribe universal remedies that would cure the ills of a war-torn world. Yet the Charter’s principles were open to interpretation and, in practice, their universal implementation proved difficult. British and US officials struggled to reconcile the broad doctrines outlined in the Charter with their differing national interests and specific foreign policy aims.

The Atlantic Charter’s guidelines for the reconstruction of post-war trade proved to be particularly contentious. The issue was covered by article IV of the Charter, which stated that the British and US governments would:

endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity²

Following the Charter’s publication, the implementation of international free trade remained a central wartime aim for US officials.³ By early 1944, policy-makers predicted that the post-war domestic economy would be unable to support the level of production necessary to achieve the Keynesian ideal of full employment and, thus, foreign markets would need to absorb surplus goods. Fearful of a return to economic depression, officials sought to ensure a global market for US manufacturing by promoting free trade and an open door policy.⁴ As such, the US government sought

¹ *FRUS*, 1941, Vol. I, pp. 341-369.

² *Ibid.*, p. 368.

³ Hearden, *Architects of Globalism*, pp. 39-64.

⁴ *Ibid.*, pp. 39-41; Barber, *Designs within Disorder*, pp. 153-168; Franklin D. Roosevelt, Annual Message on the State of the Union, 6 January 1945, in Samuel Irving Rosenman (ed.), *The Public Papers and Addresses of Franklin D. Roosevelt, 1944-45 Vol.: Victory and the Threshold of Peace* (New York, NY, 1950), pp. 503-504.

to create international rules of behaviour which would make economic protectionism illegitimate.⁵

These efforts formed part of a broad programme of post-war planning in Washington as international finance and governance were reorganised in the 1940s to largely US designs. Carlo Maria Santoro has rightly argued that, during the Second World War, US policy-makers had an 'almost obsessive interest in the future' as they developed plans for post-war international economics, trade and politics.⁶ Often US officials sought to form international bodies such as the United Nations, International Monetary Fund and World Bank, which would oversee international finance and diplomacy. At other times, the US government deemed it necessary to directly support overseas economies through Lend-Lease aid and, later, the Marshall Plan.⁷ As David Ellwood argues, the scope of these plans indicated that US policy-makers 'thought comprehensively and consistently of their national future in terms of a new world order, rather than in the narrow, conventional language of geopolitical interests'.⁸ However, they found it difficult to reconcile the broad ideals outlined in the Atlantic Charter with the practicalities of the international oil industry.

In January 1942, the Commercial Policy and Agreements Division of the State Department (CPAD) asked the Office of the Petroleum Adviser to produce an analysis of the relationship between the Atlantic Charter and the international oil industry. The CPAD felt that previous memoranda on the subject of foreign oil policy

⁵ Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Boston, MA, 1971), pp. 261-290.

⁶ Carlo Maria Santoro, *Diffidence and Ambition: The Intellectual Sources of U.S. Foreign Policy* (Boulder, CO, 1992), p. 34.

⁷ For analysis of US planning and policies see: Borgwardt, *A New Deal for the World*, pp. 46-86; Gaddis, *The United States and the Origins of the Cold War*, pp. 1-31; Schlesinger, *Act of Creation*, pp. 111-126; Townsend Hoopes and Douglas Brinkley, *FDR and the Creation of the U.N.* (Princeton, NJ, 2000), pp. 43-53, 64-74; Neil Smith, *American Empire: Roosevelt's Geographer and the Prelude to Globalization* (Berkeley, CA, 2003), pp. 374-418; Panitch and Gindin, *The Making of Global Capitalism*, pp. 67-110; Steil, *The Battle of Bretton Woods*, pp. 125-154; Bennett Woods, *A Changing of the Guard*, pp. 9-33; Hogan, *The Marshall Plan*, pp. 26-53.

⁸ Ellwood, *The Shock of America*, pp. 228-229

had been too pessimistic in outlook and had omitted mention of the Atlantic Charter. Harry Hawkins, the Division's chief, suggested that the ideals set out in the Charter had the potential to limit cut-throat competition and foster cooperation within the industry. He believed that it would be the role of the US government to 'formulate and advocate policies now which are designed to bring about and maintain a better world order than the one which set the stage for the present war.'⁹ US officials' general preoccupation with post-war planning stemmed from this desire to avoid repetition of the mistakes which they felt had led to the Second World War.¹⁰ CPAD officials' faith in the US government's ability to successfully construct international cooperation led them to reject the expert advice that told them that the post-war oil industry would be marked by intense competition. The principles outlined in the Atlantic Charter had become a totalising ideological conception of US war aims to which oil policy would necessarily need to conform. While the Charter was not legally binding it provided an, albeit vague, outline for US officials to use as a guide when formulating policy.¹¹

Petroleum Adviser Max Thornburg and his assistant, Walton C. Ferris, were informed that, in order to be acceptable, their insights into the international oil industry would need to validate the US government's free trade ideology. Both Thornburg and Ferris felt that the CPAD had failed to take into account tensions within the oil industry 'which are not likely to disappear altogether at the end of this war'. Nevertheless, Thornburg informed Assistant Secretary of State for Economic Affairs Dean Acheson that 'we shall do our best to formulate a program for the post-war

⁹ Cited in Painter, *Oil and the American Century*, pp. 16-17.

¹⁰ Gaddis, *The United States and the Origins of the Cold War*, pp. 1-3; Borgwardt, *A New Deal for the World*, pp. 14-15.

¹¹ Franklin D. Roosevelt, First Anniversary of Atlantic Charter, in Samuel Irving Rosenman (ed.), *The Public Papers and Addresses of Franklin D. Roosevelt, 1942 Vol.: Humanity on the Defensive* (New York, NY, 1950), p. 328; Roosevelt, Annual Message on the State of the Union, 6 January 1945, p. 499; Borgwardt, *A New Deal for the World*, pp. 44-45.

period which will be in conformity with the Atlantic Charter and at the same time command the necessary support from those upon whom implementation of such a program will depend.’¹² By the middle of March 1942, Ferris had produced a memorandum which stated that the ‘United Nations, including the United States, stand committed to following certain general economic policies after the war which are broad enough to cover oil, but the specific meaning of which with respect to oil has not been publicly defined.’ Ferris believed that within the framework of the Charter ‘those in charge of the United States oil policy, both foreign and domestic, stand committed to work in their preparations for the post-war world.’¹³ Yet there were four main problems for US officials to solve if they were to apply the Atlantic Charter to the international oil industry.

Thornburg and Ferris had been tasked with constructing a coherent foreign oil policy for the US government that conformed to the Atlantic Charter’s broad statements of principle. However, the first problem they encountered was the level of ambiguity written into the Charter, which had not been designed by Roosevelt or Churchill to be a specific set of legally-binding rules.¹⁴ In order for Thornburg and Ferris to complete their assignment, it was necessary for them to have a concrete understanding of how the document should be interpreted. With this in mind, Thornburg wrote to Sumner Welles, stating that:

It seems to us that we must know whether the Atlantic Charter is to be accepted literally as a basic formula for adoption in whole when the war is ended; or whether it is to be regarded as desirable and ultimately achievable, but approachable in practice only through a long evolutionary

¹² NARA, RG 59 General Records of the Department of State, Records of the War History Branch, Box 22, File: PED - Petroleum Division, Ferris to Thornburg, 24 March 1942.

¹³ NARA, RG 59 General Records of the Department of State, Records of the War History Branch, Box 22, File: PED - Petroleum Division, Ferris memorandum ‘Post-War Arrangements Concerning Oil, and Commitments of the United Nations’, 18 March 1942.

¹⁴ Borgwardt, *A New Deal for the World*, pp. 35-45.

process, i.e., “with due respect for their existing obligation”.¹⁵

The issue of ‘existing obligations’ formed the basis of the second obstacle to applying the Atlantic Charter to the international oil industry.

Between them, the governments of the USA, USSR and Britain controlled the global flow of oil and retained their individual national interests. Ferris pointed out that the Kremlin was unlikely to ‘defer to ideas from Washington or London as to the meaning of the Atlantic Charter in relation to any oil question in the region of its borders believed to affect its security.’ Similarly, he argued that the US government, ‘having worked out carefully through the years the basis of the Good Neighbor policy and its applications to American hemisphere economy’, would be unwilling to ‘accept proposals emanating from Moscow or London concerning Latin American oil resources, especially if those proposals were not acceptable to the Latin American countries concerned.’ Ferris went on to state that an ‘important part of the United States oil policy is its attitude towards oil producers in Latin America, which, under the Good Neighbor policy, does not countenance interference in the internal affairs of the American Republics.’ Equally, Ferris believed that the British government would bitterly resist any attempt by US policy-makers to apply an open door policy to the oil industries of Iran and Iraq.¹⁶

Such exceptions were written into the Atlantic Charter as Ferris pointed out that ‘Article IV of the Atlantic Charter is far too general to bind anyone to anything in respect of oil’ and that ‘the reservation concerning existing obligations could be used to prevent almost any development which one of the United Nations

¹⁵ NARA, RG 59 General Records of the Department of State, Records of the War History Branch, Box 22, File: PED - Petroleum Division, Thornburg to Welles, 23 March 1942.

¹⁶ NARA, RG 59 General Records of the Department of State, Records of the War History Branch, Box 22, File: PED - Petroleum Division, Ferris memorandum ‘Post-War Arrangements Concerning Oil, and Commitments of the United Nations’, 18 March 1942.

governments might deem undesirable for selfish reasons.’¹⁷ The Charter did not dispense with the individual national interests of Washington, Whitehall and the Kremlin nor did it outline a means of settling any dispute which arose between the three powers. Recognising this, Ferris wrote that it ‘seems inescapable that any effective measures to establish a world oil policy in accordance with the Atlantic Charter must be taken, in the first instance, by the United States, the Soviet Union and Great Britain, affecting oil resources within their borders or under their control.’ In the longer term, Ferris also suggested the creation of an international oil office, which would oversee the industry.¹⁸ This fit into a wartime pattern of US post-war planning leading to discussions with British and Soviet officials and, subsequently, to the creation of international organisations tasked with regulating post-war international relations.¹⁹

The third difficulty to overcome was the fundamental contradiction between free trade principles and the need to ensure that oil companies conformed to US foreign policy. A corporatist approach to oil policy abdicated substantial responsibility to private enterprise but oil company interests might not always harmonise with government aims. Indeed, the complete application of the government’s free trade principles would grant oil companies a great deal of autonomy to potentially undermine US foreign policy. Ferris stated that it would be ‘an ill service to the cause of democracy for the major oil companies to make international contracts the net effect of which is to weaken the democratic group of countries, including the United States.’ His proposed solution was a system in which

¹⁷ *Ibid.*

¹⁸ NARA, RG 59 General Records of the Department of State, Records of the War History Branch, Box 22, File: PED - Petroleum Division, Ferris memorandum ‘Post-War Arrangements Concerning Oil, and Commitments of the United Nations’, 18 March 1942.

¹⁹ Gaddis, *The United States and the Origins of the Cold War*, pp. 1-31.

the US government would only intervene in the oil industry when it was deemed to be of critical importance to the national good.²⁰

For Ferris, there was a direct correlation between the level of US government involvement in business matters and in international affairs. Both were needed if the US government was to ensure access to overseas sources of oil. Ferris suggested that, within the post-war international oil industry, ‘the participation of the United States would probably involve a development of the Government-industry collaboration now being established for war purposes.’ He went on to say that:

After World War I, a somewhat similar industry-Government collaboration disappeared overnight, together with American interest and participation in world affairs in general. After the present war, however, one may be confident that the United States will realize that it cannot once more withdraw into isolationism, but will have to find practical ways of participating in world political and economic affairs.

This reflected the US government’s desire to internationalise the New Deal as intervention in the domestic economy was translated into intervention at an international level.²¹ The Atlantic Charter was itself a means by which the US government could gain support for its vision of a post-war reorganisation of international politics and economics.²² Ferris predicted that the aim of government collaboration with the oil industry would evolve from ensuring the Allies’ oil supplies, to ensuring the application of US foreign oil policy.²³

Thornburg also believed that the state-private sector collaboration was necessary if the oil industry was to conform to the Atlantic Charter. At a Military

²⁰ Max Thornburg Papers, Ferris memorandum ‘The Foreign Oil Policy of the United States’, 31 August 1942.

²¹ Gardner, *Economic Aspects of New Deal Diplomacy*, pp. xi-xiv.

²² Borgwardt, *A New Deal for the World*, pp. 14-45.

²³ NARA, RG 59 General Records of the Department of State, Records of the War History Branch, Box 22, File: PED - Petroleum Division, Ferris memorandum ‘Post-War Arrangements Concerning Oil, and Commitments of the United Nations’, 18 March 1942.

Intelligence Service conference in April 1943, he argued that certain oil industry practices were in conflict with the tenets of the Charter, stating that:

Highly selective discrimination has been shown in exploitation privileges and programs. Particular nations have been debarred from normal oil supplies. Particular exporting nations have been blocked from foreign markets. There are records of the nation's share in the exploitation of its oil being less than should reasonably have been expected. National social welfare has sometimes been made subsidiary to foreign oil company interests.²⁴

For Thornburg, oil companies engaged in such behaviour in order to protect themselves from risk and remain in business over a long period of time. He believed that the need for such practices would be removed by the 'establishment by government action and inter-government agreements of a framework of principles within which both private and government enterprise can operate jointly or competitively, but which limits or removes the necessity for practices which engender destructive forces'. If such collaborative regulation was put in place, Thornburg could 'see the Atlantic Charter settling over and comfortably containing the oil industry without fundamental rearrangement of its parts.'²⁵

Yet even with the support of multinational oil companies, it would still be necessary for Washington to overcome a fourth difficulty: how to ensure that oil-producing countries subscribed to the Atlantic Charter. Discussions surrounding the application of the Charter to the international oil industry serve to underline the hierarchical nature of international politics as US officials presumed to design post-war structures and institutions that would not only govern the actions of their own government but the entire system of international relations. The leader of *Acción Democrática*, Rómulo Betancourt, brought this issue to the fore in an article he wrote

²⁴ FDRL, Francis P. Corrigan Papers, General Correspondence, Box 9, File: Thornburg, Max, 'Implications of the Atlantic Charter with Regard to Oil' by Thornburg, 19 April 1943.

²⁵ *Ibid.*

for the Venezuelan newspaper *El País* in January 1944. In response to the on-going discussions in the USA regarding the government's relationship with oil companies, Betancourt wrote that 'the most interesting aspect' of the debate was the 'lack of concern for the small countries which produce oil.' He went on to argue that the interested parties in the USA:

are thinking only from their own national viewpoint, a far cry from the beautiful promises contained in the Atlantic Charter. In reality, these debates are of tremendous importance to us. Our destiny and the future of Venezuela is at stake. It almost makes one despair to see how we continue to play children's games with our heads in the sand, while the future of Venezuela, for generations to come, is being decided in the latitudes.²⁶

Yet because oil was of such importance to national security, Washington officials were not prepared to leave control of its distribution to the individual local governments of oil-producing countries.

Article III of the Charter stated that the US and British governments aimed to 'respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self government restored to those who have been forcibly deprived of them'.²⁷ This seemed to emphasise the authority of local governments to manage their own territory but the principles of the Atlantic Charter could be invoked in order to limit, rather than extend, the authority of governments to manage their domestic oil industries. Paul H. Alling, head of the

²⁶ *El País*, 29 January 1944, cited in Betancourt, *Venezuela*, p. 88. For examples of discussion of US foreign oil policy see: 'U.S. Urged to Join Wide Oil Compact', *New York Times*, 15 December 1943, pp. 37, 41; FDRL, OF 4435b Petroleum Industry War Council, Box 3, Petroleum Coordinator for War, File: Petroleum Industry War Council, 1943, 'Report of Special Committee on Foreign Oil Policy to the Petroleum Industry War Council', 10 January 1944; FDRL, OF 4435b Petroleum Industry War Council, Box 3, Petroleum Coordinator for War, File: Petroleum Industry War Council, 1943, Resolution adopted by Petroleum Industry War Council, 12 January 1944; FDRL, OF 4435b Petroleum Industry War Council, Box 3, Petroleum Coordinator for War, File: Petroleum Industry War Council, 1943, 'A Foreign Oil Policy for United States' report by Foreign Operations Committee, 5 November 1943; FDRL, OF 4435b Petroleum Industry War Council, Box 3, Petroleum Coordinator for War, File: Petroleum Industry War Council, 1943, 'A National Oil Policy for the United States' report by National Oil Policy Committee of the Petroleum Industry War Council, 28 February 1944.

²⁷ *FRUS*, 1941, Vol. I, p. 368.

State Department's Division of Near Eastern Affairs, argued that an 'international organization to control world petroleum matters' was necessary as the governments of oil-producing countries might ignore 'the enlightened policy envisaged by the Atlantic Charter.'²⁸ As David Ellwood argues, when it came to post-war planning, the 'New Dealers of wartime had the power and the will to make sure their ideas were the only game in town.'²⁹

This attitude reflected President Roosevelt's fears that less-powerful governments might disrupt the post-war international order and provoke another worldwide conflict. These concerns led him to favour a hierarchical structure to international organisation with powerful governments taking on a paternalistic role in their relations with the less-powerful. He argued that post-war international organisation should be fashioned and led by 'great powers' which held a 'moral prestige' that was 'an essential element in any successful system of international cooperation'.³⁰ Indeed, Roosevelt went so far as to suggest a system he termed 'peace by dictation,' through which all governments but the great powers be permanently disarmed.³¹ He rejected centralised control of foreign territory, especially if enforced militarily, but still felt that powerful governments could take on self-assigned responsibilities over a region. US officials saw their Good Neighbor policy as a successful exemplar of this latter approach which constituted a 'spheres of influence' conception of international organisation in all but name.³²

²⁸ NARA, DS 800.6363/682 1/2, memorandum by Paul H. Alling, Chief of the State Department Division of Near Eastern Affairs, 12 May 1942.

²⁹ Ellwood, *The Shock of America*, p. 228.

³⁰ Warren F. Kimball, *Churchill & Roosevelt: The Complete Correspondence, Vol. III* (Princeton, NJ, 1984), R-666, p. 432.

³¹ Kimball, *The Juggler*, p. 98; *FRUS, 1942, Vol. III*, pp. 568-569.

³² Cole, *Roosevelt and the Isolationists*, pp. 357-363; Kimball, *The Juggler*, pp. 107-127; Franklin D. Roosevelt, Address at Foreign Policy Association, 21 October 1944, in Rosenman (ed.), *Papers and Addresses of Roosevelt, 1944-45 Vol.*, p. 343.

As late as mid-1943, members of the State Department were still unaware as to how the ideals set out in the Atlantic Charter would be applied to practical oil policy. The ambiguity and caveats deliberately written into the agreement made it difficult for US policy-makers to use the Charter as a guideline when faced with specific policy issues. Washington officials hoped that the Charter would have a positive effect on the running of the international oil industry but experts such as Thornburg and Ferris perceived problems with applying free trade to oil. Recognising the sovereignty of national governments, universalising free trade, and ensuring US access to overseas sources of oil were not always compatible. For Ferris and Thornburg, the solutions to these problems were inter-governmental agreement and state-private sector cooperation. This could take the form of an international body, as proposed by Ferris, while Thornburg's suggestion of using Lend-Lease to develop the economies of oil-exporting countries would lead to direct intervention by the US government. Such solutions reflected the internationalisation of the New Deal that, ironically, also underwrote the Atlantic Charter.

The mechanics of the international oil industry were not the only impediment to Washington's efforts to implement the Atlantic Charter as US officials contended with Whitehall's trade policies. Like their US counterparts, British officials had global perspectives and aspirations which led them to be apprehensive of universal free trade. With its formal empire, coupled with informal influence around the world, the British government aimed to maintain its position at the centre of international relations but US plans to reorganise international trade and finance placed this at risk.³³ During negotiations surrounding the Atlantic Charter and Lend-Lease, the British government had ensured that the British Empire's system of imperial

³³ Darwin, *The Empire Project*, pp. 514-527; Kent, *British Imperial Strategy*, pp. 4-7, 211-215; Ellwood, *The Shock of America*, pp. 236-242.

preference was protected from US attempts to universalise free trade.³⁴ British reservations regarding the application of free trade continued on into 1944 and the Bank of England was particularly anxious to ensure that London remained an international financial centre. Bank officials aimed to strengthen international confidence in sterling but were concerned that US plans would lead to international dominance of the dollar.³⁵ Trade was a particularly important issue for Whitehall officials who were rightly concerned by the British balance of trade deficit as, by the end of 1944, exports had dropped to one-third of their pre-war level.³⁶

Some members of the British government were cautiously in favour of trade liberalisation as a means of increasing British trade with areas outside of the formal empire but these ideas faced strong opposition from those who rejected any plan that would dispense with the established system of imperial preference.³⁷ Churchill concluded at the beginning of March 1944 that there should be '[n]o abandonment of Imperial Preference unless or until we are in presence of a vast scheme of reducing trade barriers in which the United States is taking the lead.'³⁸ In addition, on 21 April 1944, he made it clear to Parliament that he was yet to commit Britain to an international system of free trade and, conversely, had 'during my stewardship, safeguarded the structure of Imperial Preference'.³⁹ British officials emphasised to their US counterparts that any change to imperial preference would need to be part of a broad system of international tariff reduction. However, while the Roosevelt

³⁴ Dobson, *Anglo-American Relations in the Twentieth Century*, pp. 85-86.

³⁵ NA, CAB 66/47, WP (44) 148, Lord Beaverbrook memorandum, 6 March 1944; Van Dormael, *Bretton Woods*, pp.130-132.

³⁶ Richard N. Gardner, *Sterling-Dollar Diplomacy: Anglo-American Collaboration in the Reconstruction of Multilateral Trade* (Oxford, 1956), pp. 178-179.

³⁷ NA, CAB 66/47, WP (44) 121, 'Discussions Under Article VII of The Mutual Aid Agreement, Report From The Committee On External Economic Policy', 18 February 1944; NA, CAB 66/47, WP (44) 143, 'Empire Economic Policy' memorandum, 2 March 1944; NA, CAB 66/47, WP (44) 129, 'An Alternative Policy' memorandum by Secretary of State for India Leo Amery, 23 February 1944; NA, CAB 66/47, WP (44) 138, 'Imperial Preference' Amery memorandum, 2 March 1944.

³⁸ NA, CAB 66/47, WP (44) 145, note by Prime Minister Winston Churchill, 3 March 1944.

³⁹ House of Commons Debate, Vol. 399, c. 579, 21 April 1944.

administration favoured an international system of free trade, the implementation of this policy required the support of Congress which, in 1944, had yet to be attained.⁴⁰

Moreover, Whitehall still suspected that the US government sought to contravene the Atlantic Charter's 'open door' doctrine by eliminating British trade with Latin America and, by spring 1943, these concerns had become so great that the War Cabinet chose to broach the issue with Washington.⁴¹ On 9 July 1943, the British Embassy in Washington wrote to the State Department, asserting that the issue of trade 'threatens to become an increasing embarrassment to Anglo-US relations.' The document stated that the British government in particular 'attach importance to the principle that no advantage in world markets shall accrue to either country at the expense of the other by reason of sacrifices made in the interest of the effective prosecution of the war.'⁴² The following day, Ambassador Halifax met with Cordell Hull and delivered a memorandum to the Secretary of State, which contended that:

Concentration upon the war effort has had in the case of the United States of America the effect of disrupting international trade relations. In particular, exports of United Kingdom goods to Latin America have been most severely curtailed; in the case of some commodities they have practically ceased. But if, after the sacrifices of the war, British economic life is to be restored, British long-term commercial interests in Latin America will have to be maintained and developed. His Majesty's Government feel it is of the highest importance that this development should take place with the understanding and sympathy of the United States Government.

The document went on to state that:

⁴⁰ Susan A. Aaronson, *Trade and the American Dream: A Social History of Postwar Trade Policy* (Lexington, KY, 1996), pp. 38-40.

⁴¹ FDRL, Adolf A. Berle Diary, Berle memorandum of conversation with Law, 8 June 1943; NA FO 371/33908/4370, 'Policy in regard to Latin America', minutes of a meeting held at the Board of Trade, 30 April 1943; NA FO 371/33908/A4800, minutes of the Lord President's Committee meeting, 21 May 1943; NA, FO 371/33908/A4800, Eden to Halifax, 25 May 1943; Mills, *Post-War Planning on the Periphery*, pp. 152-160.

⁴² *FRUS, 1943, Vol. III*, pp. 60-61.

There has at the same time been an increase in the activities of many United States agencies, both governmental and private, engaged in the promotion of United States exchanges with Latin America. This has given rise to an impression, however false, that there may be some desire on the American side to supplant British traders in their established and traditional markets, not only for the war period but permanently thereafter.⁴³

In their meeting on 10 July, Hull told Halifax that the US government would give the subject 'the most careful attention' but no further documents concerning this matter have been found in State Department files and it appears that Whitehall did not receive a reply to its concerns.⁴⁴ Members of Parliament also sought guarantees regarding the future of British export trade with Latin America. On 27 July, Hugh Dalton, the President of the Board of Trade, was compelled to reassure the House of Commons that the British government 'do not intend to disinterest ourselves in Latin America and that nobody has suggested that we should'. He went on to argue that, with regards to British trade with Latin America, there were 'enormous possibilities of expansion'.⁴⁵

However, British officials valued their wartime alliance with the US government too much to risk escalating Anglo-US rivalry over Latin America into a prolonged diplomatic dispute. In particular, Winston Churchill placed great emphasis on the Anglo-US relationship and believed that it would be of central importance to British interests in the post-war world.⁴⁶ Nevertheless, Whitehall concerns fit into an established dynamic as British officials remained wary of placing too much trust in their US counterparts regarding Latin American questions. In 1944, State Department Economic Adviser Herbert Feis contended that the 'success or failure of

⁴³ NA, FO 371/33909/A6635, Halifax to FO, 10 July 1943; *FRUS, 1943, Vol. III*, pp. 61-63.

⁴⁴ Neither I nor the editors of *FRUS* have been able to find a US response: *FRUS, 1943, Vol. III*, p. 63.

⁴⁵ House of Commons Debate, Vol. 391, c. 1491, 27 February 1943.

⁴⁶ Kimball, *The Juggler*, pp. 122, 254 n. 53; John Charmley, *Churchill's Grand Alliance: The Anglo-American Special Relationship, 1940-57* (New York, NY, 1995), pp. 89-101; John Charmley, *Churchill: The End of Glory* (London, 1993), pp. 538-439.

the United States and of Great Britain in harmonizing their trade policies and activities will affect decisively all other nations'.⁴⁷ Yet, by spring 1944, the manner in which the Atlantic Charter would be applied to global trade and the international oil industry remained unclear due to practical considerations and competing national interests.

Utilising the Atlantic Charter

During 1944, the uncertainty and confusion surrounding the Atlantic Charter's practical application came to the fore in Venezuela. The Charter had not eliminated the competing demands of oil-importing and oil-exporting countries nor had it abolished the authority of individual governments to legislate their national industries. The Venezuelan government retained the sovereign power to resist the free trade ideals that the Charter espoused and, consequently, undermine the interests of oil-importing Britain and the USA. At the same time, while the practical application of the Atlantic Charter had yet to be established in 1944, it remained a powerful rhetorical device. Shell was able to cite its broad principles to summon diplomatic assistance in defence of its private interests in the Venezuelan oil industry.

In 1943, the vast majority of Venezuelan oil was processed at refineries owned by Shell and SOCNJ on Curaçao and Aruba respectively. While the Venezuelan government had long desired to increase the amount of refining done on Venezuelan soil this issue had not been resolved by the 1943 Hydrocarbons Law.⁴⁸ Originally, the draft law had included an article dealing with the transfer of refining to Venezuela but this had been completely unacceptable to both SOCNJ and Shell. Thus, after what Shell manager Barthold van Hasselt characterised as a 'furious

⁴⁷ Herbert Feis, *Sinews of Peace* (New York, NY, 1944), p. 183.

⁴⁸ NA, FO 371/34258/A1386, Gainer to FO, 6 February 1943.

battle', the provision was removed.⁴⁹ Nevertheless, within Venezuela, there was still popular desire for the oil companies to increase the amount of refining undertaken in the country and, during January and February 1943, the government made various proposals to the oil companies that would bring this about.⁵⁰ Ultimately, SOCNJ and Shell were pressured into agreeing to increase their refining in Venezuela under threat of punitive legislation being enacted if they refused. Again Max Thornburg acted as an intermediary in negotiations between the oil companies and the Venezuelan government as State Department intervention in the oil industry continued.⁵¹ In mid-February, Shell and SOCNJ agreed to each erect a 40,000 barrel refinery in Venezuela no later than five years after the war's end.⁵²

On 23 March 1944, the Venezuelan authorities notified the oil companies that they were prepared to receive applications for new exploration concessions.⁵³ When the time came for the oil companies to make bids, the government once again broached the issue of refining. It published a resolution which stipulated that successful bidders would have to refine ten per cent of the oil produced from the new concessions within Venezuela and the remaining crude could not be refined within a territorial radius that included the West Indies. The resolution would prohibit SOCNJ and Shell from transporting oil from new concessions to refineries on Aruba and Curaçao, where the companies customarily processed Venezuelan crude. This refinery 'banned zone' also included Shell's plant on the British colony of

⁴⁹ NA, FO 371/34258/A1261, Gainer to Ministry of Fuel and Power (MFP), 2 February 1943.

⁵⁰ NA, FO 371/34258/A505, van Hasselt to Godber and Hopwood, 11 January 1943; NA, FO 371/34258/A1261, Gainer to MFP, 2 February 1943; NA, FO 371/34258/A1261, Gainer to Eden, 3 February 1943.

⁵¹ NA, FO 371/34258/A1447, Gainer to MFP, 13 February 1943; NA, FO 371/34258/A1447, Gainer to MFP, 22 February 1943; FDRL, Francis P. Corrigan Papers, General Correspondence, Box 9, File: Thornburg, Max, Thornburg to Herbert Hoover, 21 February 1943; FDRL, Francis P. Corrigan Papers, General Correspondence, Box 9, File: Thornburg, Max, Thornburg to Herbert Hoover, 21 February 1943.

⁵² NA, FO 371/34258/A1786, van Hasselt to Godber and Hopwood, 17 February 1943; NA, FO 371/34258/A1955, Gainer to FO, 22 February 1943.

⁵³ NARA, DS 831.6363/1625, Corrigan to Hull, March 30 1944.

Trinidad.⁵⁴ SOCNJ had sufficient production and ample reserves under its existing concessions that it would be able to supply its refinery in Aruba indefinitely. However, this was not the case with Shell, whose oil fields had insufficient reserves to keep its Curaçao plant operating for more than a few years. The Shell management immediately objected to the new stipulations, arguing that the terms could be considered ‘in restraint of trade’ and ‘contrary to the principles of the Atlantic Charter’.⁵⁵

As a multinational oil company, the system of international trade could have a significant impact on Shell’s operations which required that oil be produced in one area, refined in a second country and then sold in a third. Such freedom was important as often the countries with rich oil fields were not the most significant oil consumers. Furthermore, it was of benefit to Shell to have oil production and refining in separate territories in order in order to dissuade governments from nationalising their domestic oil industries. It was, therefore, important to the company that as few restrictions as possible were placed on the global flow of oil.

As Shell was involved in the production and refining of oil in numerous countries, the company’s management was concerned by the potential knock-on effect of any localised issue.⁵⁶ The company’s operations would be significantly disrupted if the Venezuelan government’s refining ‘banned zone’ set a precedent for other oil-producing countries. Shell’s senior manager in Venezuela, Barthold van Hasselt, told the British Ambassador in Caracas, Donald St. Clair Gainer, that the Venezuelan government’s proposed clause would be an act of aggression, committed purely for political reasons, constituting a restraint of trade, the long-term

⁵⁴ NA, FO 371/38796/AS2170, Gainer to Eden, 29 March 1944.

⁵⁵ NARA, DS 831.6363/1638, Corrigan to Hull, 22 April 1944; NARA, DS 831.6363/1648, Corrigan to Hull, 2 May 1944; NA, FO 371/38796/AS1928, Gainer to FO, 29 March 1944.

⁵⁶ NA, FO 371/34258/A505, Godber to Hopwood, 17 January 1943.

consequences of which no-one could foresee. He argued that the clause would not seriously affect his company but that it was chiefly objectionable from the point of view of international relations.⁵⁷ It is possible that, by making references to the Atlantic Charter and international relations, Shell officials were deliberately framing their objections in such a way as to make them most pertinent to the broader concerns of British and US policy-makers.

Frederick Godber of Shell met with SOCNJ executives in New York but discovered that they were not so averse to the Venezuelan clause. SOCNJ officials pointed out that the refinery question was still a highly political issue in Venezuela and, as the issue was a question of prestige for government officials, it was unlikely that they would withdraw the provision in its entirety. Rather than seeking to remove the proviso completely, SOCNJ desired a modification to the clause that would leave the company free to take crude from new concessions to Aruba providing that they refined an equivalent quantity of oil in Venezuela as replacement.⁵⁸ Thus, SOCNJ executives felt that problem could be overcome and did not wish for diplomatic intervention.⁵⁹ Shell official Frank J. Hopwood stated that the SOCNJ position was very different to that of Shell as the US company would likely need a considerable amount of oil sent to its US refineries on the Atlantic seaboard following the war. He argued that, as a consequence, Venezuelan efforts to limit the amount of crude sent to the West Indies 'would not worry them [SOCNJ] unduly.'⁶⁰ Unable to gain support for a hard-line stance from SOCNJ, Shell officials now sought the assistance of the British, Dutch and US governments.⁶¹ Van Hasselt believed that the only

⁵⁷ NA, FO 371/38796/AS1928, Gainer to FO, 29 March 1944; NA, FO 371/38796/AS2001, Godber to Starling, 4 April 1944; NA, FO 371/38796/AS2170, Gainer to Eden, 29 March 1944.

⁵⁸ NA, FO 371/38796/AS2001, Hopwood to Godber, 31 March 1944.

⁵⁹ NARA, DS 831.6363/1638, Corrigan to Hull, 22 April 1944.

⁶⁰ NA, FO 371/38796/AS2001, Godber to Starling, 4 April 1944.

⁶¹ *Ibid.*; NA, FO 371/38796/AS2141, Gainer to MFP, 15 April 1944.

solution for Shell was to seek diplomatic intervention from a foreign government but argued that this would have to be ‘handled with the greatest diplomacy and tact and that if at any time [the] Venezuelan Government should find out that we had started this ball rolling it might be fatal for our future position in this country.’⁶²

In London, Maurice R. Bridgeman of the Petroleum Division (PD) told the FO that his division felt ‘very strongly’ that the new clause should be opposed. Bridgeman pointed out that the stipulation was an undesirable precedent economically, and wrote that in ‘wartime it is essential that our supply arrangements should be as flexible as possible.’ As such, it was ‘important that crude oil should be refined at whichever refinery is most suitable both from its geographical position and from the point of view of the quality of the products to be produced.’⁶³ Britain had always been reliant on a range of overseas territories for its oil supplies but now Whitehall officials dwelt on the troubling possibility of precedents being formed within the international oil industry that would lead to undesirable legislation being enacted in oil-producing countries around the world.⁶⁴ Britain was an imperial power with vast overseas interests and its government officials were accustomed to thinking in global terms. While the Venezuelan proposal would have no impact on the Second World War, it could create complications and difficulties for British oil supplies in any future conflict. As such, Bridgeman argued that a ‘restriction of this kind, particularly if it became a pattern which other countries might follow, would therefore be most undesirable.’⁶⁵

FO, PD and Shell officials were again working closely in order to construct and carry out policy. This mutually-beneficial collaborative effort involved sharing

⁶² NA, FO 371/38796/AS2141, Gainer to MFP, 15 April 1944.

⁶³ NA, FO 371/38796/AS1928, Bridgeman to Gallop, 3 April 1944.

⁶⁴ NA, FO 371/38796/AS2170, FO to Washington Embassy, 19 April 1944.

⁶⁵ *Ibid.*

information and opinion between British and Shell officials in Caracas and London. Such cooperation allowed Whitehall and Shell to align their policies and avoid undermining one another's position in Venezuela. Yet British diplomatic intervention had the potential to damage, as well as aid, Shell's case. Due to Shell's close ties to the British government, any disagreement between the Venezuelan government and the FO would reflect badly on the oil company. This could potentially lead the Venezuelan government to enact some form of punitive measures against Shell in retribution. Therefore, it was important that Whitehall officials worked with their Dutch and US counterparts in order to ensure that one government did not take unilateral action that might adversely affect British interests.⁶⁶

The Netherlands government was arguably the most affected by the proposed Venezuelan policy as Aruba and Curaçao were both Dutch colonies. Since Shell was partly Dutch-owned and had close ties to the government, it was likely that Dutch officials would be receptive to Shell's appeals for diplomatic assistance. After speaking with van Hasselt, the Dutch Minister in Caracas, Dr Arthur Methöfer, agreed that the proposed clause would be a restraint on the West Indies access to raw materials.⁶⁷ Aruba and Curaçao had historically been a source of conflict between the Dutch and Venezuelans with the latter regarding the islands as *terra irrendenta*. The two governments had previously clashed over issues relating to tariffs and trade while there was also a history of Venezuelan political exiles taking refuge in the Dutch West Indies. In 1929, one such group of exiles had attacked a military post on Curaçao, seized the garrison's weaponry, commandeered a ship and then travelled

⁶⁶ NA, FO 371/38796/AS2170, FO to Washington Embassy, 19 April 1944.

⁶⁷ NA, FO 371/38796/AS2141, Gainer to MFP, 15 April 1944.

back to Venezuela with the governor held hostage.⁶⁸ Perhaps unsurprisingly then, Methöfer had, throughout his term in office, complained of a non-cooperative and often hostile attitude of Venezuelan officials towards the Dutch West Indies.⁶⁹

The US government's hegemonic role in Latin America had the potential to greatly augment, or undermine, Shell's hard-line response to the Venezuelan government. Consequently, it was also necessary for Shell officials to gain US support if they were to successfully prevent the Venezuelan government from persisting with the proposed regulation. Bridgeman contended that 'the issue is not purely a commercial one, and we still feel that the principle involved is potentially so dangerous that the State Department should be urged to take more active steps to oppose it.'⁷⁰ After discussing the issue with Whitehall, the Shell management decided to ask the US government to intervene diplomatically on the basis of broad trade principles.⁷¹ To support Shell's approach, the FO asked its Washington embassy to contact the State Department 'with a view to a prompt parallel diplomatic approach' to the Venezuelan government. The telegram argued an Anglo-Dutch approach alone 'would inevitably be prejudicial to British commercial interests, since it is evident that United States oil companies are unlikely to take a firm stand without backing from [the] State Department.' Furthermore, the matter was 'urgent' as bids for new concessions needed to be made before 29 April, and therefore, any diplomatic intervention would need to occur before this date.⁷²

⁶⁸ Moore, 'Anglo-American Security', p. 459; Baptiste, *War, Cooperation, and Conflict*, p. 134; Fitzroy André Baptiste, 'The Seizure of the Dutch Authorities in Willemstad, Curaçao, by Venezuelan Political Exiles in June, 1929, Viewed in Relation to the Anglo-French Landings in Aruba and Curaçao in May 1940', *Caribbean Studies*, Vol. 13, No. 1 (April 1973), pp. 37-42.

⁶⁹ NA, FO 371/38796/AS2993, T. J. Anderson, Chargé d'Affaires to Venezuela, to Washington Embassy, 26 May 1944.

⁷⁰ NA, FO 371/38796/AS2170, Bridgeman to Richard H. S. Allen, FO South American Department, 20 April 1944.

⁷¹ NA, FO 371/38796/AS2141, MFP to Caracas Embassy, 19 April 1944.

⁷² NA, FO 371/38796/AS2170, FO to Washington Embassy, 19 April 1944.

On 22 April, British Embassy staff in Washington raised the matter with Laurence Duggan, chief of the State Department's Division of American Republics. Duggan was sympathetic to the British position and suggested that the US government might be prepared to make a joint diplomatic approach.⁷³ Following their conversation with British officials, the State Department wrote to Corrigan, stating that the US government was 'concerned lest an unfortunate precedent be established' in Venezuela. State Department officials believed that, however legally permissible the Venezuelan demands were, the new regulation would conflict with the stable basis for future relations between the oil companies and the Venezuelan government. Moreover, the effect of the proviso appeared to be contrary to the US government's established trade principles as 'in the interests of expansion of international trade, practices which divert trade from its natural economic courses must be avoided, and that all forms of discriminatory treatment in international commerce should be eliminated.'⁷⁴

Subsequently, the British, US and Dutch governments agreed that their embassy staff in Caracas should work together and approach the Venezuelan authorities in tandem.⁷⁵ Shell had successfully instigated the formation of a united front made up of the three foreign governments with interests in the Venezuelan oil industry. Company and Whitehall officials worked particularly closely to formulate their plans and then cooperated to convince Washington to support their joint policy. This intimate relationship did not escape the notice of the US Ambassador in

⁷³ NA, FO 371/38796/AS2260, Halifax to FO, 21 April 1944.

⁷⁴ NARA, DS 831.6363/1638, Hull to Corrigan, 26 April.

⁷⁵ NA, FO 371/38796/AS2298, Halifax to FO, 25 April 1944; NA, FO 371/38796/AS2298, FO to Caracas Embassy, 26 April 1944; NA, FO 371/38796/AS2307, MFP to Caracas Embassy, 26 April 1944.

Caracas, Frank P. Corrigan, who informed the State Department that his British counterpart was working ‘hand in glove’ with the Shell management.⁷⁶

By emphasising the broad trade issues at stake, rather than their own commercial interests, oil company officials linked their private concerns to those of Allied policy-makers. The Roosevelt administration was particularly focused on advancing the universal application of free trade which Shell officials argued was now put at risk by the unilateral action of the Venezuelan government. Consequently, the Atlantic Charter became a powerful means through which private enterprise could condemn local authorities and gain diplomatic support from powerful foreign governments. Shell’s ability to instigate a diplomatic episode involving four national governments demonstrates the significant agency and role of multinational corporations within international relations.

Diplomatic Intervention

Before US, British and Dutch officials were able to coordinate their efforts, further developments in Venezuela made Shell officials apprehensive of the possible ramifications of foreign intervention. After speaking with SOCNJ and Shell officials, the Venezuelan government modified the clause so that bidding for concessions was extended to 5 May. Moreover, the government agreed to SOCNJ’s suggestion that the oil companies be allowed to take crude from new concessions to the West Indies, providing that they refined an equivalent quantity of oil in Venezuela as replacement.⁷⁷ The result of the modified resolution was to give the companies greater freedom in handling their production without ceding anything substantial.⁷⁸

⁷⁶ NARA, DS 831.6363/1638, Corrigan to Hull, 22 April 1944.

⁷⁷ NA, FO 371/38796/AS2141, Gainer to MFP, 15 April 1944; NARA, DS 831.6363/1640, Corrigan to Hull, 28 April 1944; NA, FO 371/38796/AS2307, Gainer to MFP, 28 April 1944.

⁷⁸ NARA, DS 831.6363/1648, Corrigan to Hull, 17 May 1944.

In his annual message to the Venezuelan Congress on 27 April, President Medina stated that the government was determined to obtain refining in Venezuelan territory and that every new concession would entail an obligation to refine some oil in Venezuela.⁷⁹ Thus, the government unmistakably indicated its commitment to the new refining policy.

Following Medina's public proclamation, van Hasselt felt that it would be very difficult for the Venezuelan President to alter his stance on the refining issue. The Shell manager informed his superiors that, even if Medina withdrew the current proviso, the government might heavily increase future refining obligations at a later date.⁸⁰ Moreover, he was concerned that, even if diplomatic intervention was not traceable to the oil companies, Venezuelan officials 'might nevertheless feel certain resentment against us old timers with refineries in West Indies' and therefore, give preference to other companies in the bidding for concessions. He was aware that the Venezuelan authorities knew of the 'close contact between the British Embassy and our industry' and he now viewed 'intensive diplomatic steps with mixed feelings.'⁸¹

British and US embassy staff also had doubts as to the advisability of diplomatic intervention. As the issue would only come into real effect in the post-war era, Gainer felt that it would be difficult to urge strategic wartime considerations. He reasoned that the Venezuelan government would have 'evidently thought out all implications and would probably reply that we should endeavour to prevent another war.'⁸² Corrigan informed the State Department that SOCNJ officials were concerned that diplomatic representations could affect their bid for new concession

⁷⁹ NARA, DS 831.6363/1640, Corrigan to Hull, 28 April 1944; NA, FO 371/38796/AS2307, Gainer to MFP, 28 April 1944.

⁸⁰ NA, FO 371/38796/AS2307, Gainer to MFP, 28 April 1944; NA, FO 371/38796/AS2351, Gainer to FO, 28 April 1944.

⁸¹ NA, FO 371/38796/AS2381, Gainer to MFP, 11 May 1944; NA, FO 371/38796/AS2307, Gainer to MFP, 28 April 1944.

⁸² NA, FO 371/38796/AS2141, Gainer to FO, 15 April 1944.

since the Venezuelan government might conclude that the company had sought foreign intervention.⁸³ Nevertheless, reflecting the importance Washington placed on free trade, the State Department replied that full weight should be given to liberal trade principles.⁸⁴

After consultation with Shell and SOCNJ executives, the British, Dutch and US ambassadors agreed to write to the Venezuelan government in tandem, stating their objections to its policy. At the specific request of the oil company officials, the matter would be dealt with on the broadest international lines and make no mention of the commercial issues at stake.⁸⁵ It was important to the three foreign governments that their protestations did not lead Caracas to take retribution against the oil companies, who they relied on for their supplies of Venezuelan oil. The joint approach was, therefore, designed to support the companies' interests in Venezuela without directly connecting them to diplomatic intervention.

Corrigan delivered a message to the Venezuelan government, stating that:

Aside from possible strategic considerations related to the successful pursuance of the war effort and continental defence, these stipulations appear to be inconsonant with the principles established by the United Nations as a basis for post-war reconstruction ... The United States Government has, in the interest of the expansion of international trade, constantly worked to avoid the diversion of trade from normal economic channels and has urged the elimination of discriminatory treatment in such trade, as well as the freedom of access by all nations to raw materials as a basis for post-war reconstruction, as set forth and agreed upon by the United Nations in the Atlantic Charter.⁸⁶

Gainer's telegram was very similar and argued that the new terms:

⁸³ NARA, DS 831.6363/1639, Corrigan to Hull, 27 April 1944.

⁸⁴ NARA, DS 831.6363/1639, Hull to Corrigan, 28 April 1944.

⁸⁵ NA, FO 371/38796/AS2381, Gainer to FO, 1 May 1944; NA, FO 371/38796/AS2636, Gainer to Eden, 1 May 1944.

⁸⁶ NARA, DS 831.6363/1654, Corrigan to Hull, 3 May 1944; NA, FO 371/38796/AS2636, Gainer to Venezuelan Minister of Foreign Affairs Caracciolo Parra Pérez, 1 May 1944

would seem to affect strategic necessities whereby the movement of oil and other war materials must be made as flexible as possible in order that such materials can be utilized to the best common advantage of the Allied effort. Furthermore, they would seem to establish a precedent to other nations owning raw materials and might provoke them to take measures which might seriously retard the post-war efforts for world collaboration, and cause trade to be diverted from its normal economic channels. All the efforts of His Majesty's Government and of the United Nations are being directed towards avoiding discrimination, restraints upon trade and diversion of trade from normal channels, under the terms of the Atlantic Charter⁸⁷

US references to continental defence reflected Washington's preoccupation with encouraging pan-American solidarity as part of its wartime national defence strategy.⁸⁸ In comparison, the British telegram made more explicit reference to the need to ensure the free movement of oil for military purposes. This was particularly important for the British government which relied on overseas sources of supply for its substantial oil needs and the international system of trade for many other vital war materials.⁸⁹ As the economy of Dutch territory would be directly threatened by the clause, Methöfer, while using the same general arguments as Gainer and Corrigan, also included specific reference to the fiscal well-being of Curaçao and Aruba.⁹⁰

In addition, the US, British and Dutch telegrams all cited the Atlantic Charter and the Allies' plans for post-war international organisation as a means of criticising Venezuelan policy. The Atlantic Charter empowered the British and US governments with the authority to act as self-appointed supervisors of global trade and this purview justified their intervention in the Venezuelan oil industry. This dynamic highlighted, in Paul Kramer's words, 'asymmetries in the scale of political action' as Caracas could not hope to reciprocate British and US interference in its

⁸⁷ NARA, DS 831.6363/1654, Corrigan to Hull, 3 May 1944.

⁸⁸ Dallek, *Franklin D. Roosevelt and American Foreign Policy*, pp. 233-236.

⁸⁹ Overy, *Why the Allies Won*, p. 233; Edgerton, *Britain's War Machine*, p. 55.

⁹⁰ NA, FO 371/38796/AS2636, Arthur Methöfer, Dutch Minister in Caracas, to Parra Pérez, 1 May 1944; NA, FO 371/38796/AS2636, Gainer to Eden, 4 May 1944.

policy-making.⁹¹ From the US perspective, the Venezuelan government's refinery policy appeared to be a clear-cut case of trade restriction that had the potential to create a worrying precedent. As Washington's efforts to propagate free trade depended upon reciprocal agreements and international cooperation, a single government could potentially undermine its policy. Unlike their US counterparts, British officials gave little thought as to whether or not their oil policy was compatible with the Atlantic Charter. As Winston Churchill stated in February 1945, the British government believed that the 'Atlantic Charter is a guide, and not a rule.'⁹² Yet even as a guide, Whitehall officials applied little of the Charter's central tenets to their foreign policy during the 1940s as the principles of trade liberalism and self-government outlined in the document were incompatible with British imperial preference and colonial rule.

In their criticisms of Venezuelan policy, Whitehall officials were willing to make reference to the Atlantic Charter because it was convenient to do so. Citing the Charter was a means of legitimising foreign intrusion into the politics of the Venezuelan oil industry and, by linking their objections to the wider aims of the Allies, British officials portrayed themselves as concerned internationalists rather than self-interested imperialists. Rather than a concrete plan for international economic regulation, the Atlantic Charter's value to Whitehall lay in its ability to provide a rhetorical framework that the government could employ to further its own national interests.

⁹¹ Kramer, 'Power and Connection', p. 1349.

⁹² House of Commons Debate, Vol. 408, c. 794, 21 February 1945.

The Venezuelan Response to Foreign Intervention

The Venezuelan government was not a signatory to the Atlantic Charter nor the Declaration by United Nations which committed governments to support the ‘common program of purposes and principles embodied in ... the Atlantic Charter’.⁹³ However, it was a signatory of the declaration resulting from the 1942 pan-American conference in Rio, which stated support for both free trade principles and the Atlantic Charter specifically. Article XXV of the agreement stated that the ‘new order of peace must be supported by economic principles which will insure equitable and lasting international trade with equal opportunities for all nations’.⁹⁴ Moreover, article XXXV was entitled ‘Support and Adherence to the Principles of the “Atlantic Charter”’. The actual wording of the article itself was rather noncommittal, simply stating that the signatories resolved to ‘take note of the contents of the “Atlantic Charter”’.⁹⁵ However, during the course of the conference a stronger-worded article had been proposed, calling for the ‘wholehearted adherence to and the support’ of the principles contained in the Atlantic Charter. The inclusion of this article was supported by both US and Venezuelan officials but could not gain widespread approval, leading to the diminished article XXXV.⁹⁶

Therefore, the Venezuelan government had previously shown its support for the principles of trade liberalisation espoused by US policy-makers. If Venezuela’s new refinery legislation contradicted the Atlantic Charter, it did so by limiting the authority of the oil companies to refine oil anywhere in the world. This would benefit Venezuela’s economy to the detriment of Aruba and Curaçao and, therefore,

⁹³ *FRUS*, 1942, Vol. I, p. 25

⁹⁴ ‘Third Meeting of Ministers of Foreign Affairs of the American Republics’, *The American Journal of International Law*, Vol. 36, No. 2, Supplement: Official Documents (April 1942), p. 85.

⁹⁵ *Ibid.*, p. 91.

⁹⁶ Charles G. Fenwick, ‘The Third Meeting of Ministers of Foreign Affairs at Rio de Janeiro’ *The American Journal of International Law*, Vol. 36, No. 2 (April 1942), pp. 180-181.

the legislation could be seen as protectionist. The Atlantic Charter's imprecise wording could be interpreted as prohibiting any form of economic protectionism. In fact, its various articles were so far-reaching that British and US officials could invoke the agreement in a broad range of circumstances yet ambiguous enough to provide a great deal of interpretative flexibility.

In response to the diplomatic representations, Dr Caracciolo Parra Pérez, the Venezuelan Minister of Foreign Affairs, defended the right of Venezuela to refine its own oil at least in part. However, the Minister also admitted that all nations should have access to raw materials and that it was generally desirable to avoid artificial restrictions on trade.⁹⁷ British Ambassador Gainer reinforced his argument by stating that the Nazi government had persistently complained that Germany was being denied access to raw materials and had used this to justify the aggressive foreign policy that had culminated in war. His references to German aggression and the causes of the Second World War reflected a desire to frame British objections in a manner most congenial to Venezuelan officials. Focusing on international stability, rather than British oil policy, was a means by which Whitehall officials could deemphasize their vested interest in protecting Shell's position in Venezuela. However, Gainer informed the FO that he would 'be anxious to press the matter very much further for fear of harming the industry.'⁹⁸ Evidently, he was aware that British intervention had the capacity to harm, rather than aid, Shell's bargaining position in Venezuela.

Indeed, on 9 May, the Venezuelan government suspended all applications for concession bids. Corrigan informed the State Department that this was due to Venezuelan officials' annoyance with foreign intervention, which they believed had

⁹⁷ NA, FO 371/38796/AS2454, Gainer to FO, 3 May 1944.

⁹⁸ NA, FO 371/38796/AS2636, Gainer to Eden, 4 May 1944.

been provoked by the oil companies. He reported that the Venezuelan government had expected such action from the British and Dutch governments but not from Washington.⁹⁹ Venezuelan officials' differing expectations of US and European policy reflected the aims, and established practice, of the Good Neighbor policy. The policy had made explicit the US government's intention to refrain from military intervention in Latin America along with the broader rejection of non-interference in the domestic affairs of Latin American countries.¹⁰⁰

While, there was no question of US military intervention in Venezuela, the question of interference was more ambiguous. Bryce Wood has described the US policy of non-interference thus:

By giving up interference in domestic affairs, U.S. officials decided among themselves not to offer advice, exert economic pressures, or make shows of force to affect or influence local political issues.¹⁰¹

However, Wood argues that, during 1943 and 1944, 'the noninterference aspect of the Good Neighbor policy underwent serious modifications'.¹⁰² While his analysis focuses on US government's policy towards Argentina during these years, its intervention in Venezuela also appears to contradict the established non-interference policy.¹⁰³ At the least, US criticisms of Venezuelan policy constituted unsolicited advice if not pressure. During negotiation of the new hydrocarbons law, the State Department had also intervened but on the behest of the Venezuelan government. The latest developments surrounding refining had led the US government to intervene on behalf of the multinational oil companies in opposition to, rather than in support of, Venezuelan policy. This, therefore, marked a change in the nature of US

⁹⁹ NARA, DS 831.6363/1684, Corrigan to Hull, 20 June 1944.

¹⁰⁰ Wood, *The Making of the Good Neighbor Policy*, pp. 118-167.

¹⁰¹ Wood, *The Dismantling of the Good Neighbor Policy*, pp. x-xi.

¹⁰² *Ibid.*, p. xiv.

¹⁰³ *Ibid.*, pp. 14-121.

intervention in Venezuela but, having worked towards the aim of trade liberalisation for so long, US officials felt compelled to act.

Oil company officials were told that the Venezuelan government was exceedingly upset by the British, US and Dutch intervention, particularly since it had occurred almost immediately following Medina's public address to Congress. In response, both SOCNJ and Shell officials denied instigating the diplomatic involvement.¹⁰⁴ While this frustrated some Whitehall officials, it was not in British interests for the Venezuelan government to penalise Shell for its part in the affair.¹⁰⁵ Rodney A. Gallop of the FO was sympathetic to the oil companies' position stating it was 'clearly important for them to make the Venezuelan Govt. think that they had not inspired the representation'.¹⁰⁶

Subsequently, the Venezuelan Ministry for Foreign Affairs produced a memorandum for the US, British and Dutch, which contended that the government had the legitimate right to enact its policy and that it was unable to understand foreign objections. It pointed out that the oil companies already held concessions that covered an area of more than four million hectares and produced nearly 600,000 barrels of oil daily. This production had no limitations placed on it and was more than sufficient to supply the maximum capacity of all the refineries in the banned area. The Ministry argued that the provision, therefore, would not obstruct international commerce or have any effect on the Allies' war effort.¹⁰⁷ The memorandum also made reference to the declaration resulting from the 1942 Rio Conference. In particular, the Venezuelan government highlighted article XXV of the agreement, which stipulated that '[c]ollective security must be founded not only

¹⁰⁴ NA, FO 371/38796/AS2381, Gainer to MFP, 11 May 1944.

¹⁰⁵ NA, FO 371/38796/AS2636, Allen minute, 17 May 1944.

¹⁰⁶ NA, FO 371/38796/AS2636, Gallop minute, 17 May 1944.

¹⁰⁷ NARA, DS 831.6363/1663, Venezuelan Ministry for Foreign Affairs memorandum, 13 May 1944; NA, FO 371/38796/AS2882, Venezuelan Ministry for Foreign Affairs memorandum, 13 May 1944.

on political institutions but also on just, effective, and liberal economic systems' and claimed that:

It is an imperative necessity for the countries of America to increase their productive capacity; to secure, from their international trade, returns which will permit them adequately to remunerate labor and improve the standard of living of workers; to protect and preserve the health of their peoples and develop their civilization and culture¹⁰⁸

Caracas argued that a system which prevented a country from manufacturing its raw materials could not be described as just, effective and liberal while it also reasoned that unnecessary intermediaries, in the form of Curaçao and Aruba, were detrimental to the efficiency and promptness of trade.¹⁰⁹

In its memorandum, the Venezuelan government did not place itself in opposition to either the Charter or free trade but instead argued that their policy was compatible with both. However, it was also keen to reassert its sovereign right, as a national government, to dictate policy relating to Venezuela's natural resources. The ambiguous wording of the Atlantic Charter made it difficult in practice to define exactly what constituted access 'to the trade and to the raw materials of the world'.¹¹⁰ Therefore, it was possible for Caracas to claim support of liberal trade while simultaneously forming policies that appeared to contradict those principles. The British government was guilty of greater policy contradiction with its system of imperial preference and Atlantic Charter claim to 'respect the right of all peoples to

¹⁰⁸ 'Third Meeting of Ministers of Foreign Affairs of the American Republics' *The American Journal of International Law*, Vol. 36, No. 2, Supplement: Official Documents (April 1942), p. 85; NARA, DS 831.6363/1663, Venezuelan Ministry for Foreign Affairs memorandum, 13 May 1944; NA, FO 371/38796/AS2882, Venezuelan Ministry for Foreign Affairs memorandum, 13 May 1944.

¹⁰⁹ NARA, DS 831.6363/1663, Venezuelan Ministry for Foreign Affairs memorandum, 13 May 1944; NA, FO 371/38796/AS2882, Venezuelan Ministry for Foreign Affairs memorandum, 13 May 1944.

¹¹⁰ *FRUS*, 1941, Vol. I, p. 368.

choose the form of government under which they will live' while simultaneously ruling over an extensive formal empire.¹¹¹

On 22 May, Corrigan met with President Medina who reassured the US Ambassador that the Venezuelan government aimed to support the Allies' war effort and post-war planning. In light of these assurances, Corrigan told the State Department that he wished to reply to the Venezuelan memorandum in order 'to terminate the exchange so as to encourage the Government to proceed with negotiations that are now at a standstill.'¹¹² A drawn out discussion over the legal technicalities of Venezuelan policy would, in all likelihood, end in impasse, which would not help the oil companies, whose application for concessions would continue to be delayed as long as the diplomatic dispute lasted. Corrigan reported to Washington that officials from various oil companies had unanimously told him that the resolutions would have no particular effect within 'the next fifteen or twenty years, a period during many things can happen and many changes will occur in the government of Venezuela'. Since the material interests of the US companies were not affected, he felt it best to conclude dialogue with the Venezuelan government so that the oil companies' applications for concessions would be processed.¹¹³

State Department officials spoke with Whitehall representatives in Washington who pointed out that the best policy might be to merely acknowledge receipt of the Venezuelan reply and to wait until the companies had secured their concessions before entering into further discussion. Both British and US officials agreed that it was important to dissociate the oil companies from any further diplomatic intervention.¹¹⁴ If the Venezuelan government were to conclude that

¹¹¹ *Ibid.*

¹¹² NARA, DS 831.6363/1664, Corrigan to Hull, 22 May 1944.

¹¹³ NARA, DS 831.6363/1673, Corrigan to Hull, 23 May 1944.

¹¹⁴ NA, FO 371/38796/AS2699, Halifax to Caracas Embassy, 19 May 1944.

diplomatic intervention had occurred at the behest of Shell or SOCNJ, the oil companies' position in the country would almost certainly be prejudiced in some way. Such a development would not be in the interests of the British, US or Dutch governments.

State Department officials were also concerned by the implications for the rest of Latin America and feared that other governments in the region might now contemplate placing similar restrictions on raw materials.¹¹⁵ Since instituting its Good Neighbor policy, the US government had sought to improve its relations with Latin America and promote pan-American cooperation. Part of this strategy entailed encouraging trade within the Americas in accordance with the US government's wider aim of liberalising international trade.¹¹⁶ The independent actions of the Venezuelan government now jeopardised US plans for Latin America, and indeed the world, as a whole.

While the State Department considered its options, Gainer sent an initial reply to the Venezuelan memorandum. He stated that the British government did not wish to debate the legality of the Venezuelan policy but wanted to point out that it 'seemed to be opposed to certain principles which the United Nations had established for the post-war period'.¹¹⁷ Methöfer subsequently sent his own reply, which differed from the British response in that it reiterated the Dutch government's concerns regarding the specific area affected, whereas Gainer's reply had only referred to the international economic implications.¹¹⁸ This reflected the Dutch government's anxiety regarding the effect of Venezuelan policy on the fortunes of

¹¹⁵ *Ibid.*

¹¹⁶ Woods, *The Making of the Good Neighbor Policy*, pp. 285-287.

¹¹⁷ NA, FO 371/38796/AS2882, Gainer to Parra Pérez, 15 May 1944.

¹¹⁸ NA, FO 371/38796/AS2714, Anderson to Washington Embassy, 20 May 1944; NA, FO 371/38796/AS2714, Translation of Netherlands Legation to Venezuelan Ministry for Foreign Affairs, 16 May 1944.

Aruba and Curaçao, whereas British officials focused on the broader issue of protecting their access to overseas sources of oil.

US officials were finding it difficult to balance their various interests. Corrigan told British embassy staff that he would not have been willing to challenge a policy to which President Medina had publicly committed himself had he not been instructed by the State Department to do so.¹¹⁹ In order to secure their aim of universal trade liberalisation, State Department officials believed it necessary to object to Venezuelan policy but, at the same time, they did not want to instigate a drawn-out disagreement between US oil companies and the Venezuelan government. As the US government sought to ensure its access to overseas sources of oil, it was not in its interests for the Venezuelan authorities to delay, or even cancel, SOCNJ's application for new concessions.

In a linked point, T. J. Anderson, the commercial secretary at the British Embassy, could not 'resist inference that independent producers in United States are being encouraged to seek overseas sources in order to reconcile them to official policy of conservation of oil reserves in United States.'¹²⁰ Indeed, Washington's efforts to ensure that US companies gained access to foreign oil fields was in fact partly motivated by the desire to conserve domestic reserves.¹²¹ Therefore, Anderson doubted that Washington would 'harden in its attitude' towards the Venezuelan policy and believed it 'much more likely' that the US government would 'seek to extricate itself so that by sustaining even a veiled protest [the] British and Dutch are likely to be left in [the] lurch.'¹²² Once again, British officials questioned the State Department's willingness to condemn Latin American governments and,

¹¹⁹ NARA, DS 831.6363/1673, Corrigan to Hull, 23 May 1944.

¹²⁰ NA, FO 371/38796/AS2993, Anderson to Washington Embassy, 26 May 1944.

¹²¹ Randall, *United States Foreign Oil Policy*, p. 150.

¹²² NA, FO 371/38796/AS2993, Anderson to Washington Embassy, 26 May 1944.

consequently, did not feel that a hard-line stance in Venezuela would gain US support. Concurrently, they feared that their unilateral criticism of the Venezuelan government would undermine British interests in the country, to the benefit of Washington. This response from the British government to Venezuelan policy must be understood within the wider context of Anglo-US rivalry in Latin America and the oil industry. This dynamic assisted the Venezuelan government as it made British officials less likely to condemn its policies or undertake any intervention unilaterally.

Britain and the USA were reliant on multinational oil companies to produce, refine and transport their supplies of Venezuelan oil. While their relationship with private enterprise enabled the British and US governments to influence events in Venezuela, it also compelled them to safeguard oil company operations. This dynamic provided the Venezuelan government with a means to protect its own interests and limit foreign intervention in the oil industry. British and US officials placed particular importance on the companies' bids for concessions as they sought to ensure that Shell and SOCNJ respectively were able to increase their Venezuelan production. Consequently, the Venezuelan government's authority to delay or stop these concession applications became a means through which it could influence British and US policy.

The Episode Comes to a Close

Their compulsion to safeguard oil company operations would lead the British and US governments to prioritise the local issue of concession bids rather than the global issue of free trade. On 2 June 1944, Corrigan informed the State Department that the Venezuelan government would not grant any new concessions until it had received a satisfactory statement from Washington. He reported that the US oil companies had

reacted to this news with ‘grave concern’ as the uncertainty made them unable to plan their future operations.¹²³ As such, the Ambassador recommended that the State Department, by ‘a brief expression of our satisfaction and thanks’, end dialogue with the Venezuelan government. Corrigan was fearful that, due to the legalistic arguments made by the Venezuelan government, discussions could be ‘almost endless’. He believed that the provisions had no immediate practical effects and any problems that arose could be ‘reserved for future discussions in general regional or world petroleum matters.’¹²⁴

State Department officials agreed that they did not want to engage in a long discussion with the Venezuelan government that might jeopardise the concession negotiations but they also informed Corrigan that the liberalisation of trade ‘was extremely important at all times’. Indeed, they argued that the issue was ‘doubly important at present’ as the Venezuelan government’s actions might ‘establish precedents entirely contrary to the principles of post-war policy with respect to international trade set forth in the Atlantic Charter, to which the Venezuelan Government itself has expressed adherence.’ Yet the State Department was aware that the Venezuelan government ‘apparently has taken the position that the granting of further concessions is conditional upon the acceptance by this Government of the unsound principles embodied in the restrictive provision.’¹²⁵

With this in mind, State Department officials asked Corrigan to inform the Venezuelan authorities in writing that the US government deemed ‘the liberal trade principles set forth in the Atlantic charter to be of fundamental importance’ and viewed the proviso as ‘a restriction of trade and a discrimination against a specified geographic area’. The State Department was less concerned with the specifics of the

¹²³ NARA, DS 831.6363/1670, Corrigan to Hull, 2 June 1944.

¹²⁴ NARA, DS 831.6363/1675, Corrigan to Hull, 5 June 1944.

¹²⁵ NARA, DS 831.6363/1675, Department of State to Corrigan, 8 June 1944.

case but felt that Venezuelan policy was ‘inconsonant with sound international commercial policy’ and could establish an ‘unfortunate precedent’. Washington officials also asked Corrigan to tell the local authorities in conversation that the US government did not seek to maintain the status-quo regarding refining of Venezuelan oil. However, they directed the Ambassador to point out that the Venezuelan government’s restrictive policy seemed unnecessary as the oil companies had already committed to increasing the amount of refining done on the mainland following the war’s end. State Department officials also told him to indicate that Venezuelan interests could be negatively affected if other governments enacted similarly restrictive legislation and asked him to express ‘the strong hope’ that Venezuelan officials would reconsider their policy.¹²⁶

At the same time, the State Department instructed Corrigan to inform the Venezuelan government that, due to the urgent war-need to rapidly increase petroleum production, Washington did not wish to place any obstacle in the way of the concessions negotiations. Moreover, Corrigan was authorised to use his own judgement and ‘take such action as you feel advisable so that the companies’ negotiations can go forward.’¹²⁷ Thus, while Washington officials restated their conviction to free trade, they ultimately prioritised the resumption of the concession negotiations.

Since coming to power in 1933, the Roosevelt administration had promoted free trade through bilateral treaties, pan-American conferences, the Atlantic Charter and Lend-Lease agreement. Concurrently, the government had increasingly intervened in the international oil industry to secure the USA’s supplies of foreign oil. In Venezuela, these critical concerns clashed as the need to protect the oil

¹²⁶ *Ibid.*

¹²⁷ *Ibid.*

company's bids for concessions conflicted with the aim of ensuring the free movement of raw materials around the world. Max Thornburg and Walton C. Ferris had predicted that such clashes would occur during their earlier struggles to apply the vague principles of the Atlantic Charter to the practical operations of the international oil industry. The two men had proposed solutions to limit conflict within the oil trade but, nevertheless, the Venezuelan government retained the sovereign power to apply restrictive legislation over the movement of its country's oil. Ultimately, the political and economic interests of the oil-exporting Venezuelan government differed from those of the oil-importing British and US governments.

British officials sought to bring about the resumption of the oil companies' applications for concessions while maintaining their opposition to Venezuelan policy. On 13 June, Gallop, Gainer and Starling met with Sir George Ogilvie-Forbes and John Helier Le Rougetal of the FO's General Department along with Frederick Godber, Frank J. Hopwood and Frederick J. Stephens who represented Shell. The Shell representatives made it clear to Whitehall officials that their operations were not unduly inconvenienced by the new decree. They were also anxious that their concession applications should not be delayed and feared that they might be granted to rival companies. Shell executives did not wish for the British officials to alter their attitude but did hope that they could press the Venezuelan government to disassociate the principle of refining from the allocation of new concessions.

Starling, as head of the PD, attributed great importance to the strategic aspect of the question of principle. He argued that while the Venezuelan government wished to concentrate refining in the country, British oil policy had always been to scatter the industry, not to concentrate it. As Britain relied entirely on imports for its supplies of oil, it was in Whitehall interests for the oil industry to be dispersed

among various countries. The more concentrated the oil industry became, the more power was placed into the hands of host governments and so, for the British, it was preferable for oil production and refining to take place in separate countries. Starling felt that it would be very serious if other Latin American countries, such as Colombia, Peru and Ecuador, followed the Venezuelan example. While he did not think that Whitehall could press the Venezuelan government to withdraw the decree, he did want British officials, in concert with the US government, to take other action that would deter Venezuela from continuing the policy.

Starling went so far as to state that one day the British government might have to treat Venezuela as it did Iran and send an army there in time of war. While the British government had placed troops in Curaçao and Aruba, this had been to protect oil refineries from Axis attack. It appeared that Starling was now projecting the future possibility of placing troops in Venezuela in order to force the local government to supply Britain with oil. This would constitute an aggressive act of gunboat diplomacy and it is highly unlikely that the US government would countenance any such action that would contradict the Monroe Doctrine and the general aims of the Good Neighbor policy. Starling's position in the PD made him well aware of the British reliance on oil imports which may explain why he deemed use or threats of force to be a justifiable means of securing British access to Venezuelan oil during a time of war.

Conversely, Gallop believed that British officials should show sympathy with the Venezuelan government's desire to increase refining in the country and proposed that British officials could suggest that their 'legitimate aspirations might be satisfied in some way which did not prejudice the position of other Powers.' Le Rougetal agreed, although Starling felt that such an approach would be too appeasing. The

group decided that the question should first be explored with the State Department and a joint telegram produced that, as Gallop stated, 'would need careful drafting since it must at one and the same time safeguard our position of principle and placate the Venezuelan President sufficiently to induce him to dissociate the question of principle from that of pending concessions.'¹²⁸

Therefore, there was a range of opinion among British policy-makers regarding how they should approach the issue. These varied from the hard-line position taken by Starling, to the more accommodating policy advocated by Gallop. All officials agreed, however, that any British action needed to have the support of the US government. Without such support, British interests in Venezuela and, by extension, those of Shell would be placed at risk. Whitehall and Shell interests largely corresponded as both parties sought to protect the company's position in the country and ensure diplomatic intervention did not jeopardise its application for concessions. British policy-makers, therefore, felt it vital to separate the broader issue of the free movement of oil from Shell's bid for concessions. However, it was in the Venezuelan government's interests to use their authority over concession applications to pressure Washington and Whitehall to withdraw their intervention.

Meanwhile, on 14 June, Corrigan complied with the State Department's instructions, informing President Medina in person that, while sympathising with Venezuelan ambitions, the US government 'considered the liberal trade principles set forth in the Atlantic Charter to be of fundamental importance' and viewed the decree as being 'inconsistent with sound international trade policy.' Medina told Corrigan that the decree was not part of a long-term policy and only related to the currently negotiated concessions. He assured the US Ambassador that his

¹²⁸ NA, FO 371/38796/AS2993, Gallop minutes of conversation, 15 June 1944.

government would not adopt a policy in contradiction with the Atlantic Charter and stated that the granting of concessions could continue if the Venezuelan government received a telegram from Washington as they had from the British and Dutch governments.¹²⁹

Later the same day, Corrigan wrote to Dr Roberto Picón Lares, the Venezuelan Acting Minister of Foreign Affairs, along the lines suggested by the State Department.¹³⁰ Corrigan stated that the State Department attached ‘fundamental importance’ to the principles of the Atlantic Charter and appreciated the Venezuelan government’s assurances that the new resolutions did not imply a departure from support of the Allied war effort and post-war planning.¹³¹ Subsequently, on 19 June, President Medina issued orders for the granting of pending concessions and Corrigan informed the State Department that the ‘oil company officials are now giving a sigh of relief.’ He also reported that the companies believed that the overall impact of the diplomatic intervention had been positive, as it had ‘made the Venezuelan Government realize that it must not forget the existence of certain basic principles.’¹³² In reality, the Venezuelan authorities had used their local authority effectively to gain British and US acceptance of their ‘banned zone’ policy albeit with the alteration suggested by SOCNJ.

In response, British officials were again worried that the independent actions of the State Department had undermined their interests in Venezuelan oil. Anderson argued that it was ‘unfortunate that the delivery of the United States reply leaves the

¹²⁹ NARA, DS 831.6363/1682, Corrigan to Hull, 14 June 1944.

¹³⁰ *Ibid.*; NARA, DS 831.6363/1682, Corrigan to Venezuelan Acting Minister of Foreign Affairs Roberto Picón Lares, 14 June 1944.

¹³¹ NARA, DS 831.6363/1682, Corrigan to Picón Lares, 14 June 1944.

¹³² NARA, DS 831.6363/1681, Corrigan to Hull, 19 June 1944; NARA, DS 831.6363/1684, Corrigan to Hull, 20 June 1944.

British and Dutch position in the air.’¹³³ Starling’s desire for the British government to maintain a hard-line position would be untenable without State Department support as the Caracas authorities might then cancel Shell’s bids for concessions and grant them to US firms. Anderson informed the FO that the ‘rival United States companies are alive to the advantage afforded them by the deadlock between the Venezuelan Government and Shell’.¹³⁴

Whitehall and Shell officials were already concerned that the Anglo-Dutch company might now receive prejudicial treatment from the local government. Van Hasselt told Anderson that he felt that there was a real danger that the Venezuelan government could proceed with most concessions applications and leave those of Shell in abeyance pending the receipt of a conciliatory message from Whitehall.¹³⁵ Similarly, Richard H. S. Allen of the FO’s South American Department felt that it was still not quite clear whether the US companies would ‘not in practice get preferential treatment’ in view of the fact that Washington had been the only government to send a conciliatory statement to Caracas.¹³⁶ In fact, while Gainer’s earlier reply to the Venezuelan memorandum was only intended to be an interim statement, Caracas officials had interpreted it as a mollifying response. It soon became clear that Shell’s bid for concessions would be processed along with those of the US companies. Consequently, British and US officials agreed that no further action would be necessary and the issue came to a close.¹³⁷

The Venezuelan government had effectively resisted foreign pressure to separate the issue of the ‘banned zone’ from the question of Shell’s pending

¹³³ NA, FO 371/38797/AS3202, Anderson to FO, 16 June 1944.

¹³⁴ *Ibid.*

¹³⁵ *Ibid.*

¹³⁶ NA, FO 371/38797/AS3256, Allen minute, 22 June 1944.

¹³⁷ NA, FO 371/38797/AS3279, Allen minute, 24 June 1944; NA, FO 371/38797/AS3279, Halifax to FO, 21 June 1944.

concession applications. It was only when Caracas was satisfied that Whitehall and Washington would not persist with their objections to the 'banned zone' that the oil companies' applications were processed. In August 1944, concessions were allocated on the basis that at least ten per cent of oil from new production would be refined in Venezuela and that the remainder would be refined outside of the Caribbean area.¹³⁸ Caracas had, therefore, demonstrated that it was possible for oil-producing countries to use their local powers to resist British and US governance of world trade. As Herbet Feis would later write, the principles of the Atlantic Charter 'proved vulnerable to circumstance.'¹³⁹

Conclusion

This episode demonstrates the importance of state-private networks within international relations as Shell used its links with national governments to instigate diplomatic intervention in defence of its private interests. The Atlantic Charter was particularly valuable to Shell in this regard as it allowed the company to contend that Venezuelan policy simultaneously hindered its own operations and undermined the Allies' plans for post-war reconstruction. The subsequent diplomatic incident fitted into a pattern of Anglo-US intervention in Venezuela as Whitehall sought to engineer a multilateral approach with Washington. British officials were not prepared to engage in a dispute with the Venezuelan government without State Department support for fear of prejudicing their own, and Shell's, interests in the country. They consistently considered Anglo-US rivalry when formulating policy and were unwilling to allow SOCNJ to gain an advantage over Shell in Venezuela.

¹³⁸ NARA, DS 831.6363/8-844, Joseph Flack, Chargé d'Affaires to Venezuela, to Hull, 8 August 1944; NARA, DS 831.6363/8-944, Flack to Hull, 9 August 1944.

¹³⁹ Herbert Feis, *Churchill, Roosevelt, Stalin: The War They Waged and the Peace They Sought* (Princeton, NJ, 1957), p. 22.

As such, their multilateralism was a means through which they could protect the British government's interests in the international oil industry.

The Venezuelan policy was objectionable to British officials primarily because it placed limits on the global flow of oil. Such restrictions were an inconvenience at best and dangerous at worst, for the British government which relied upon constant supplies of foreign oil. If the policy set a precedent, this would increase the power of oil-producing countries to dictate the movement of oil around the world and decrease the ability of companies to refine crude wherever they wished. Such a development could disrupt Britain's supplies of foreign oil, which would be especially problematic during time of war when free access to oil was most important. However, in discussions with the Venezuelan government, British officials framed their objections around the Atlantic Charter which provided a more principled justification for diplomatic intervention.

Unlike their Whitehall counterparts, US officials had a long-held conviction to propagate free trade and had advanced their cause through agreements with the British and Latin American governments. As we have seen, from 1933, Latin America provided a testing-ground for the internationalisation of the New Deal as the Roosevelt administration took a leading role in pan-American organisation. Subsequently, the Atlantic Charter constituted a US effort to export its pan-American policy, globalise the New Deal and universalise basic principles to govern post-war international re-organisation. The advancement of free trade was a central component of these endeavours and, thus, the State Department disregarded the Good Neighbor policy's principle of non-interference to contest Venezuelan efforts to restrict the movement of oil. Therefore, both British and US officials

contextualised the refining issue within their wider foreign policy concerns in a manner which reflected their global perspectives and aims

Yet the political economy of oil could still undermine the Atlantic Charter and so in Venezuela, as elsewhere, it ‘proved vulnerable to circumstance.’¹⁴⁰ Ultimately, while they re-stated their commitment to the Charter in correspondence, US officials were not prepared to jeopardise the oil companies’ operations in Venezuela. As Washington became increasingly invested in Venezuelan oil it was compelled to protect oil company interests from the actions of the local government. As a consequence, US official prioritised the companies’ concession applications over the principles of free trade that they had consistently championed. The state-private network which now formed the basis of both British and US oil policy could, therefore, constrain Whitehall and Washington intervention in oil-exporting countries.

Venezuelan officials’ authority to grant concessions provided them with the agency to limit foreign interference in their policy-making but, nevertheless, we should not underestimate the hierarchical and asymmetrical nature of international relations. The Atlantic Charter outlined the policies with which British and US officials hoped to bring about ‘a better future of the world’.¹⁴¹ As such, it embodied their claim to represent the general interest of all governments and justified their self-assigned supervision of international relations. As we have seen, the Venezuelan government had challenged this claim and successfully placed limitations on British and US governance of the international trade in oil. Nevertheless, while the Allies were not all-powerful, they influenced global events to a degree which was

¹⁴⁰ *Ibid.*

¹⁴¹ *FRUS*, 1941, Vol. I, p. 368.

unachievable to the Caracas government. Despite their setback in Venezuela, British and US officials still intended to supervise the post-war international oil industry.

Chapter Four

Asymmetries of Influence, 1944-1945

Between 1944 and 1945, British and US officials negotiated an Anglo-American Oil Agreement that they hoped would safeguard their interests in the international oil industry. The accord was designed to ensure that both countries had access to the world's oil while simultaneously preventing cut-throat competition between multinational companies. For the US government, the agreement was a means of applying the Atlantic Charter to the international oil industry while British officials hoped that an arrangement, approved by industry and government figures, could prevent rivalry over oil creating tensions within Anglo-US relations. Yet, while an understanding was ultimately reached, the agreement failed to pass through the US Congress and was, therefore, never put into practice. Nevertheless, the negotiations reveal the attitudes of both sets of officials towards their role within the international oil industry

Although Venezuelan officials were not invited to take part in the discussions, they maintained the sovereign power to grant concessions and enact legislation affecting oil production in their country. Thus, while Venezuelan officials did not have the international influence of their British and US counterparts, they held the capacity to use their local authority and leverage over company officials to undermine severely foreign interests in their country's oil industry. This power was brought to the fore as Aruba and Curaçao continued to foster conflict between British and US officials and the Venezuelan government. Despite the asymmetrical nature of this triangular relationship, the Venezuelan government was able to use its power over the country's oil industry to its advantage. Between 1944 and 1945, the hierarchical nature of decision-making within the international oil industry was revealed as global and local factors intersected in Venezuela.

The Anglo-American Oil Agreement

While no single company held a monopoly over the international oil trade during the 1940s, the industry was led by seven large corporations that would later become known as ‘the Seven Sisters’. This group was comprised of the Anglo-Iranian Oil Company, Gulf Oil, Royal Dutch Shell, Standard Oil of California, Standard Oil of New Jersey, the Standard Oil Company of New York, and Texaco. Thus, the oil industry was dominated by British and US capital as Anglo-Iranian was a British company, Shell was owned by British and Dutch interests while the remaining ‘sisters’ were all US corporations.¹ By the summer of 1943, oil company executives on both sides of the Atlantic desired an Anglo-US commercial understanding with a view to avoiding the overproduction and price wars that were likely to result from unrestrained competition between their firms.² In other words, company officials sought to form a government-backed cartel. Indeed, Basil R. Jackson, an Anglo-Iranian official based in Washington, felt that the US government needed to clarify its interpretation of anti-trust laws before industry officials could plan to cooperate.³

By the beginning of 1944, US and British officials had both come to the realisation that an element of cooperation would best serve their interests. The creation of the Petroleum Reserves Corporation (PRC) signalled the US government’s intent to participate directly in the international oil industry and British officials were concerned that this move would disrupt their interests in the Middle East.⁴ M. T. Fleff of the Treasury argued that the PRC would ‘greatly increase the danger of international oil supplies being influenced by purely political considerations’ which ‘in turn might stiffen

¹ Simpson, *The Seven Sisters*, pp. 76-77.

² Stoff, *Oil, War, and American Security*, pp. 89-90, 95-97.

³ Randall, *United States Foreign Oil Policy*, pp. 185-187.

⁴ NA, T 161/1195, ‘Anglo-American Oil Policy’ memorandum by the Petroleum Division for the Chairman of the Oil Control Board, 27 January 1944.

the nationalist tendencies' of oil-producing countries and 'make the position of industrial countries like the U.K. very difficult'.⁵ This was a point not unnoticed by PD official Harold Wilkinson, who argued that it would be disastrous for British oil supplies if PRC operations expanded unchecked.⁶ The PD was particularly anxious to maintain Britain's pre-eminent position in Iran and saw a settlement with the US government as a means of ensuring their future access to the Middle East's oil. More broadly, FO officials perceived cooperation in the oil industry as part of a larger plan for post-war Anglo-US economic collaboration and collective security.⁷ They hoped that an Anglo-US agreement would prevent competition between oil companies leading to diplomatic conflict between the British and US governments.⁸

PD officials were confident that they would be able to outmanoeuvre their US counterparts during negotiations while the FO hoped that US expansion into the oil industries of the Middle East would lead Washington to support British efforts to exclude the USSR from the region.⁹ This reflected the common belief among Whitehall officials that their superior diplomatic skills would enable them to shape US policy to serve British interests. In the spring of 1944, Alan Dudley of the FO wrote a memorandum entitled 'The Essentials of an American Policy' in which he argued that:

in the long run, the nature of the relationship does compel national collaboration between ourselves and the Americans, no matter what friction may occur. And it should be noted that more often than not this means that the Americans follow our lead rather than we follow theirs. ... If we go about our business in the right way we can help to steer this great unwieldy barge, the United States of America, into the right harbour.¹⁰

⁵ NA, T 161/1195, minute by M. T. Flett, Treasury, 14 October 1943.

⁶ Randall, *United States Foreign Oil Policy*, pp. 184-187.

⁷ Stoff, *Oil, War, and American Security*, pp. 104-109.

⁸ Fiona Venn, 'The Wartime "Special Relationship"? From Oil War to Anglo-American Oil Agreement, 1939-1945', *The Journal of Transatlantic Studies*, Vol. 10, No. 2 (June 2012), p. 126

⁹ Stoff, *Oil, War, and American Security*, p. 106.

¹⁰ NA, FO 371/38523/AN1538, memorandum 'The Essentials of an American Policy' by Alan Dudley, FO, 21 March 1944.

With regard to this memorandum, the historian John Saville has argued that it 'would be difficult to find a more illiterate statement of the relations between Britain and America'.¹¹ John Charmley has similarly characterised such attitudes as delusional and condescending but, nevertheless, British officials often perceived themselves as mentors to their US counterparts.¹² This paternalistic view of Anglo-US relations was summarised by Harold Macmillan at the end of 1942 when he stated that British officials were 'Greeks in this American empire'.¹³ However, US officials had their own policies and were not prepared to be led by their British counterparts.

For Washington, the negotiations provided an opportunity to gain British support for a system that would serve the USA's long-term interests in the oil industry.¹⁴ State Department officials hoped that an Anglo-US oil agreement would be a means of propagating the international system of free trade and equal access to raw materials that had been outlined in the Atlantic Charter.¹⁵ Gaining British support for an open door policy would enable US companies to expand their operations in the Middle East and secure the region's oil supplies for the US government's future military needs.¹⁶ Moreover, Washington sought to limit both Soviet and British authority in Iran by utilising US-owned oil companies as agents of its international influence.¹⁷

The various concerned parties shared a desire for an Anglo-US understanding, but had different goals in mind. As Fiona Venn argues, 'the main impulse towards negotiations was concern about the intentions of the other, rather than feelings of mutual

¹¹ John Saville, *The Politics of Continuity: British Foreign Policy and the Labour Government, 1945-46* (London, 1993), p. 67.

¹² Charmley, *Churchill's Grand Alliance*, p. 89.

¹³ Cited in Anthony Sampson, *Macmillan: A Study in Ambiguity* (London, 1967), p. 62.

¹⁴ Venn, 'The Wartime "Special Relationship"?', pp. 129-130.

¹⁵ Stoff, *Oil, War, and American Security*, pp. 122-123.

¹⁶ Herbet Feis, 'The Anglo-American Oil Agreement', *The Yale Law Journal*, Vol. 55, No. 5 (August 1946), pp. 1174-1176; Stoff, *Oil, War, and American Security*, pp. 109-120; Painter, *Oil and the American Century*, pp. 57-58; Shoshana Klebanoff, *Middle East Oil and U.S. Foreign Policy: with Special Reference to the U.S. Energy Crisis* (New York, NY, 1974), pp. 38-42.

¹⁷ Randall, *United States Foreign Oil Policy*, pp. 176-177.

support'.¹⁸ During discussions on the desired oil agreement these concerns provoked conflict between the two parties.¹⁹ As Michael B. Stoff argues,

such acrimony was characteristic of negotiations on many troubled issues between the two allies in the first few months of 1944. Sterling-dollar balances, occupation currency policy, the Jewish refugee problem, policy toward Argentina, preliminaries to Dumbarton Oaks and Bretton Woods – all became matters of serious discussion.²⁰

In this sense, their intimate wartime alliance did not prevent British and US policy-makers from frequently clashing over policy between 1941 and 1945. This reflected the rivalry that existed between the two governments as they sought to secure their independent, sometimes conflicting, national interests. Some of the most serious divergences were in relation to trade, economics and British imperialism as US officials pressed the British government to end imperial preference and make sterling convertible.²¹ Negotiations over Lend-Lease demonstrated that Washington was not above leveraging British reliance on its financial support to gain commitments to a post-war liberal trading system.²² Thus, US efforts to ensure that the oil industry worked on an open door basis formed part of an overarching strategy to persuade British officials to subscribe to liberal economic principles.

Delegates from both countries attended a two-week long preliminary meeting in April/May 1944, which was followed by another two-week long meeting in July/August.²³ Anglo-US oil discussions focused on the Middle East but British officials requested that the negotiations also dealt with Latin America: if US officials were to

¹⁸ *Ibid.*, p. 127.

¹⁹ *Ibid.*, pp. 127-130; NA, T 161/1195, Lord Beaverbrook, head of Combined Raw Materials Board, to FO, 2 August 1944; NA, T 161/1195, Beaverbrook to War Cabinet, 4 August 1944.

²⁰ Stoff, *Oil, War, and American Security*, p. 149.

²¹ Steil, *The Battle of Bretton Woods*, pp. 13-15, 265; Richard N. Gardner, 'Sterling-Dollar Diplomacy in Current Perspective', *International Affairs*, Vol. 62, No. 1 (Winter 1985-1986), pp. 21-25; Borgwardt, *A New Deal for the World*, pp. 101-104.

²² Gardner, *Sterling-Dollar Diplomacy*, pp. 54-68; Woods, *A Changing of the Guard*, pp. 29-32; Robert Skidelsky, *John Maynard Keynes, Vol. 3: Fighting for Freedom, 1937-1946* (New York, NY, 2001), pp. xiv-xv

²³ For the most detailed overview of discussions see: Stoff, *Oil, War, and American Security*, pp. 155-177.

intrude upon their preponderance in the Middle East, Whitehall hoped to ensure that British firms had greater access to Latin American oil fields.²⁴ Therefore, the British government's strategic interest in securing access to the world's oil complemented the overarching aim of British policy in Latin America, which was to increase Anglo-US cooperation in the region.²⁵ In fact, at the highest level, British policy was to encourage Anglo-US cooperation with Randall Bennet Woods describing Winston Churchill as 'that relentless exponent of Anglo-American partnership'.²⁶ Churchill strongly believed that international security depended on the nature of the post-war relationship between the 'Big Three' of Britain, the USA and Soviet Union. As he sought to contain Soviet influence, Churchill believed that the British and US governments shared a common interest in maintaining a balance of power in Europe.²⁷ British officials were aware that the US government would play a formative role in the post-war world and sought to shape its policy to support British interests.²⁸

Indeed, the British government had consistently, albeit not always successfully, sought a bilateral response to developments in the Venezuelan oil industry. British officials hoped to use the negotiations to secure protection against South American expropriation, which they had experienced in Mexico and sought to avoid in Venezuela.²⁹ As a means to secure against this, the British government sought a joint Anglo-US obligation to uphold concessions granted to oil companies by oil-producing countries.³⁰ However, US officials deemed that this would be tantamount to a military alliance and

²⁴ Stoff, *Oil, War, and American Security*, pp. 146-147.

²⁵ Mills, *Post-War Planning on the Periphery*, pp. 180-181.

²⁶ Woods, *A Changing of the Guard*, p. 251.

²⁷ *Ibid.*, p. 246.

²⁸ Saville, *The Politics of Continuity*, pp. 65-70.

²⁹ Stoff, *Oil, War, and American Security*, p. 147; Painter, *Oil and the American Century*, pp. 60-61; NA, POWE 33/224, Perowne to Bridgeman, 15 December 1941; NA, FO 371/30742/A7468, Gallop minute, 13 August 1942.

³⁰ Painter, *Oil and the American Century*, pp. 60-61.

they were not prepared to police the oil industry in potential contradiction to the Good Neighbor policy.³¹

This conflicting position reflects the differing perspectives of British and US officials on events in Venezuela. As we have seen, Whitehall was willing to take a hard-line response to Venezuelan policy when it contradicted British interests but US officials were more hesitant to confront Caracas. The US government's broader policy towards Latin America was governed by the principles of the Good Neighbor policy and, as such, it was cognizant of the regional ramifications of conflict with Venezuelan officials. Whitehall was often frustrated by the US approach and felt that Washington's policy towards Latin America undermined British interests in the Venezuelan oil industry.

Despite the disharmony that characterised the discussions, on 8 August, the two governments were ultimately able to reach an understanding.³² The resulting Anglo-American Oil Agreement established an open door principle to the international oil industry thereby ending discriminatory access to oil-producing regions.³³ This resolved US criticisms of British efforts to exclude US companies from the Middle East as well as British complaints that the US government was seeking to prevent British expansion in Latin America.³⁴ In October 1942, Harold Wilkinson, who served as both the President of Shell's US marketing subsidiary and the British government's Petroleum Representative in Washington, had charged the State Department of conspiring to remove Shell from Venezuela.³⁵ At the same time, the 1944 agreement upheld concessions already granted and precluded companies from interfering with each other's acquired rights. Furthermore, it established a Joint Petroleum Commission that would oversee world oil production in

³¹ Stoff, *Oil, War, and American Security*, p. 161.

³² Venn, 'The Wartime "Special Relationship"?' pp. 127-130; Painter, *Oil and the American Century*, pp. 63-64.

³³ Randall, *United States Foreign Oil Policy*, pp. 192-193.

³⁴ Stoff, *Oil, War, and American Security*, p. 160.

³⁵ NA, FO 371/30743/A9283, Perowne minute, 14 October 1942.

order to ensure that international demand was met.³⁶ This international commission was consistent with broader Anglo-US efforts to establish organisations that would govern post-war international relations.³⁷

The discussions also made clear that the British officials enjoyed a closer and more cordial relationship with oil executives than their US counterparts. The British government included oil company officials as delegates during the first round of negotiations whereas US oil executives merely acted as advisors and observers.³⁸ Whitehall planned to appoint three company executives and only one civil servant as British representatives on the eight-person Joint Petroleum Commission. Conversely, Cordell Hull recommended that the US be represented solely by government officials with company executives acting merely in an unofficial advisory role.³⁹

Yet the negotiations were marked by a distinct lack of discussion or consultation with outside stake-holders. Despite its position as the single largest oil-exporter in the world, and a vital source of fuel for the Allies, Venezuela was not represented at the discussions. In contrast, Shell's interests in Venezuela and elsewhere were represented by Frederick Godber who served as a British delegate in the first round of negotiations alongside Sir William Fraser of Anglo-Iranian.⁴⁰ Godber was a strong proponent of an Anglo-US understanding, which was perhaps guided by Shell's experience of Anglo-US conflict in Venezuela and Mexico.⁴¹ Godber and his Shell colleague, Jean Baptiste August 'Guus' Kessler Jr., explicitly argued that the concerns of oil-producing countries were of secondary importance to the interests of Britain and the USA. They were,

³⁶ Stoff, *Oil, War, and American Security*, pp. 161-164; Painter, *Oil and the American Century*, p. 60-61.

³⁷ Van Dormael, *Bretton Woods*, pp. 99-108; Welles, *Where Are We Heading?*, pp. 26-35; David Reynolds, *From World War to Cold War: Churchill, Roosevelt, and the International History of the 1940s* (Oxford, 2006), p. 62; Panitch and Gindin, *The Making of Global Capitalism*, pp. 76-77; Schlesinger, *Act of Creation*, pp. 159-161.

³⁸ Feis, 'The Anglo-American Oil Agreement', p. 1179; Stoff, *Oil, War, and American Security*, pp. 152-154.

³⁹ Stoff, *Oil, War, and American Security*, p. 163.

⁴⁰ *Ibid.*, p. 154.

⁴¹ *Ibid.*, p. 171.

therefore, opposed to incorporating the governments of those countries into the agreement.⁴² Despite its vital role in the war effort, the Soviet Union was not included in the discussions although British and US officials hoped to complete a tripartite agreement with the Kremlin at an unspecified later date.⁴³

The agreement pledged that oil company operations should produce ‘sound economic advancement’ which reflected a New Deal conception of the primacy of public welfare in the workings of the economy.⁴⁴ British and US officials hoped that this would make concessions more secure, host governments more stable and prospects for peace greater. However, the pledge did not suggest a minimum royalty rate and British officials ensured that its wording did not imply that royalties gained by oil-producing countries had, up to that point, been too low. The multinational oil companies were therefore happy to comply.⁴⁵ Nevertheless, the discussions focused on the needs of oil-importing countries as the onus was placed on ensuring a stable environment within which the oil companies could operate and export oil. The notion that the economies of oil-producing countries could be best served by nationalised industries or domestically-owned companies was never contemplated. British and US policy was based on control of oil production by multinational corporations with which they could cooperate and collaborate. US officials were concerned that the exclusionary nature of the discussions could cause other governments to view the resulting agreement as dictatorial and they were keen to arrange promptly an international conference to produce a multilateral agreement. However, this was vetoed by the British who wanted the Anglo-US arrangement to undergo a trial period before further international agreement was reached.⁴⁶

⁴² Randall, *United States Foreign Oil Policy*, p. 206.

⁴³ *FRUS*, 1946, Vol. I, p. 1380.

⁴⁴ Borgwardt, *A New Deal for the World*, pp. 5-7.

⁴⁵ Stoff, *Oil, War, and American Security*, p. 159-160.

⁴⁶ *Ibid.*, p. 164.

This international conference never took place. The Oil Agreement failed to pass through the US Congress due to opposition from the domestic oil industry. Independent firms in the USA were concerned about a possible influx of cheap foreign oil and feared that the agreement would lead to greater federal and foreign intervention in the industry.⁴⁷ US and British officials met again in September 1945 with the aim of producing a revised version of the agreement that would be more amenable to Congress.⁴⁸ This conference remained exclusive to British and US officials and the Venezuelan government had to rely on news services for updates on the negotiations. As the talks came to a close, Venezuelan officials were forced to request further information from the State Department through the US Embassy in Caracas.⁴⁹ Over the course of the negotiations, Truman had become US President following Roosevelt's death while in Britain the Labour Party had formed a new government after securing victory in the 1945 general election. Yet neither of these changes in political leadership affected the negotiations or the governments' oil policies. The modified agreement that British and US officials produced remained unacceptable to Congress and, as a consequence, neither version of the Anglo-American Oil Agreement was put into practice.⁵⁰

The Anglo-American Oil Agreement ended in failure, but the negotiations still shed light on the attitude of British and US officials towards the international oil industry and their role within it. The fact that the world's major multinational oil companies, which held the most important concessions in the richest oil fields in the world, were primarily owned by British and US interests was vitally significant. Not only were the British and US governments best placed to secure access to the world's oil supplies but

⁴⁷ Painter, *Oil and the American Century*, pp. 64-67; Feis, 'The Anglo-American Oil Agreement', pp. 1179-1180; Richard H. K. Vietor, *Energy Policy in America since 1945: A Study of Business-Government Relations* (Cambridge, 1984), p. 30.

⁴⁸ Randall, *United States Foreign Oil Policy*, p. 207.

⁴⁹ NARA, 831.6363/9-2845, Corrigan to Secretary of State Edward Stettinius, Jr., 29 September 1945.

⁵⁰ Painter, *Oil and the American Century*, pp. 67-74; Randall, *United States Foreign Oil Policy*, pp. 208-217.

they were also in a position to mould the mechanics of the international oil industry to best serve their needs. Moreover, had the Joint Petroleum Commission come into being, it would have been managed entirely by British and US government officials and oil company executives. In theory, the agreement only affected the British and US governments and their associated oil companies but the extent of Anglo-US domination of the international oil trade meant that, in practice, the principles outlined in the agreement could not fail to affect the industry as a whole. This was reminiscent of the universal declarations made in the Atlantic Charter that established a post-war settlement for the world, despite being constructed solely by British and US officials.

Indeed, only those oil companies with links to Britain and the USA played a role in discussions. The importance of state-private networks was demonstrated by the exclusive opportunity to engage in such far-reaching discussions aimed at amending the international oil industry in its entirety. A seat at the table was itself evidence of influence, as well as a means of exercising it. Moreover, the scuppering of the agreement by the USA's domestic oil industry demonstrates that US oil companies were not a homogeneous bloc with shared aims and priorities.

Despite their far-reaching nature, Anglo-US negotiations overlooked the local authority of oil-producing countries. The Venezuelan government, despite presiding over the world's highest oil exports, was not invited to discussions. While Whitehall and Washington sought to oversee the international oil industry, the Venezuelan government held the power to grant concessions and regulate national production. As demonstrated by the earlier refining 'banned zone' controversy, the Venezuelan government was willing and able to circumvent Anglo-US agreements such as the Atlantic Charter. Indeed, it had its own interests in the international oil industry which did not necessarily correspond with the aims of Whitehall and Washington. British and US officials certainly played an

important role in shaping the international oil industry at a macro level, but at a micro level, they still had to contend with the local authority of individual national governments. These different perceptions and priorities came to the fore in discussions surrounding the expansion of a refinery on the island of Curaçao.

Construction at Curaçao

During the course of negotiations over the new hydrocarbons law, Shell had promised the Venezuelan government that it would not increase the output of its refinery at Curaçao.⁵¹ Prior to the passing of the 1943 law, the US and British governments had already directed Shell to construct a distillation plant at Curaçao capable of handling 26,000 barrels of crude oil per day for the production of light aviation gasoline as a wartime emergency measure. From 1941, the Petroleum Administration for War (PAW) and the Foreign Operations Committee worked within the US government to ensure that all foreign refining facilities operated at maximum efficiency and were used to the utmost advantage for the Allied war effort. This involved providing materials and equipment for the construction, maintenance, repair and operation of overseas refineries.⁵²

These US agencies operated alongside the United Nations supply programme, which was formed in 1943 as a joint Anglo-US venture to coordinate the two governments' oil supplies. By the middle of the year, British and US officials had come to the realisation that such a world-wide oil supply programme was necessary to meet the rapidly increasing needs of their joint war machine. The supply programme was developed within PAW and was established in part by Stewart P. Coleman, head of the economics department of SOCNJ. Of particular importance to the Allied war effort was

⁵¹ NARA, DS 831.6363/8-544, Joseph Flack, Chargé d'Affaires to Venezuela, to Hull, 5 August 1944; NA, FO 371/38797/AS4190, Anderson to FO, 1 August 1944; NA, FO 371/38797/AS4316, MFP to Washington Embassy, 9 August 1944.

⁵² Frey and Ide, *A History of the Petroleum Administration for War*, p. 262

100-octane fuel and, by the end of 1943, its production had increased fourfold since early the previous year.⁵³ War placed great demands on raw materials and equipment which led the Allies to consider carefully their priorities when allocating supplies for the oil industry.⁵⁴

It was not until April 1944 that Shell was granted permission to gain the two thousand tons of equipment from the USA needed for the Curaçao expansion.⁵⁵ Yet, by July 1944, the company had still not informed Venezuelan officials of the development and John Loudon, the local Shell manager, was anxious about their reaction to the news. Shell managers had feared that informing the Venezuelan government of the refinery expansion during discussion of the hydrocarbon law or the refining 'banned zone' would have weakened their negotiating position in those instances. They had preferred to wait until their plans for building new refineries in Venezuela had been completed in the hope that this good news would counteract the Venezuelan government's displeasure at the construction on Curaçao. Loudon had already informed President Medina of the good news and could no longer withhold the bad news because material for the refinery expansion had arrived at Curaçao and construction had begun. Such developments would not long escape the notice of the Venezuelan Consul on the island. The dispute over the refinery 'banned zone' had demonstrated that Venezuelan officials were prepared to delay granting concessions if they were displeased by oil company behaviour.⁵⁶ It was possible that they might take similar action upon hearing of the construction at Curaçao, and Loudon was particularly anxious that this should not happen.⁵⁷

⁵³ *Ibid.*, p. 5; Charles Sterling Popple, *Standard Oil Company (New Jersey) in World War II* (New York, NY, 1952), pp. 297-298.

⁵⁴ Frey and Ide, *A History of the Petroleum Administration for War*, pp. 263-264.

⁵⁵ NARA, DS 831.6363/8-544, Flack to Hull, 5 August 1944; NA, FO 371/38797/AS4190, Anderson to FO, 1 August 1944; NA, FO 371/38797/AS4316, MFP to Washington Embassy, 9 August 1944.

⁵⁶ NARA, DS 831.6363/1684, Corrigan to Hull, 20 June 1944.

⁵⁷ NA, FO 371/38797/AS4325, Anderson to FO, 12 August 1944; NA, FO 371/38797/AS4190, Anderson to FO, 1 August 1944.

As in previous episodes, the Venezuelan government had the power, and potential motivation, to affect Shell's operations in the country adversely. Loudon's fear of the Venezuelan response was emblematic of the adversarial, rather than collaborative, relationship that characterised the oil companies' relationship with the government throughout the 1940s. The aims of the multinational corporations were often directly at odds with those of the national government. In the case of the Curaçao refinery, Shell's interests centred on responding to the Allies' wartime need for oil, which it would profit from financially. Its perspective of the oil industry was international and the company was not particularly disposed to serve the national aims of the Venezuelan government. Yet Shell's fears demonstrate the power held by the Venezuelan government to disrupt severely the oil company's interests and, by extension, those of Whitehall.

In order to fuel their war effort, the British and US governments obtained oil from various locations around the world. The global scale of this endeavour necessitated coordination between British, US and oil company officials. To this end, government bureaucracies were created and industry personnel recruited to manage the Allies' oil supplies.⁵⁸ It was this same problem of supply and demand that the Anglo-American Oil Agreement's Joint Petroleum Commission would have been tasked with solving in the post-war world. British and US officials' experience of total war on a global scale gave them the experience, expertise and confidence necessary to coordinate the flow of oil during peace time. Yet it was the unique local particulars of the Venezuelan oil industry that now caused problems for Shell and, consequently, for the Allies.

British and US officials perceived the oil industry in global terms and viewed Venezuelan production within this context. They based their decision to extend the Curaçao oil refinery on its importance to their worldwide war effort rather than local

⁵⁸ Payton-Smith, *Oil*, pp. 77-81; Stoff, *Oil, War, and American Security*, pp. 17-21.

considerations of how the expansion project might affect the aspirations of the Venezuelan government. The Venezuelan government was, however, occupied with its own national interests and viewed the Dutch West Indies as a direct rival: the more oil that was refined at Curaçao, the less oil would be refined on the mainland. These different perspectives reveal how the global priorities of the British and US governments could be at odds with the local considerations of oil-producing countries such as Venezuela. Caracas' local authority, for example in the granting of concessions to companies such as Shell, was a powerful tool that could be used to discipline private interests.

On 28 July 1944, Loudon presented a memorandum explaining Shell's position to the Venezuelan Development Minister (*Ministro de Fomento*), Dr Gustavo Herrera, whose response indicated that he took a very serious view of the matter.⁵⁹ He said that President Medina would also be disturbed about the new construction project, which might lead him to stop all of Shell's pending concession schemes.⁶⁰ Herrera told Loudon that this was the first time he had heard of the development and that Washington had not given his government any prior notice. The Minister stated his surprise at the attitude of the US government, which he felt had practically committed itself to ensuring that all future refinery expansion in the Caribbean area for Venezuelan crude would be built in Venezuelan territory. He was especially critical of PAW, whose officials he felt were not sufficiently cognizant of the Venezuelan government's political concerns. Thus, once more British, US and Shell officials were drawn into a dispute with Venezuelan officials over the refining industry.

Loudon emphasised that the decision was outside of Shell's control and told Herrera that his company would have preferred to build the extension in Venezuela but the urgent necessity of additional refinancing capacity for war purposes required that the

⁵⁹ NA, FO 371/38797/AS4125, Anderson to MFP, 29 July 1944.

⁶⁰ NA, FO 371/38797/AS4125, Anderson to MFP, 29 July 1944; NA, FO 371/38797/AS4190, Anderson to FO, 1 August 1944.

expansion take place on Curaçao. The Shell manager said that, while he appreciated that the issue was a delicate subject politically, the refinery development could be justified on the basis that it would give important direct assistance to the war effort. He added that it was bad luck that the expansion had to take place on Curaçao and not at another refinery belonging to another company. The Minister told the Shell manager that he would let him know of any further developments once he had reported the matter to President Medina.⁶¹

On 29 July, Loudon wrote to Godber, stating his hope 'that the President who, alas, is rather prone to take quick action will realise that our group in the interests of the war effort could have followed no other helm and that the Government should accept [the] Curaçao expansion in the proper spirit.' Regardless of the Venezuelan government's reaction, Loudon was convinced that informing the Minister was the correct move. He argued that if Shell had 'coasted along without frankly telling them what the position was' Venezuelan officials would have brought up the matter in due course as the construction on Curaçao was obvious. The company 'would then have been accused of bad faith in not having advised the Government previously and acted in accordance with new spirit whereby there is more direct contact and understanding between the Government and industry.'⁶²

The 'new spirit' that Loudon referred to was the cooperation that industry officials hoped would come from the fact that the 1943 hydrocarbons law had settled various Venezuelan grievances. However, there had been no real sign of this cooperation during the controversy surrounding the refining banned zone, which had highlighted the conflicting aims of the Venezuelan government and multinational oil companies. Moreover, other than general references to promoting 'sound economic advancement' of oil-producing countries, the Anglo-American Oil Agreement focused on supplying

⁶¹ NA, FO 371/38797/AS4125, Anderson to MFP, 29 July 1944; NA, FO 371/38797/AS4190, Anderson to FO, 1 August 1944.

⁶² NA, FO 371/38797/AS4125, Anderson to MFP, 29 July 1944.

demand rather than supporting the aims of oil-exporting countries. As the agreement was based upon the needs of Britain, the USA and multinational oil companies, the rights and priorities of oil-exporting countries were secondary to the requirements of the oil-importing countries.

After his meeting with the Development Minister, Loudon went over the details of the conversation with the British Chargé d'Affaires T. J. Anderson and also informed the US Chargé d'Affaires Joseph Flack in a very general manner of what had taken place.⁶³ It was in Shell's interests to inform Whitehall of the possibility of an oncoming dispute with the Venezuelan government as such prior warning gave British officials an opportunity to form a pre-emptive policy and offer the company diplomatic support. It was important for Shell to maintain a close relationship with the British government as its diplomatic intervention could aid the company in disputes around the world. However, in his conversation with Flack, Loudon left out mention of PAW and Shell's concessions problems but did express his concern that the Venezuelan government might raise the issue with British and US officials. His decision to withhold information from the US government reflected a concern that it might pass on news of Shell's concession problem to US oil companies. These rival firms could potentially use Shell's dispute with the Venezuelan government to gain additional concessions, or other benefits, for themselves.⁶⁴ This reflected the distrust and rivalry that existed between British and US interests in the oil industry in Venezuela and internationally.

Such conflict manifested itself in the attitudes of both government and oil company officials in Venezuela and had also prompted discussion of the Anglo-American Oil Agreement. As the choice to extend the refinery was a joint Anglo-US undertaking, no single government could take full responsibility nor reverse the decision. The irony

⁶³ NA, FO 371/38797/AS4125, Anderson to MFP, 29 July 1944.

⁶⁴ NA, FO 371/38797/AS4325, Anderson to FO, 12 August 1944.

was that the two governments had effectively pooled their resources for the war effort but remained competitive rivals in relation to commercial relations and post-war access to foreign oil. As a result, the British and US governments could arrange to extend the Shell refinery on Curaçao in tandem while simultaneously coming into conflict regarding their separate policies towards the Venezuelan oil industry.

Frederick Godber, managing director of Shell, informed Loudon that the expansion was unavoidable since the new equipment could only work in conjunction with plants already operating in Curaçao, which did not exist in Venezuela. Moreover, various service facilities existed on the island that would facilitate swift construction, whereas, in Venezuela, Shell would need to build from a bare site on deep water. Godber suggested that Loudon inform Herrera that in cases of this kind, when the company was taken into official confidence concerning issues of high strategic importance, Shell was bound to observe secrecy and so experienced ‘grave difficulty in deciding when we may with propriety divulge such information.’ He also recommended that Loudon tell the Venezuelan authorities that practically all of the materials and equipment for construction had been sent from the USA to the United Kingdom, where the plant was originally to be located. It was only after the plant had been partially erected in the UK, that the British and US governments decided that construction be moved to Curaçao.⁶⁵ Loudon feared that the Venezuelan government would not welcome news that Shell had been taken into the confidence of both the British and US governments, while the Venezuelan government had not. Thus, he felt it to be ‘far preferable’ that the British and US governments, rather than Shell officials, explain to the Venezuelan authorities why they had not been informed about the Curaçao project sooner.⁶⁶

⁶⁵ NA, FO 371/38797/AS4125, MFP to Caracas Embassy, 2 August 1944.

⁶⁶ NA, FO 371/38797/AS4125, Caracas Embassy to MFP, 3 August 1944.

Again, the Venezuelan government used the threat of delaying or cancelling Shell's concession applications in an effort to gain assurances from foreign governments. In general, the British and US governments held much more political, economic and military power than Venezuelan officials. This was reflected as they, along with oil company officials, took self-assigned responsibility for redesigning the mechanics of the international oil industry through the Anglo-American Oil Agreement without outside assistance or support. Moreover, the Oil Agreement itself was only a part of broader Anglo-US efforts to design post-war international politics, finance and trade.⁶⁷ That neither Washington nor Whitehall had informed the Venezuelan authorities of the construction at Curaçao is also indicative of the hierarchy of decision-making within the oil industry and international relations more generally. Yet the agency of Venezuelan officials demonstrates that neither British, US nor oil company officials could count on the governments of oil-producing companies simply to acquiesce to their overarching plans. That the Venezuelan government did not see British and US war aims as an apposite reason to extend the refinery at Curaçao is demonstrative of this point. Moreover, the Venezuelan government's sovereign ability to grant concessions enabled it to wield a great deal of leverage over British, US and oil company officials.

Concessions and Assurances

At the end of July 1944, Shell was informed that the Venezuelan government had chosen to delay its pending applications for concessions, which were of great importance to the company. Herrera told Loudon that President Medina was taking the matter up in Washington and that if he found that the Curaçao development originated from PAW, and not Shell, the company's pending concession would probably be allowed to continue. He

⁶⁷ Van Dormael, *Bretton Woods*, pp. 99-108; Welles, *Where Are We Heading?*, pp. 26-35; Reynolds, *From World War to Cold War*, p. 62; Panitch and Gindin, *The Making of Global Capitalism*, pp. 76-77; Schlesinger, *Act of Creation*, pp. 159-161.

said that this would take a few weeks and impressed on Loudon the importance of avoiding diplomatic intervention of any kind in the meantime.⁶⁸ The Shell manager agreed that diplomatic steps would only lead to additional difficulties.⁶⁹ As demonstrated in previous episodes, Shell's close ties to the British government could at once be a blessing and a curse.

Shell's ability to prompt British intervention in Venezuela could provide it with helpful assistance during disputes with the local government but company managers were aware that Venezuelan officials did not appreciate such diplomatic intervention in their country's domestic affairs. Consequently, at various points, Shell actively dissuaded British officials from intervening on its behalf for fear of provoking a Venezuelan backlash. In fact, Loudon felt it 'of vital importance to our interests that [the] authorities in Washington ... absolve our group of all responsibility' for the decision to expand the Curaçao plant.⁷⁰ Shell officials were concerned that their dealings with the British and US governments would provoke a dispute with the Venezuelan authorities that would prejudice their operations in the country and, consequently, they sought to distance themselves from the decision to expand the Curaçao refinery. This concern over Venezuelan perception of events demonstrates the power held by Venezuelan officials to severely disrupt the company's operations.

Godber suggested that the British government should try to persuade the State Department to make a joint Anglo-US statement that would indicate that the decision to increase the overall refining capacity at Curaçao had only recently been finally agreed.⁷¹ British officials in Washington were told that both the State Department and PAW were

⁶⁸ NA, FO 371/38797/AS4190, Anderson to FO, 1 August 1944; NA, FO 371/38797/AS4316, Anderson to MFP, 31 July 1944.

⁶⁹ NA, FO 371/38797/AS4316, Anderson to MFP, 31 July 1944.

⁷⁰ NA, FO 371/38797/AS4316, Anderson to MFP, 31 July 1944.

⁷¹ NA, FO 371/38797/AS4316, MFP to Washington Embassy, 9 August 1944; NA, FO 371/38797/AS4316, MFP to Caracas Embassy, 10 August 1944.

prepared to assure the Venezuelan government that the plans for the Curaçao development had been taken at the highest strategic level by the Allies in the general interests of war requirements. The British Minister in Washington Sir Ronald I. Campbell reported to the FO that the ‘Americans, however are inclined to regard the whole thing as a storm in a teacup and do not anticipate that [the] Venezuelans will approach them’.⁷²

However, on 12 August, Anderson wrote to the FO stating that ‘I am afraid that the storm in a teacup idea is wishful thinking.’ Originally, at Loudon’s request, Anderson had not informed the US Chargé d’Affaires that Shell’s application for concessions had been delayed. However, he now urged Loudon to take the US Embassy into his confidence so that it might inform the State Department of Shell’s problem. Anderson told Loudon that the issue was being handled at the highest level and that US officials could be trusted to exercise the utmost caution. Loudon consented to Anderson’s appeal, despite the risk that news of Shell’s difficulties might reach its competitors who could then use the knowledge to their commercial advantage. Having reviewed the situation with Loudon, Anderson reported to the FO that, in the event that President Medina remained unconvinced by Shell’s explanation and chose to retaliate, the company could lose out on a number of important concessions in Venezuela.⁷³

Shell’s hesitance to bring US officials fully into confidence is understandable as Anglo-US competition also consistently shaped Whitehall’s perceptions of developments in the Venezuelan oil industry. In response to Anderson’s report, Allen at the FO wrote ‘I wish I shared his apparently complete confidence in the caution and discretion to be expected of the State Dept. and U.S. Embassy in a matter where U.S. commercial interests might stand to gain considerably!’⁷⁴ Allen’s statement reflected the feeling of many FO officials that the US government was deliberately impeding British interests

⁷² NA, FO 371/38797/AS4311, Ronald I. Campbell, Minister to USA, to FO, 11 August 1944.

⁷³ NA, FO 371/38797/AS4325, Anderson to FO, 12 August 1944.

⁷⁴ NA, FO 371/38797/AS4325, Allen minute, 15 August 1944.

throughout Latin America.⁷⁵ Reflecting the intimate nature of the British government's relationship with Shell, Anderson's report was passed on to George Leigh-Jones, a managing director at the company.⁷⁶

On 14 August 1944, Loudon met again with Dr Gustavo Herrera and asked whether there had been any developments in regard to the Curaçao refinery expansion. Herrera informed the Shell manager that the Venezuelan government was waiting for a reply from its Ambassador in Washington who had been instructed to make a representation and voice the government's displeasure.⁷⁷ He said that it was absolutely essential for his government to make a protest in order to prevent future expansion to refineries in the West Indies and he told Loudon that Shell's application for concessions would be delayed until Caracas had heard from its Embassy in Washington.⁷⁸ Loudon reiterated that the expansion should be regarded purely as an emergency war measure and was a matter of high strategy that had been decided upon by the British and US governments. He argued with the Minister at great length in an unsuccessful attempt to convince him that the issuing of concessions to Shell had nothing to do with the refinery expansion at Curaçao.

Loudon felt that the Venezuelan officials' delay in issuing Shell's concessions was 'a weapon which they might wish to hold in reserve in case they are dissatisfied with the answers received to their Washington approach'.⁷⁹ He also had the impression that the Venezuelan government wished to use the refinery expansion 'to their advantage in order to extract some promise from the U.S. authorities that Shell will be able to construct the

⁷⁵ Mills, *Post-War Planning on the Periphery*, pp. 91-95, 142-143;

⁷⁶ NA, POWE 33/220, Bridgeman to George Leigh-Jones, Shell, 17 August 1944.

⁷⁷ NARA, DS 831.6363/8-1644, memorandum by John Loudon, Shell, 15 August 1944.

⁷⁸ NA, FO 371/38797/AS4311, Anderson to MPF, 15 August 1944; NARA, DS 831.6363/8-1644, Loudon memorandum, 15 August 1944.

⁷⁹ NA, FO 371/38797/AS4311, Anderson to MPF, 15 August 1944.

Refinery in Paraguaná at a relatively early date.’⁸⁰ He contended that this ‘would give full kudos to the President for not only negotiating refinery agreements but also starting with early construction before expiration of his term.’⁸¹ The Paraguaná refinery referred to was the plant that Shell had agreed to build in Venezuela within five years of the war’s end. Anderson agreed with this interpretation, informing the FO to this effect.⁸²

On 14 August, Loudon informed Joseph Flack, the US Chargé d’Affaires, that Shell’s concession applications had been delayed due to the construction at Curaçao.⁸³ Flack subsequently told the State Department that ‘it is possible that the Venezuelan attitude, in this matter, derives in part from the uncertainty which appears to prevail in official Venezuelan quarters about the participation of Venezuela in international petroleum discussions’.⁸⁴ Since the Venezuelan government had not been invited to take part in negotiation of the Anglo-American Oil Agreement it instead made use of its local authority to safeguard its interests in the oil industry. Venezuelan officials’ power to delay concessions became a useful tool that could be employed in attempts to extract assurances from foreign governments and oil companies. Thus, while the British and US governments sought to reorganise the international oil industry at a global level, these efforts could be undermined by the local power of the Venezuelan authorities.

At the end of August, the Venezuelan Chargé d’Affaires in Washington, Arturo Lares, approached the State Department Petroleum Adviser, Charles Rayner, who said that the Curaçao refinery expansion was entirely a war measure for which the British and US governments were responsible.⁸⁵ Concurrently, Lares wrote to Cordell Hull, emphasising his government’s constant efforts to ensure that the majority of Venezuelan

⁸⁰ NARA, DS 831.6363/8-1644, Loudon memorandum, 15 August 1944.

⁸¹ NA, FO 371/38797/AS4311, Anderson to MPF, 15 August 1944.

⁸² NA, FO 371/38797/AS4403, Anderson to FO, 15 August 1944.

⁸³ NA, FO 371/38797/AS4403, Anderson to FO, 15 August 1944; NARA, 831.6363/8-2144, Flack to Hull, 21 August 1944.

⁸⁴ NARA, 831.6363/8-1644, Flack to Hull, 16 August 1944.

⁸⁵ NA, FO 371/38797/AS4592, Halifax to Caracas Embassy, 25 August 1944.

oil be refined in Venezuela or directly exported to consumers. He pointed out that this policy had been clearly explained to the State Department and that the Caracas government did not believe that the pre-existing refineries in the West Indies should be removed. However, he affirmed that his government did feel that any additional refining facilities, built for the purpose of refining Venezuelan crude, should be constructed in Venezuelan territory. Lares went on to state that Shell's pledge to build a refinery at Paraguaná implied that the company would not seek to increase refining facilities in the West Indies. He argued that the decision to expand the refinery at Curaçao went against the spirit of that agreement and the wishes and purposes of the Venezuelan government, which had received sympathetic approval from the State Department. The letter also asked for assurances from the US government that they would aid in expediting the obtaining of the materials necessary for construction of the Paraguaná refinery.⁸⁶

In order to construct the proposed refinery at Paraguaná, Shell would require materials and equipment from the USA and therefore needed assurances from the US and British governments that the necessary supplies would be made available. Given that Shell would need to purchase these supplies in US dollars, the company also required permission for this expenditure from the British Treasury. Such assurances would mean that Shell would be unable to resort to vague promises and claim that war necessity and pressure from the US and British governments was delaying the project. Lares asserted that if Shell proved to be uncooperative, the Venezuelan government would not grant the company new concessions.⁸⁷ This stands as another example of the Venezuelan government's ability to use their authority to grant oil concessions as leverage over both oil companies and foreign governments.

⁸⁶ NARA, DS 831.6363/8-2444, Lares to Hull, 24 August 1944.

⁸⁷ *Ibid.*

The State Department responded to the Venezuelan government, affirming that the ‘Government of the United States is fully aware of, and in sympathy with the aspiration of the Government of Venezuela to increase refining capacity on Venezuelan soil.’ The telegram further stated that the US government would ‘make every effort, subject, of course, to military requirements’ to make available the materials necessary for the construction of refineries in Venezuela. With respect to the proposed installation of refining equipment in Curaçao, Washington emphasised that this ‘accessory equipment’ was dependent upon facilities already present on the island. The State Department therefore highlighted that, in order to utilise the proposed new equipment in Venezuela, it would first be necessary to engage in a much larger and lengthier project. The telegram concluded that due to the ‘urgent need for additional supplies of 100-octane aviation gasoline and Navy special fuel oil’ the Curaçao expansion was justified by ‘its immediate and direct assistance to the war effort.’⁸⁸

Following the State Department telegram, the Venezuelan government asked Loudon to produce a memorandum confirming Shell’s plans to construct a 50,000-barrel refinery at Paraguaná. After discussion with the Shell head office, Loudon presented the Caracas authorities with a document confirming that the company’s plans to establish a new refinery in Venezuela were well advanced. The memorandum also affirmed that Shell had begun negotiations with the British and US governments in the hopes of obtaining the necessary equipment and materials for the project efficiently. However, it pointed out that the company had not yet received the necessary permits from the Allied powers. The memorandum explained that, while Shell was making every effort in this regard, it was a situation beyond the company’s control.⁸⁹

⁸⁸ NARA, DS 831.6363/8-2444, Hull to Lares, 2 September 1944.

⁸⁹ NARA, DS 831.6363/9-744, Corrigan to Hull 7 September 1944; NA, FO 371/38797/AS4592, Anderson to MFP, 31 August 1944; NARA, DS 831.6363/9-744, ‘Memorandum Regarding Refinery Construction Submitted to Minister of Fomento by Manager of Royal Dutch Shell Companies.’ 30 August 1944.

On 4 September, Loudon spoke with President Medina in person, who told the Shell manager that, although he hoped that a satisfactory solution could be found, the Curaçao refinery expansion had made a very disagreeable impression upon the Venezuelan government. Loudon told Medina that, while he appreciated Venezuelan concerns, the expansion was purely a war emergency matter and completely outside of Shell's volition. He reported to Godber that, 'it is evident that the President takes a serious view of the matter' and that it was doubtful that Shell's concession applications would be granted until the 'refinery matter has been thrashed out.'⁹⁰ Venezuelan officials' frustration with Shell may not have been justified or, indeed, even genuine. However, their assertion that they had been wronged by the construction at Curaçao was enough to worry Shell officials. In order to avoid recriminations, they felt the need to pacify the Caracas authorities by giving assurances regarding the proposed refinery at Paraguaná. As such, the Venezuelan government was able to make further steps towards their ultimate aim of increasing refining on the mainland.

On 6 September, Loudon met with Gustavo Herrera and handed him Shell's memorandum regarding the Paraguaná refinery. Loudon asked the Minister about the delay in Shell's application for concessions but reported to Godber that he was only able to extract 'vague indications.'⁹¹ Indeed, US Ambassador, Frank P. Corrigan, felt that 'both the Minister of Fomento and his Government always ask for a quid pro quo. In this case, in return for desisting from making any great to-do over the Curaçao amplification, it is seeking to exact a definite commitment as to the date when construction will be undertaken at Paraguana [sic].' Moreover, Corrigan felt that there was a 'political aspect to the matter' as President Medina's domestic political position 'would unquestionably be better buttressed' if construction of new refineries in Venezuela were well under way

⁹⁰ NA, FO 371/38797/AS4592, Ogilvie-Forbes to MFP, 5 September 1944.

⁹¹ NA, FO 371/38797/AS4592, Ogilvie-Forbes to MFP, 7 September 1944.

before his present presidential term expired.⁹² This political pressure was then transferred to Shell, along with the British and US governments, who were now expected to make assurances regarding the Paraguaná refinery. British and US officials had considered the extension of the Curaçao refinery in terms of broad war aims, but the decision could conceivably have a substantial impact on Venezuelan domestic politics. This affected Shell's relationship with the Venezuelan government, and potentially undermined the company's position in the country.

The verticality of state-private networks needs to be considered in analysis of the oil industry, as various actors had the ability to influence events in Venezuela but in different ways and with varying magnitudes. The British and US governments had the capacity to form overarching, top-down policies such as the Anglo-US Oil Agreement and the United Nations supply programme to govern and manage the international oil industry. However, these policies could potentially create conflict with the governments of countries, such as Venezuela, whose economies relied on exports of oil. While Venezuelan officials had no formal authority over the Anglo-US Oil Agreement or the United Nations supply programme, they were still able to influence significantly developments within their own country's industry. Thus, Shell officials had to engage with both the needs of the British and US governments as well as the ambitions of the Venezuelan officials. It was necessary for Shell, as a multinational oil company, to tackle both these macro and micro issues that developed within the international oil industry. Yet, as was the case with the Curaçao refinery, the requirements of oil-exporting and oil-importing countries could be at odds.

Having received Shell's memorandum, Herrera asked the company to gain assurances from both the British and US governments that the necessary materials for

⁹² NARA, DS 831.6363/9-744, Corrigan to Hull, 7 September 1944.

construction of the Paraguaná refinery would be allocated as soon as possible.⁹³ On 20 September, the Development Minister told Loudon that suspension of Shell's concession applications would only be lifted on receiving approval from the US government for the plant. He felt that, as the British and US governments had obligated Shell to extend the Curaçao refinery, it was only fair that they both should now approve the refinery at Paraguaná. He intimated to Loudon that the Venezuelan press might soon learn of the Curaçao expansion and that his government wanted to counteract this news by announcing the Paraguaná project.⁹⁴ Sir George Ogilvie-Forbes, having recently arrived in Caracas as the new British Ambassador, met with Herrera who told him that he was entirely satisfied with the explanation given in Washington for the Curaçao expansion. Nevertheless, the Minister also made it clear that getting the Paraguaná project underway would help end the delay Shell's concession applications.⁹⁵

Loudon was concerned that any delay in the issuing of Shell's concessions 'is liable to be quite dangerous. The present time appears to be of vital importance to the future of our group in this country since all good prospective acreage will probably be given out under concession within the next 60 days.' He hoped that approval for the Paraguaná project could be obtained as he believed that this 'was the only way out of the present impasse'.⁹⁶ At the beginning of October, Loudon told the Venezuelan Development Minister that Shell was doing everything possible to obtain approval in principle for the Paraguaná project from both the British and US governments. Loudon was concerned that Shell's problems were becoming 'rather noticeable' and that it was 'becoming almost impossible to keep it secret', which Loudon considered to be 'an added urgent reason for a quick solution'. Shell officials did not want the other oil companies to

⁹³ NARA, DS 831.6363/9-2744, Corrigan to Hull, 27 September 1944.

⁹⁴ NA, FO 371/38797/AS4996, Ogilvie-Forbes to MFP, 21 September 1944.

⁹⁵ NA, FO 371/38797/AS4996, Ogilvie-Forbes to FO, 21 September 1944.

⁹⁶ NA, FO 371/38797/AS4996, Ogilvie-Forbes to MFP, 21 September 1944.

know that the Venezuelan government had postponed finalising the company's new concessions. If the US firms did learn of Shell's dispute with the Venezuelan government they might attempt to exploit the situation to gain advantage for themselves at Shell's expense.⁹⁷ Moreover, Loudon was also concerned that 'although the Government does not wish to discriminate against us, the matter is always at the backs of their minds' which could influence the number of concessions granted to Shell 'in the face of stiff competition' from SOCNJ who, he argued, 'will be willing to pay any price.'⁹⁸

By 7 October, the British Treasury had given approval in principle to the Paraguaná refinery project and preliminary site work could begin.⁹⁹ FO officials hoped that the US government would grant similar approval and that, when war conditions permitted it, necessary materials for construction would be made available.¹⁰⁰ Harold Wilkinson of the PD hoped that the preliminary work would 'act as a token of good faith with the Venezuelan Government'.¹⁰¹ Rayner told British officials that he entirely sympathised with the Venezuelan government's wish to make a public announcement about development of the Paraguaná project and felt confident that the State Department would be able to give the desired assurances.¹⁰² Indeed, by 21 October, Loudon informed British Ambassador Ogilvie-Forbes that he considered the matter to be closed and that Shell's concessions would be published without abnormal delay.¹⁰³

By 1945, British and US officials had become accustomed to thinking and acting in global terms, which was reflected in their efforts to organise the post-war international oil industry. Indeed, the Anglo-US Oil Agreement was itself part of a series of far-reaching negotiations between the two governments regarding post-war international

⁹⁷ NA, FO 371/38797/AS4325, Anderson to FO, 12 August 1944.

⁹⁸ NA, POWE 33/220, Ogilvie-Forbes to MFP, 4 October 1944.

⁹⁹ NA, POWE 33/220, MFP to Washington Embassy, 7 October 1944.

¹⁰⁰ NA, FO 371/38797/AS4996, FO to Caracas Embassy, 13 October 1944.

¹⁰¹ NA, POWE 33/220, MFP to Washington Embassy, 7 October 1944.

¹⁰² NA, POWE 33/220, Halifax to MFP, 17 October 1944.

¹⁰³ NA, FO 371/38797/AS5520, Ogilvie-Forbes to FO, 21 October 1944.

organisation.¹⁰⁴ While British and US officials worked towards ensuring their access to the world's oil, the Venezuelan government focused on the local goal of increasing the level of oil refining done in its territory. Despite the limited scope of their international influence, Venezuelan officials were nonetheless able to use their authority over concession applications to gain important assurances from the Allied powers. As multinational oil companies provided Britain and the USA with their oil imports, Washington and Whitehall needed to ensure that their worldwide operations were protected from the actions of local authorities. In particular, due to their interests in ensuring the steady production of Venezuelan oil, British and US officials acted to protect Shell's position in the country and agreed to make guarantees regarding the Paraguaná refinery project.

Sterling Oil

The Anglo-American Oil Agreement and the discussions surrounding the refinery expansion at Curaçao demonstrated the discrepancies between the aims of oil-exporting and oil-importing countries. Moreover, as the Oil Agreement failed to pass through the US Congress, the potential for conflict between the US and British governments within the international oil industry persisted. In particular, an important issue raised in the Anglo-US negotiations had been the British government's right to discriminate against oil sold in US dollars.¹⁰⁵ Whitehall sought to protect its dollar reserves by ensuring that the British mainland and Empire were supplied with oil which could be paid for in sterling but US officials argued that this undermined their free trade policies. In the end, British and US officials agreed to disagree and decided that the Joint Petroleum Commission

¹⁰⁴ Van Dormael, *Bretton Woods*, pp. 99-108; Welles, *Where Are We Heading?*, pp. 26-35; Reynolds, *From World War to Cold War*, p. 62; Panitch and Gindin, *The Making of Global Capitalism*, pp. 76-77; Schlesinger, *Act of Creation*, pp. 159-161.

¹⁰⁵ Galpern, *Money, Oil and Empire in the Middle East*, pp. 35-48; NA, T 161/1195, Lord Beaverbrook draft statement, 7 July 1944.

would settle the dispute at a later date.¹⁰⁶ However, as the Commission was never formed, the issue remained unresolved.

As the Japanese government offered its surrender to the Allies in August 1945, Venezuelan oil production reached an all-time high of 965,329 barrels per day. Yet, at the same time, oil company officials speculated as to how their operations would be affected by the end of the war.¹⁰⁷ The British and US governments were not only interested in the amount of oil produced in Venezuela but also which currency was used to purchase it. All oil in international trade was sold for sterling or dollars and, as sterling would only become convertible in 1947, the ratio at which each currency was used had knock-on effects for trade more broadly.¹⁰⁸ As Britain was entirely reliant on foreign oil for its needs, the purchase and sale of oil could have a significant impact on British currency reserves.¹⁰⁹ Indeed, on 27 January 1944, a PD memorandum contended that '[o]il is our most valuable overseas commodity. Our foreign exchange largely depends on it.'¹¹⁰ Thus, the government sought to ensure that the oil industry was used to promote sterling and protect its dollar resources. This strategy became particularly important as Britain faced, in the words of John Maynard Keynes, a 'financial Dunkirk' by the close of the war.¹¹¹ To bring this about, Whitehall officials, especially those in the Treasury, hoped to sell sterling oil in dollar areas and limit dollar oil from being sold in the sterling area.¹¹²

¹⁰⁶ Stoff, *Oil, War, and American Security*, pp. 173-175; Painter, *Oil and the American Century*, p. 69.

¹⁰⁷ NARA, DS 831.6363/8-2845, Thomas J. Maleady, First Secretary of US Embassy in Caracas to Stettinius, 28 August 1945.

¹⁰⁸ NA, BT 11/1465, Minutes of the 15th Meeting of the Inter-Departmental Committee on South and Central America, 21 August 1940; NA, BT 11/1465, 'Venezuela' memorandum by Interdepartmental Committee on South and Central America, 17 August 1940.

¹⁰⁹ NA, T 191/146, Lucius Perronet Thompson-McCausland Assistane Adviser of the Bank of England to D. H. Robertson, 17 March 1944.

¹¹⁰ NA, T 161/1195, 'Anglo-American Oil Policy' memorandum by the Petroleum Division for the Chairman of the Oil Control Board, 27 January 1944.

¹¹¹ NA, CAB 129/1, CP (45) 112, Keynes memorandum 'Our Overseas Financial Prospects', 14 August 1945; L. J. Butler, *Britain and Empire: Adjusting to a Post-Imperial World* (London, 2002), pp. 60-64.

¹¹² Stoff, *Oil, War and American Security*, pp. 165-166; 'Anglo-American Oil Talks', *The Manchester Guardian*, 19 September 1945, p. 4; NA, T 161/1195, 'Note of a Meeting on Oil Held in the Financial Secretary's Room', 14 July 1944; NA, T 161/1195, SDW to Thomas Padmore, 18 July 1944; D. H. Robertson to M. R. Bridgeman, 12 May 1944; NA, T 231/43, Colonial Secretary Oliver Stanley to Sir

However, SOCNJ managers in Venezuela were concerned by the prospect of this policy being applied to their oil production. On 9 October 1945, the US Embassy in Venezuela reported that, if the British government insisted on paying for oil at Aruba in sterling, this would curtail refinery production of Venezuelan oil on the island by as much as 125,000 barrels a day. This reduction in refining would have a knock-on effect for the Venezuelan oil industry which would subsequently reduce production of crude. Whitehall's policy to discriminate against dollar oil might also force the abandonment of the exchange agreement between the Standard Vacuum and Anglo-Iranian oil companies. The two corporations had an arrangement whereby Anglo-Iranian delivered oil produced in Iran to Standard Vacuum in the Far East and, in return, Standard Vacuum delivered an equivalent amount of Aruban oil to Anglo-Iranian in the UK. The end of this agreement would lead to a further reduction of output at Aruba of 25,000 barrels per day.¹¹³ US Ambassador, Frank P. Corrigan reported to the State Department that, therefore, the British government's plans would reduce SOCNJ's Venezuelan production by one-third, which amounted to one-sixth of all the country's overall oil output.

Corrigan argued that these 'British efforts may verge on economic warfare', as Whitehall sought to promote sterling oil from British or Anglo-Dutch sources. US officials were well aware of the Venezuelan government's dependence on revenue from the oil industry and Corrigan reported that 'of course' Caracas would expect to have its interests defended by Washington in any 'squeeze play'. He felt that 'American prestige here will suffer if we are not able or prepared to support our mutual interest.'¹¹⁴ The currency issue stretched beyond matters relating to oil as the US government sought to create a post-war monetary order that was built around the dollar. The formation of this

Harold MacMichael High Commissioner of Palestine, 31 May 1944; NA, T 231/42, Bank of England memorandum 'Payment for Oil Imports into the Sterling Area', 12 December 1940; NA, CAB 77/3, OCB (40) 69, report by the Executive Committee of the Oil Control Board, 10 August 1940.

¹¹³ NARA, DS831.6363/10-945, Corrigan to Edward Stettinius, Jr., 9 October 1945.

¹¹⁴ NARA, DS831.6363/10-945, Corrigan to Edward Stettinius, Jr., 9 October 1945.

new international financial system required multilateral agreement to reduce restrictions on trade and currency exchange. Consequently, British and US officials collaborated closely during the war to develop the post-war international economic framework that became known as the Bretton Woods system.¹¹⁵

The Bretton Woods agreement also highlighted the asymmetrical power relationship between the British and US governments as Whitehall was relegated to the junior partner in post-war economic planning.¹¹⁶ As Leo Panitch and Sam Gindin argue, Bretton Woods ‘substantiated the shift from sterling to the dollar as the core international currency’.¹¹⁷ However, British policy-makers still attributed great importance to maintaining the viability of sterling as an international currency and hoped that the international oil industry would play an important role in achieving this aim.¹¹⁸ Yet British discrimination against the dollar in the oil industry contradicted the liberal and dollar-focused international economy that US officials envisaged. Conflict over currency had the potential to create discord in the triangular relationship between the British, US and Venezuelan governments. In fact, by the end of the 1940s, the British balance-of-payments crisis led the British government to intensify its policy of dollar discrimination in the oil industry, much to the displeasure of US officials.¹¹⁹ In the shorter term, the currency issue was side-lined as dramatic political upheaval in October 1945 became the central issue of Anglo-US relations in Venezuela.

¹¹⁵ Steil, *The Battle of Bretton Woods*.

¹¹⁶ Panitch and Gindin, *The Making of Global Capitalism*, pp. 73-77.

¹¹⁷ *Ibid.*, p. 76.

¹¹⁸ Galpern, *Money, Oil and Empire in the Middle East*, pp. 35-48.

¹¹⁹ *Ibid.*, pp. 59-79; Martin Chick, *Industrial Policy in Britain 1945-1951: Economic Planning, Nationalisation and the Labour Governments* (Cambridge, 1998), pp. 55-61; Painter, *Oil and the American Century*, p. 162; Larson, Knowlton and Popple, *New Horizons*, pp. 706-711; Philip Williams, *Hugh Gaitskell: A Political Biography* (London, 1979), pp. 184-187; Catherine R. Schenk, ‘Exchange Control and Multinational Enterprise: The Sterling-Dollar Oil Controversy in the 1950s’, *Business History*, Vol. 38, No. 4, pp. 23-25; David S. Painter, ‘Oil and the Marshall Plan’, *The Business History Review*, Vol. 58, No. 3 (Autumn 1984), p. 362; NA, CAB 129/36, CP (49) 176, ‘Oil and Dollars’ memorandum by Minister of Fuel and Power Hugh Gaitskell, 18 August 1949.

Conclusion

During the Second World War, British and US officials worked closely to coordinate the fuel supplies so vital to the Allied war effort. However, this collaborative effort did not preclude conflict between the two governments from arising in matters relating to oil. Indeed, as military conflict demonstrated the importance of oil to national security, Washington and Whitehall sought to secure their, often competing, interests in the post-war oil industry. The Anglo-American Oil Agreement was designed to limit this rivalry but its failure to gain the approval of Congress meant that its principles were never put into practice. Moreover, negotiation of the agreement itself brought to the fore the suspicions and rivalries that existed within Anglo-US relations. British officials hoped to steer US policy to benefit their own interests but Washington officials had their own plans for the post-war world.

In particular, Washington policy-makers sought to ensure that US goods and businesses would have unrestricted access to the world's markets.¹²⁰ Indeed, one of the more significant issues that remained unresolved by the Oil Agreement's failure was British discrimination against oil sold in dollars. US fears that this discriminatory policy would be applied to Venezuela were indicative of Washington's broader effort to promote the dollar as the foremost international currency. For Whitehall officials, such discrimination was an important component of their efforts to preserve British dollar reserves and maintain sterling's prominence within international finance. Yet while British and US officials had global perspectives and ambitions, the Venezuelan government had its own local aims and powers.

Multinational oil companies such as Shell could find themselves caught between the competing demands of oil-importing and oil-exporting countries. While they

¹²⁰ Panitch and Gindin, *The Making of Global Capitalism*, pp. 67-80.

were able to call upon Whitehall to safeguard their interests, Shell officials were also cognizant of the Venezuelan government's ability to obstruct their operations. The Venezuelan government could therefore tuse its power to cancel Shell's concession applications to gain assurances from Whitehall and Washington regarding the Curaçao and Paraguaná refineries. Because of their corporatist oil policies, British and US officials were compelled to defend the interests of multinational oil companies in order to protect their fuel imports. In this respect, the state-private network upon which their foreign oil policy relied, came with responsibilities as well as benefits for the British and US governments.

Chapter Five

Venezuelan Oil and the Onset of the Cold War, 1945-1948

Between 1945 and 1948, the political situation in Venezuela underwent dramatic change. A 1945 revolution overthrew President Medina and brought to power a coalition government led by the social democratic Acción Democrática (AD) party. Just three years later, after introducing democratic elections to Venezuela, the AD government was itself overthrown as a military *coup* installed a decade-long dictatorship. Yet throughout this turbulent period in Venezuelan politics, the principal concerns of British and US officials remained fundamentally unchanged. Following the end of the Second World War, ensuring that oil production continued undisturbed remained the focus of their Venezuelan policy. Concurrently, Whitehall and Washington responded to the new conditions of post-war international politics and, in particular, the emerging Cold War. The rapidly evolving geopolitical climate affected their respective attitudes towards Venezuela as the danger of Axis attacks on oil production was replaced by the perceived threat of communist sabotage. Such a change reflected the disintegration of the wartime tripartite alliance and the western powers' mounting suspicions of Soviet foreign policy. At the same time, the communist peril, like the previous Axis threat, failed to put an end to Anglo-US rivalry as both sets of officials sought to protect their independent interests.

As the Second World War came to an end, Whitehall officials were aware that Washington and the Kremlin were economically, politically and militarily stronger than the British government. Nevertheless, as Washington sought to consolidate its dominant position in Latin America, Whitehall continued its attempts to extend British influence in the region and limit US hegemony. The Cold War re-contextualised this effort as officials in London feared that the formation of bipolar blocs, led by the two superpowers, would

diminish British power. For the British and US governments, local and global concerns intersected in Venezuela as their existing oil policy became imbued with Cold War concerns.

US Perceptions of Latin America

The period immediately following the end of the Second World War was characterised by international uncertainty as governments tried to discern their position in the emerging post-war constellation of power. Melvyn P. Leffler argues that '[v]acuum of power coupled with almost universal political and social turmoil bred economic uncertainties and reinforced strategic anxieties, already heightened by new technological developments.'¹ As part of this post-war stocktaking, Whitehall and Washington reconsidered their relationship with Latin America and the region's role in world politics. Broadly speaking, the US approach to Latin America developed along lines already established prior to the outbreak of the Second World War as Washington promoted free trade and hemispheric solidarity. However, US officials subtly modified this policy in response to their changing economic priorities and the beginnings of superpower rivalry.

At the Inter-American Conference on the Problems of War and Peace in Mexico City, US officials sought to ensure pan-American cooperation and US economic dominance in Latin America. The conference produced the Act of Chapultepec on 3 March 1945, which reaffirmed the notion that an attack on one American state was an attack on the region as a whole.² With Latin American support, US officials further suggested that the United Nations Charter should include a passage stating that the right

¹ Melvyn P. Leffler, 'From Cold War to Cold War in the Near East', *Reviews in American History*, Vol. 9, No. 1 (March 1981), p. 128.

² *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, DC, 1945), pp. 40-44; J. Tillapaugh, 'Closed Hemisphere and Open World? The Dispute over Regional Security at the U.N. Conference, 1945', *Diplomatic History*, Vol. 2, No. 1, (January 1978), p. 29.

to ‘self-defense against armed attack shall also apply to understandings or arrangements like those embodied in the Act of Chapultepec’.³ Fearing the formation of regional blocs, British officials redrafted the section of the Charter to remove any specific reference to Chapultepec while maintaining the right to collective self-defence and, subsequently, US and Latin American officials accepted this compromise.⁴

US policy-makers’ attitude towards Latin America was coloured by their broader concerns regarding international organisation and rivalry with the Soviet Union. Washington endeavoured to legitimise and formalise its hegemonic role in Latin America within post-war international organisation while simultaneously ensuring that the Kremlin was unable to secure a free hand in Europe.⁵ On 8 May 1945, Secretary of War Henry L. Stimson put this in starkly imperial terms when he stated that ‘I think that it’s not asking too much to have our little region over here which never has bothered anybody’. He stated that hemispheric solidarity had ‘developed over the decades’ since its origins in the Monroe Doctrine and argued that it was ‘an asset ... and I don’t think it ought to be taken away from us’.⁶ In this sense, Washington’s existing policy of building pan-American solidarity, which had previously been designed to help safeguard the Americas from Axis attack, was re-purposed to serve the US government’s post-war interests.

Historians disagree about the extent to which, in the immediate post-war years, and throughout the Cold War, Latin American officials encouraged Washington to take a

³ *FRUS*, 1945, Vol. I, p. 691.

⁴ *Ibid.*, pp. 692-696; Tillapaugh, ‘Closed Hemisphere and Open World?’, pp. 38-40; Schlesinger, *Act of Creation*, pp. 175-192; Arnold A. Offner, *Another Such Victory: President Truman and the Cold War, 1945-1953* (Stanford, CA, 2002), pp. 37-40.

⁵ *FRUS*, 1945, Vol. I, pp. 619-640; Thomas M. Campbell and George C. Herring (eds), *The Diaries of Edward R. Stettinius, Jr., 1943-1946* (New York, NY, 1975), p. 284; UDL, MSS 109, George S. Messersmith Papers, Messersmith to Roosevelt, 12 March 1945; Arthur H. Vandenberg, Jr. (ed.), *The Private Papers of Senator Vandenberg* (London, 1953), pp. 187-193, 237-251; Melvyn P. Leffler, *A Preponderance of Power: National Security, The Truman Administration, and the Cold War* (Stanford, CA, 1992), pp. 59-60.

⁶ Yale University Library, New Haven, CT, MS 465, Henry Lewis Stimson Papers, Series II, Box 172, Folder 17, transcript of telephone conversation between Stimson and Assistant Secretary of War John J. McCloy, 8 May 1945.

leading role in the Western Hemisphere to protect the region from Soviet incursions and communist uprisings.⁷ Regardless, as Roger R. Trask argues, while not appreciated at the time, the compromise over the Act of Chapultepec ‘later provided a partial foundation for the regional response of the United States to the assumed threat of “international communism” and the Soviet Union.’⁸ J. Tillapaugh agrees, contending that the Act of Chapultepec ‘did become the excuse for cold war “pactomania,” but its authors did not intend or foresee that development.’⁹ The threat posed by communism in Latin America would soon have a direct impact on both US and British perceptions of the Venezuelan oil industry. Even so, whether by invitation or not, US dominance certainly did not preclude Latin American officials from resisting US economic policy.

As a central component of its post-war policy towards Latin America, Washington sought to consolidate the USA’s economic dominance in the region. Indeed, the US government’s post-war economic policy in Latin America remained largely consistent with that which had originally formed during the Great Depression. Roosevelt had initially sought bilateral tariff reduction with Latin American governments as a means of opening up markets for US products thereby helping to bring the domestic economy out of the Depression. From the Good Neighbor policy through to the end of the Second World War, Washington had built on this approach by promoting hemispheric free trade and overseeing the relationship between private enterprise and Latin American governments.¹⁰ Following the end of the war, the Depression remained in the consciousness of US policy-makers who, in line with Keynesian thinking, sought to avoid the overproduction and high unemployment that had characterised the economic crisis of

⁷ For an overview of this debate see: Alan Knight, ‘U.S. Imperialism/Hegemony and Latin American Resistance’, in Fred Rosen (ed.), *Empire and Dissent: The United States and Latin America* (Durham, NC, 2008), pp. 23-52.

⁸ Trask, ‘The Impact of the Cold War on United States-Latin American Relations’, p. 273.

⁹ Tillapaugh, ‘Closed Hemisphere and Open World?’, p. 43.

¹⁰ Green, *The Containment of Latin America*, pp. 18-20, 85-112.

the 1930s.¹¹ If this was to be achieved, US industry required export markets for its goods.¹²

Latin America, with its less-developed industries and close proximity to the USA, continued to be seen as an obvious market for US manufactured goods, an outlet for capital investment, and source of strategic raw materials. Assistant Secretary of State William L. Clayton outlined this policy in what became known as the 'Clayton Plan'.¹³ Due to the armed forces' reliance on gasoline, oil was one of the most important raw materials for the US government to secure. US capital had already invested heavily in the Venezuelan oil industry and, during the war, Washington had intervened to protect the operations of multinational oil companies in the country. As we have seen, since 1941, the issue of Latin American 'economic nationalism' had been central to US and British policy towards the Venezuelan oil industry and created conflict between the various interested parties. These issues were not limited to Venezuelan oil but, in the immediate post-war period, they continued to inform the US government's overarching policy towards Latin America.

However, the US government's post-war response to economic nationalism lost its earlier reformist character. In 1933, a combination of internationalist idealism and economic pragmatism had led to the formation of the Roosevelt administration's free trade programme for Latin America. This project to liberalise pan-American trade persisted throughout the Depression and Second World War, during which time Washington endeavoured to extend free trade to the global post-war economy. While US officials were concerned that Latin American economic nationalism would lead to the

¹¹ Barber, *Designs within Disorder*, pp. 153-168.

¹² Hearden, *Architects of Globalism*, pp. 39-41; Roosevelt, Annual Message on the State of the Union, 6 January 1945, pp. 503-504.

¹³ Norman Caulfield, *NAFTA and Labor in North America* (Champaign, IL, 2010), p. 32; Jon V. Kofas, *Foreign Debt and Underdevelopment: U.S.-Peru Economic Relations, 1930-1970* (Lanham, MD, 1996), p. 26.

expropriation of US business interests, their response to this threat was imbued with the Good Neighbor policy's principles of pan-American cooperation. Consequently, its New Deal approach to state-private sector relations led the Roosevelt administration to intervene in the operations of multinational companies to ensure that Latin Americans were given 'a share' of the wealth their industries produced.

Following the end of the Second World War, US officials put greater emphasis on the need for the region's governments to organise their economies in such a way as to encourage an influx of foreign private capital.¹⁴ While both approaches towards Latin America were designed to safeguard US interests from economic nationalism, the earlier policy had put the onus on multinational corporations to alter their behaviour. Alan Brinkley has identified a similar change in the government's domestic New Deal programme as, by the end of the war, macroeconomic fiscal policy became the focus of US liberalism rather than 'direct intervention in the day-to-day affairs of the corporate world.'¹⁵ Within this perspective, the period 1933 to 1945 saw the rise and fall of the hemispheric New Deal.

The Final Act of the Inter-American Conference on the Problems of War and Peace reflected the US government's new approach as it set out stipulations designed to encourage free trade while discouraging economic nationalism and state-ownership of industries. In particular, the Act included an 'Economic Charter of the Americas' that set out various liberal economic principles. The original draft of the Charter was written and submitted by US officials but after intervention by Latin American officials various caveats were added to the final version. Indeed, several Latin American governments

¹⁴ FDRL, Press Conferences of President Franklin D. Roosevelt, 1933-1945, Press Conference 614, 12 January 1940; Green, *The Containment of Latin America*, pp. 37-40.

¹⁵ Brinkley, *The End of Reform*, p. 7.

sought protectionist policies for their countries' developing industries.¹⁶ Yet despite the changes made to the Economic Charter, the Act's overriding liberal economic character remained in place.¹⁷ All of this was pertinent to the Venezuelan oil industry, but of particular relevance was the reaffirmation of 'the principle, consecrated in the Atlantic Charter, of equal access to all classes of raw materials'.¹⁸ Indeed, it was this aspect of the Atlantic Charter that had caused a dispute over the oil trade between the Venezuelan, British and US governments a year earlier.

Ensuring free access to Venezuelan oil was of most benefit to the developed industries and military of the USA. Immediately following the conference in Mexico, the local US Ambassador, George S. Messersmith, contended that his government had not only succeeded in 'consolidating our position in this Hemisphere, but in strengthening it.'¹⁹ He argued that the 'carrying through of many of the obligations in these economic resolutions by the other American Republics is of very primary importance to us because I think we have stopped the flood of restrictive measures which some of them were planning.'²⁰ Yet as historian Gordon Connell-Smith has stated, the Act 'contributed little towards a solution of Latin America's economic and social problems. But it underlined the basic divergence of interests between the United States and Latin America in the economic field.'²¹ This divergence of interests had been evident in past conflicts between the US and Venezuelan governments regarding the oil industry and would continue into the post-war period.

¹⁶ Margarita López-Maya, 'The Change in the Discourse of US-Latin American Relations from the End of the Second World War to the Beginning of the Cold War', *Review of International Political Economy*, Vol. 2, No. 1 (Winter 1995), p. 139.

¹⁷ For draft see: 'U.S. Proposals at Mexico City Parley for a Hemisphere Charter', *New York Times*, 27 February 1945, p. 15. For final version see: *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, DC, 1945), pp. 93-96. Green, *The Containment of Latin America*, pp. 172-179.

¹⁸ *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, DC, 1945), p. 92.

¹⁹ UDL, MSS 109, George S. Messersmith Papers, Messersmith to Stettinius, 12 March 1945.

²⁰ UDL, MSS 109, George S. Messersmith Papers, Messersmith to John Willard Carrigan, 22 March 1945.

²¹ Connell-Smith, *The United States and Latin America*, p. 190.

Indeed, the same liberal economic philosophies that the US government applied to pan-American organisation were also imbedded in its independent post-war economic policy towards Latin America. In order to be eligible for US loans, it was necessary for Latin American governments to repay outstanding debts and organise their economies to encourage direct foreign investment. Yet, while seeking to liberalise Latin American economies, the US government did not impose the same loan conditions on European governments.²² These economic policies assisted US businesses which benefitted from reduced tariffs on exports and increased investment opportunities while they consigned Latin American countries to subsist as providers of raw materials for US manufacturing. Such economic liberalism was already at the centre of US policy towards the Venezuelan oil industry as Washington consistently discouraged nationalisation, promoted the free movement of oil internationally and supported US direct-investment. In the case of Venezuela, and Latin America generally, conflict focused on the extent to which Latin American governments were free to resist this economic model.

British Perceptions of Latin America

In the immediate post-war years, British policy towards Venezuela remained dominated by the issue of oil supplies but, like their US counterparts, FO officials placed this within their broader attitudes towards Latin America as a whole. In March 1945, Victor Perowne, head of the FO's South American Department, wrote an internal paper entitled 'The Importance of Latin America'. This memorandum set out the region's importance to Britain as a source of raw materials, a major block for overseas investment, and an 'indispensable' market for British exports. Indeed, Perowne noted that most Latin American countries had a 'purchasing power hardly paralleled elsewhere.' As the Second

²² Jon V. Kofas, *The Sword of Damocles: U.S. Financial Hegemony in Colombia and Chile, 1950-1970* (Westport, CT, 2002), p. 7; Kofas, *Foreign Debt and Underdevelopment*, p. 28.

World War drew to a close, British policy-makers increasingly perceived their relations with Latin America in terms of post-war international organisation. Rather than being simply advantageous, maintaining and expanding the British role in Latin America was increasingly perceived as an important aspect of post-war policy. Perowne pointed out that Latin American governments would collectively exert influence over the creation, and running, of the post-war world order. Thus, he felt it was 'desirable that our influence with these countries should be as great as possible.'

Yet Perowne was also aware that throughout the region 'national feeling is strong and intensifying in the political and economic spheres' as Latin Americans were becoming 'increasingly aware, individually and as a group, of their consequence, and are determined to exploit it'. This had particular relevance to the Venezuelan oil industry as economic nationalism remained an ever-present threat to British interests. Whitehall officials sought to ensure that such 'national feeling' did not lead the Venezuelan government to increasingly interfere in Shell's operations in the country. The most serious outcome of intensified national feeling would be nationalisation of the Venezuelan oil industry which would place British access to the country's oil supplies in doubt.

Thus, Perowne argued that the British government could 'no longer afford to dismiss them [Latin Americans] merely as inconvenient and rather ridiculous dagoes living at the world's end.'²³ Perowne's statement is suggestive of the low-esteem with which British officials usually held Latin Americans, both as individuals and collectively. His self-aware use of the derogatory term 'dago' indicates that there existed, among the British, a commonly-held racialised view of Latin Americans as a largely homogeneous group holding a set of shared traits. This was reflected in Perowne's earlier

²³ NA, FO 371/45012/AS1599, Perowne memorandum 'The Importance of Latin America', 17 March 1945.

characterisation of Latin American countries as the ‘lusty, young nationalistic republics of the sub-continent’.²⁴ Patronising generalisations of Latin Americans like these help to explain British officials’ later perception of developments in Venezuelan politics, which they often put down to political inexperience.

The principal aim outlined in Perowne’s memorandum was the extension of British, and limitation of US, influence within Latin America. In the case of the Venezuelan oil industry, Washington and Whitehall had previously come into conflict over their distinct and conflicting policies. Thus, British officials perceived themselves to be in competition with their US counterparts over influence in the country. Perowne conceded that the ‘geographical proximity and the tremendous economic and military strength of the United States, taken with the pan-American set-up, undoubtedly confer on the “Colossus of the North” a special authority’ over Latin America. Consequently, he felt that the region’s governments ‘will often be found to “march” at the American behest’. He argued that while the British government ‘should naturally not conspire against, but rather co-operate with, the United States in the Western Hemisphere, it is certainly not to our advantage that United States domination there should become absolute or exclusive.’ Thus, Perowne felt that the British government had to pay closer attention to Latin America in order to avoid the region becoming part of ‘a close or private hemisphere under United States tutelage’. His use of the word ‘tutelage’ infantilised Latin Americans and is indicative of the hierarchical view with which Perowne, and other FO officials, perceived international relations.

Paul A. Kramer uses the term ‘imperial’ to refer to ‘relations of hierarchy, discipline, dispossession, extraction, and exploitation.’²⁵ Perowne depicted an imperial rivalry between the British and US governments as each sought to maintain a hierarchy of

²⁴ NA, FO 371/34258/A1786, Perowne to Starling, 3 April 1943.

²⁵ Kramer, ‘Power and Connection’, pp. 1349.

influence in their relations with Latin America. Such 'influence' denoted the capacity for British and US officials to exert pressure over Latin American governments to act in a way most compatible with British or US interests. Perowne's examination of how the British government might increase its influence in Latin America was, therefore, characteristic of his role within the diplomatic services of an imperial power. US and Soviet policy-makers also sought to secure the strategic and economic interests of their respective governments in what was an uncertain and volatile post-war world.²⁶ As Leffler argues, such 'Great Power expansionism was endemic in the international environment that existed after World War II.'²⁷

British and US policy-makers could extend their influence with Latin America by increasing the economic and political links with the region, which could then be used as leverage. This necessarily produced a hierarchical relationship as British and US officials sought to exercise power over Latin American governments. This was particularly important in Venezuela, where the local government had the potential power to disrupt British access to such a vital resource as oil. Any influence Whitehall officials had over the Venezuelan government was potentially useful in mitigating this threat and ensuring that Shell was able to operate unimpeded. These efforts also formed part of a competitive rivalry between Whitehall and Washington officials who endeavoured to defend their respective countries' access to the world's oil.²⁸ Perowne felt that his government was not 'unfavourably placed for making our influence felt' in Latin America due to Britain's historic political, economic and commercial ties with the region. He also argued that Latin American governments would wish to increase their ties with Britain 'as a possible

²⁶ Leffler, *A Preponderance of Power*, pp. 96-99.

²⁷ Leffler, 'From Cold War to Cold War in the Near East', p. 128.

²⁸ Gabriel Kolko, *The Politics of War: Allied Diplomacy and the World Crisis of 1943-1945* (London, 1969), pp. 294-313,

political and economic counterweight to an unduly preponderant United States.²⁹ Such a dynamic was inherently competitive: as British and US policy-makers sought to extend their own influence in Latin America this necessarily limited the influence of the other.

The rise of the USA and Soviet Union as post-war superpowers had further implications as well as opportunities for British policy in Latin America. In a supplementary minute to his memorandum, Perowne wrote that:

As I see it, the chief consequence of the war, from our point of view, will be that we shall have exchanged a more or less direct threat to our independence from Germany, Italy, and Japan for an even direr, if less immediate threat from Russia and the U.S.A.

That a senior FO official felt that the threat posed to Britain by the post-war USA was more severe than the war with the Axis powers is startling. Yet Perowne could justify this by pointing out that the USA and USSR held ‘infinitely greater actual and potential strength’ militarily, economically and politically than Britain. Perowne went on to tell his FO colleagues that ‘[w]e must therefore neglect nothing which can help in any way to mitigate this threat.’³⁰ For the British government, the onset of the Cold War not only meant the threat of communist expansion around the world but also that British ability to influence world events would be severely diminished by the formation of a bi-polar structure to international relations.

In July 1945, this same point was made by Deputy Under-Secretary of State Orme Sargent in an influential memorandum entitled ‘Stocktaking after V.E. Day’. Commenting on British relations with the USA and USSR broadly, he argued that:

in the minds of our big partners, especially in that of the United States, there is a feeling that Great Britain is now a secondary Power and can be treated as such, and that in the long run all will be well if they – the United States and the Soviet Union – as the two supreme World Powers of the future, understand one another. It is this misconception which it must be our policy to combat.

²⁹ NA, FO 371/45012/AS1599, Perowne memorandum ‘The Importance of Latin America’, 17 March 1945.

³⁰ NA, FO 371/45012/AS1599, Perowne minute, 19 March 1945.

The danger for Whitehall officials was that their interests would be suppressed by the power and influence of the USA and USSR. Thus, Orme Sargent called for the formation of a 'tripartite system' that would see the British government enrol Western European countries and the Dominions into a third power bloc.³¹

The future of British foreign relations had been a source of tension between FO and military officials since 1944 when the British military began to formulate post-war contingency plans. Military officials felt that only the US government could be safely assumed to be a post-war ally and believed that the Soviet Union was the greatest potential threat to British interests. Conversely, from 1942 until the spring of 1945, the tripartite alliance between the British, US and Soviet governments was a linchpin of FO policy. FO officials argued that Germany was the most likely post-war threat to British interests and feared that contingency plans which characterised the USSR as a potential enemy held the danger of becoming self-fulfilling prophecies.³² Indeed, in their analysis of British interests in Latin America, FO officials focused on rivalry with the USA, rather than the Soviet Union. It is significant that neither Perowne nor those FO officials who commented on his memorandum raised communism as a potential threat to British interests in the region.

Up until the spring of 1945, FO officials worked under the assumption that the wartime tripartite alliance would continue following the conflict's end.³³ The USSR had no major historic links to, or strategic interests in, the US-dominated Western Hemisphere.

³¹ NA, FO 371/50912/5471, Orme Sargent revised memorandum 'Stocktaking after V.E. Day', 11 July 1945.

³² Julian Lewis, *Changing Direction: British Military Planning for Post-War Strategic Defence, 1942-1947* (2nd ed., London, 2005), p. 337; Percy Cradock, *Know Your Enemy: How the Joint Intelligence Committee Saw the World* (London, 2002), pp. 31-35; Anne Deighton, 'Britain and the Cold War, 1945-1955', in Leffler and Westad (eds), *The Cambridge History of the Cold War, Vol. I*, pp.114-116; Deighton, *The Impossible Peace*, pp. 17-22; Geoffrey Warner, 'From 'Ally' to Enemy: Britain's Relations with the Soviet Union, 1941-8', in Francesca Gori and Silvio Pons (eds), *The Soviet Union and Europe in the Cold War, 1943-53* (London, 1996), pp. 297-298.

³³ Lewis, *Changing Direction*, p. 337.

Indeed, Latin American governments had, on the whole, been slow to establish diplomatic contact with the Soviet Union. This antipathy appeared mutual when, at the San Francisco conference in April 1945, Soviet Minister of Foreign Affairs Vyacheslav Molotov dismissed Latin American countries as US satellites. Similarly, in one meeting, Molotov labelled Mexican Secretary of Foreign Affairs Ezequiel Padilla Peñaloza as a US puppet. The 1940 murder of Leon Trotsky by Soviet agents in Mexico presumably did little to engender trust between Latin American officials and the Kremlin.³⁴

It was the US government, rather than the Soviet Union, which had seemingly sought to limit British interests in Latin America during the war. Even if FO officials had predicted an end to the tripartite alliance, there would have been little reason to suspect that Latin America would become a source of conflict between the British and Soviet governments. It was the USA that held a hegemonic position in Latin America and appeared to be the greatest challenge to British interests in the region.³⁵ This was particularly relevant to Venezuela as the country's oil industry was dominated by British and US competing interests. Venezuelan oil was a crucial concern for both governments and Whitehall officials had previously felt that Washington was working to undermine their position in the country.³⁶

For Perowne, the post-war situation imbued Latin America with greater import than before and he began to perceive the region through the lens of competing US and Soviet blocs. Describing the US and Soviet governments, he wrote that:

Each has a group of satellite states whose policies it will direct or influence, and by whose needs and wishes its own policies must, to some extent, be influenced. It behoves us, therefore, to seek to establish and maintain with these satellites the closest relations

³⁴ F. Parkinson, *Latin America, the Cold War, and the World Powers, 1945-1973* (Beverly Hills, CA, 1974), pp. 12-13; John Lloyd Mechem, *The United States and Inter-American Security, 1889-1960* (Austin, TX, 1961), pp. 269, 427.

³⁵ NA, FO 371/45012/AS1599, Perowne memorandum 'The Importance of Latin America', 17 March 1945 and attached minutes.

³⁶ NA, FO 371/30743/A9283, Perowne minute, 14 October 1942.

possible, in order indirectly to influence the policies and actions of their principals.

Thus, Perowne contended that British officials could steer US policy by exerting influence over Washington's Latin American 'satellites'. He argued that British policy-makers should focus their efforts on Latin American countries rather than on Eastern Europe as they were more important in themselves, Britain's direct interests there were greater, and Latin American governments enjoyed greater freedom of action than the Soviet satellites.³⁷

In response to Perowne's views, John H. Leche, the Minister to the Central American Republics, wrote that there was an 'obvious desire' throughout Latin America to see British commercial interests compete with the 'virtual monopoly' enjoyed by US business. Although he pointed out that the British 'must of course avoid being played off against the Americans'.³⁸ FO officials saw themselves as rivals to their US counterparts but were aware that this could potentially place Latin American governments in a position of power. Latin American officials could potentially encourage a 'bidding war' between the British and US governments as each power competed for influence in the region. In all likelihood this would lead the British either to surrender the region to the USA or, alternatively, to 'outbid' US officials by giving greater concessions to Latin American governments. This imperial perspective of Anglo-US relations with Latin America saw British officials competing with Washington for economic interests and political influence in the region, while simultaneously seeking to maintain a hierarchical relationship with Latin American governments.

Sir David Victor Kelly, British Ambassador to Buenos Aires, felt that '[w]hile the Americans are admittedly not popular, we must beware of relying on this as sufficient to

³⁷ NA, FO 371/45012/AS1599, Perowne minute, 19 March 1945.

³⁸ NA, FO 371/45012/AS1599, minute by John H. Leche, Minister to the Central American Republics, undated.

regain our lost ground, let alone increase our exports over pre-war level.’ He argued that as the British government had been ‘standing back’ during the war, US officials had used this as an opportunity to increase their links with Latin America. He felt that by a ‘really enormous’ propaganda campaign the US government had managed ‘to educate the taste of the Latin American consumer on their own lines.’ He believed that ‘Latin Americans are tending unconsciously to think and feel like Americans regarding their living conditions.’ For Kelly, this US influence on Latin America ranged from ‘breakfast foods, house and office furniture, clothes for men and women, cars, aeroplanes, radio sets, all kinds of machinery, and also books and scientific techniques.’³⁹

Kelly was describing the import not just of material goods but also of US culture and lifestyle. This ‘Americanization’, as it has been termed, has been analysed at length by historians studying the USA’s post-war relationship with, and influence on, the rest of the world.⁴⁰ However, it should be noted that the USA’s cultural exchange with Latin America was not a one-way process emanating from the ‘centre’ to the ‘periphery’, despite what the term ‘Americanization’ would problematically imply. Instead, such foreign-local cultural exchanges were, and continue to be, two-way processes of negotiation, resistance and adaptation.⁴¹ Nevertheless, it would be disingenuous to deny that the foreign-local cultural exchange between the USA and Latin America was an unequal encounter, skewed towards US interests. To acknowledge the asymmetry of this

³⁹ NA, FO 371/45012/AS1599, Kelly minute, 21 March 1945.

⁴⁰ Heide Fehrenbach and Uta G. Poiger, ‘Introduction: Americanization Reconsidered’, in Heide Fehrenbach and Uta G. Poiger (eds), *Transactions, Transgressions, Transformations: American Culture in Western Europe and Japan* (New York, NY, 2000), pp.xiii–xl; Antonio Pedro Tota, *The Seduction of Brazil: The Americanization of Brazil During World War II* (Austin, TX, 2009); O’Brien, *Making the Americas*; Joseph Contreras, *In the Shadow of the Giant: The Americanization of Modern Mexico* (New Brunswick, NJ, 2009).

⁴¹ Gilbert M. Joseph, ‘Close Encounters: Towards a New Cultural History of U.S.-Latin American Relations’, in Gilbert M. Joseph, Catherine C. LeGrand and Ricardo D. Sakvadore (eds), *Close Encounters of Empire: Writing the Cultural History of U.S.-Latin American Relations* (Durham, NC, 1998), pp. 13-15. See the rest of this volume for theoretical discussion, and examples, of such cultural exchange.

relationship is not to undermine the agency of Latin Americans and to render them as passive recipients of US culture.

The problem for British officials was how to compete with the export of US culture and goods into Latin America in order to increase Britain's own trade with the region. Leche argued that British business should reduce its investment in Latin American public utilities, so that it might avoid 'political headaches'.⁴² This was a suggestion that Perowne had made to the PD directly following negotiations over the 1943 hydrocarbons law.⁴³ As Latin American governments sought increasingly to intervene in the operation of their public utilities, including the oil industry, British control of these industries had the potential to create conflict. However, F. C. Starling, the director of the PD, had firmly rebutted Perowne's suggestion in 1943 and there was no reason to think that he had since warmed to the idea.⁴⁴

Kelly argued that while there was 'theoretic agreement' about the importance of British commercial interests in Latin America, this was not reflected in British action. He conceded that this was partly due to limitations placed on the British government by the war.⁴⁵ Similarly, in March 1945, Anthony Eden stated that, in relation to British policy towards Latin America, 'we might have wished to assert ourselves had it been possible.'⁴⁶ During the war, the British government focused its national economy on the war effort which hindered the level, and type, of British exports to Latin America.⁴⁷ However, Kelly also argued that the press and business interests were partly to blame along with officials in government departments outside the FO who had little genuine interest in Latin America. He had been shocked by the 'elementary ignorance (outside the Foreign Office)

⁴² NA, FO 371/45012/AS1599, Leche minute, undated.

⁴³ NA, FO 371/34258/A1786, Perowne to Starling, 3 April 1943.

⁴⁴ NA, FO 371/34259/A3484, Starling to Perowne, 13 April 1943.

⁴⁵ NA, FO 371/45012/AS1599, minute by Sir David Victor Kelly, British Ambassador to Argentina, 21 March 1945.

⁴⁶ Cited in Kimball, *The Juggler*, p. 122.

⁴⁷ Mills, *Post-War Planning on the Periphery*, p. 187.

of South America, and lack of interest or desire to learn'. To illustrate his point, Kelly reported that very 'important and responsible persons' in Britain had asked him what was the capital of Buenos Aires and other uniformed questions. He concluded by stating that:

we shall need a very big effort to regain our position, let alone to improve it, and that I have seen here sadly small evidence that the effort has, outside the Foreign Office, even begun. Until such an effort is made here, our Missions in South America will be making bricks without straw.⁴⁸

Snow shared Kelly's 'disheartened feelings at the small interest taken at home in the Latin American countries.' Yet he pointed out that Latin American countries were 'large producers and large buyers, and to that extent will be an essential link in the working of world trade on multilateral lines.' Moreover, he felt that 'much more is at stake than bilateral relations' between Britain and Latin America. On this, he agreed with Perowne's suggestion that the British government could potentially use its relationship with Latin America to influence the actions of the US government.⁴⁹ Since 1941, British officials had spoken of the importance Latin America would play in the post-war world as a political bloc and of the potential ability of Latin American governments to influence US policy. Despite the end of the Second World War, Whitehall official's overarching policy towards Latin America remained largely unchanged as they aimed to increase British interests and influence in the region.

However, the emerging Cold War did place this strategy within a new context and gave it renewed importance. The perception that the world was becoming divided into US and Soviet spheres of influence altered British attitudes towards international relations and Latin America in particular. It was becoming increasingly clear that, in the post-war world, Britain would find it difficult to compete with the two superpowers economically, politically or militarily. Nevertheless, British officials were not ready to relinquish their

⁴⁸ NA, FO 371/45012/AS1599, Kelly minute, 21 March 1945.

⁴⁹ NA, FO 371/45012/AS1599, Kelly minute, 17 May 1945.

country's position as a major world power nor were they prepared to allow Latin American economies to be totally dominated by the USA. Increasing British influence in Latin America became more, rather than less, important for FO officials. Thus, as the Second World War came to an end, both US and British officials sought to maintain, and extend, their links with Latin America. British policy-makers in particular viewed Anglo-US relations in the region as a rivalry and sought to limit Washington's hegemony in the Western Hemisphere. Moreover, the emerging Cold War and the threat of communism would increasingly shape the views of British and US officials. As Venezuelan oil remained a crucial interest of both the British and US governments, political developments in the country took on great importance.

The October Revolution

British and US officials responded to dramatic political upheaval in Venezuela with approaches that reflected international and regional considerations as well as their local stake in Venezuelan oil. On 19 October 1945, the Venezuelan Acción Democrática (AD) party, supported by young military leaders, overthrew the Medina regime. The AD leader, Rómulo Betancourt, became President of a provisional revolutionary Junta composed of four AD members, two military officers and an independent politician. After seizing power, the new government promised to institute a new Venezuelan constitution and democratic politics.⁵⁰ In the days immediately following the revolution, a Shell official in Venezuela named Lomax wrote to his superior, Sir Frederick Godber, in London stating that he was 'quite worried about the situation since for quite some time to come it is unlikely that Constitutional Government can be formed and civil war is not unlikely but I

⁵⁰ Betancourt, *Venezuela*, pp. 92-106; Rabe, *The Road to OPEC*, pp. 94-96.

am hopeful that any disturbances will not interfere too much with our operations.’⁵¹

Prolonged disruption to oil production in Venezuela would not only be detrimental to the companies’ operations but would also be contradictory to British and US government interests in the country.

British and US attitudes towards the change in government were defined by the overriding importance of ensuring access to Venezuelan oil. As such, the views of oil industry executives once again shaped the policies of Whitehall and Washington. On 22 October, Arthur T. Proudfit of SOCNJ, Bradburd of Gulf and John Loudon of Shell had a cordial meeting with Betancourt and several Venezuelan cabinet officers. With regards to the government’s oil policy, the new Venezuelan Development Minister (*Ministro de Fomento*) Juan Pablo Pérez Alfonso said that he would be satisfied by strict adherence to the 1943 hydrocarbons law.⁵² US Ambassador Frank P. Corrigan told the State Department that oil company executives felt the need to be realistic and accept the new government’s authority. Other foreign interests adopted the same attitude as representatives from the banking and merchant sector also visited Betancourt. Local oil executives believed that the government would be ‘realistic’ and refrain from altering existing law and contracts. However, Corrigan reported that oil executives felt that, as AD derived much of its support from labour, the new government would need to ‘pay off such support and that oil companies must expect to foot [the] bill.’ Thus, oil company officials argued that it would be wise immediately to concede every reasonable demand rather than have the Venezuelan government force measures upon the industry at a later date.⁵³

⁵¹ NA, FO 371/45152/AS5547, Ogilvie-Forbes to MFP, 20 October 1945.

⁵² NARA, DS 831.6363/10-2845, Corrigan to Secretary of State James F. Byrnes, 22 October 1945; NARA, DS 831.6363/10-2245, Corrigan to Byrnes, 22 October 1945; NA, FO 371/45152/AS5547, Ogilvie-Forbes to MFP, 22 October 1945.

⁵³ NARA, DS 831.6363/10-2345, Corrigan to Byrnes, 23 October 1945.

Indeed, Lomax believed that the companies needed to 'take a progressive and reasonably co-operative attitude towards these demands in order to ensure industrial peace'.⁵⁴

Following discussion between the new government and oil industry officials, Lomax reported to Godber that although it was 'too early to give a definite opinion', he was 'inclined to believe' that the new government would not adjust the 1943 law. Nevertheless, he reported that 'there are many other ways and means whereby they can extract more money from us'. Thus, he felt it would be 'helpful' if the British and US governments 'would endeavour to obtain some more definite assurance from the Provisional Government to the effect that it will observe the present existing contracts and tax laws which were negotiated on the understanding of durability'. As with previous appeals for diplomatic assistance, Lomax pointed out that a 'simultaneous approach in this respect by both Governments is essential' as 'it would be dangerous if the British Government took such a stand on its own accord'.⁵⁵

Again Shell officials looked to the British and US governments to help secure their position and interests in Venezuela. And again they were concerned that any unilateral intervention by British officials would lead the Venezuelan government to prejudice Shell in comparison with the oil company's US competitors, Gulf and SOCNJ. From the perspective of Shell officials, any diplomatic intervention therefore needed to be a coordinated Anglo-US approach. Indeed, for Shell, it would be preferable for the British government to take no action rather than to intervene without US support. For their own part, British government officials had been taken by surprise by the revolution. In the previous spring, Christie, an FO official, had written that AD 'seems to be a sound and honest political party' and appeared 'to have a considerable future'.⁵⁶ Yet following the

⁵⁴ NA, FO 371/45153/AS5624, Ogilvie-Forbes to MFP, 27 October 1945.

⁵⁵ NA, FO 371/45152/AS5547, Ogilvie-Forbes to MFP, 22 October 1945.

⁵⁶ NA, FO 371/45152/AS3176, Christie minute, undated.

party's seizure of power, Christie admitted that AD had 'not previously been considered as having revolutionary tendencies' by the FO.⁵⁷

Despite Christie's positive opinion of AD, the existence of British colonies in the Caribbean created the potential for conflict between the British government and Venezuelan officials. Prior to the revolution, in May 1945, AD had passed a convention resolution that approved the 'active participation of Venezuela in the solution of the problems connected with the European colonies in America, especially Aruba, Curacao [sic] and Trinidad, adjacent to our coasts.' Trinidad was a British colony while facilities on Aruba and Curaçao refined the majority of Venezuelan crude and, thus, were also of vital importance to British oil interests. The British Ambassador in Caracas, Sir George Ogilvie-Forbes, felt that while this 'unwelcome reference' to European colonies in the Caribbean should not be 'considered as an immediate demand' he felt 'it would be equally a mistake to overlook this sign of an irredentist trend in Venezuelan political thought.'⁵⁸ The Empire had shown its value to Britain throughout the Second World War and while the conflict had been an enormous drain on the British economy, this only emphasised the importance of maintaining and developing British colonial possessions.⁵⁹

In full agreement with this belief, the Labour government, which replaced the Churchill-led coalition in July 1945, came to power seeking to develop the British Empire's strategic and economic capacity.⁶⁰ Yet the Atlantic Charter, which became part of The Declaration by United Nations, had committed the British government to 'respect the right of all peoples to choose the form of government under which they will live'. As Churchill repeatedly stated that the Charter did not apply to the British Empire, this formed part of what Lloyd C. Gardner has rightly described as the 'inherent

⁵⁷ NA, FO 371/45152/AS5462, Christie minute, 20 October 1945.

⁵⁸ NA, FO 371/45152/AS3176, Ogilvie-Forbes to Eden, 30 May 1945.

⁵⁹ For the importance of the Empire to the British war effort see: Ashley Jackson, *The British Empire and the Second World War* (London, 2006); Edgerton, *Britain's War Machine*, pp. 47-85.

⁶⁰ Butler, *Britain and Empire*, p. 63.

contradictions between the Wilsonian worldview as expressed in the Atlantic Charter and what Big Three requirements demanded.⁶¹ These contradictions applied just as much to the British desire to maintain the Empire as they did to Soviet designs on Eastern Europe.⁶²

It was against this backdrop that Christie felt that the AD's anti-colonial convention resolution 'demonstrates that this otherwise commendable body has a serious snag from our point of view' and felt it 'unfortunate that this sort of thing should occur.'⁶³ In addition to possessing territory in the Caribbean, Britain also held a colony on the South American mainland in the form of British Guiana. This colony had a disputed border with Venezuela as Caracas had historically made territorial claims to the Guayana Esequiba region. This conflict had theoretically been resolved by international arbitration in 1899 and successive Venezuelan governments had not formally disputed the border. However, the Venezuelan press continued to periodically criticise British possession of Guayana Esequiba.⁶⁴ Thus, the existence of British colonies in the Western Hemisphere had the potential to foster territorial disputes with, as well as anti-colonialism in, Venezuela. Both of these issues could create tensions between AD and Whitehall, potentially placing British oil interests in Venezuela at risk.

Following the revolution, British officials were also concerned by AD's political ideology. In the spring of 1945, Christie had described AD as 'a sound and honest political party', but he now characterised it as 'an extreme socialist doctrinaire party'.⁶⁵ Christie's comments are indicative of the way in which Whitehall's evolving attitude

⁶¹ Lloyd C. Gardner, 'The Atlantic Charter: Idea and Reality, 1942-1945', in Douglas Brinkley and David R. Facey-Crowther (eds), *The Atlantic Charter* (New York, NY, 1994), p. 67.

⁶² For Churchill's views regarding the British Empire see Ronald Hyam, 'Churchill and the British Empire', in Robert Blake and Wm. Roger Louis (eds), *Churchill* (Oxford, 1993), pp. 167-185. For contradictions between US-Soviet-British post-war planning and the Atlantic Charter see Gardner, 'The Atlantic Charter', pp. 45-81.

⁶³ NA, FO 371/45152/AS3176, Christie minute, undated.

⁶⁴ NA, FO 371/45156/AS474, Allen minute, 12 January 1945.

⁶⁵ NA FO 371/45152/AS 3176, Christie minute, undated; NA, FO 371/45152/AS5481, Christie minute, 22 October 1945.

towards the Soviet Union affected its perception of the Venezuelan oil industry. In January 1945, Christie had stated that Venezuelan anti-communism was ‘the normal sort of reaction to be expected from the clerical and right wing elements of any country in which the Conservatives have not been flung violently into the same bed as the Communists by the assault of a common enemy.’⁶⁶ The British-US-Soviet alliance had been vital to the Allied war effort and FO officials had hoped that this tripartite coalition would continue into the post-war period.⁶⁷ Thus, Christie had argued that ‘Venezuelans, in their attitude to the Communists, are about four years behind us and we should judge them accordingly.’⁶⁸ However, by the time of the Venezuelan revolution in October 1945, the British attitude towards the Soviet Union had begun to change.

Their experience of the Second World War led both British and US officials to be wary of ‘appeasement’ and, thus, the lesson of Hitler was played out in Stalin. When, in the months following the end of the War, the Soviet Union appeared to follow an expansionist foreign policy, Whitehall and Washington were disposed to feel threatened.⁶⁹ Neither British nor US policy-makers felt that the Kremlin posed a direct military threat but did worry that the Soviet Union could undermine their international influence by offering a communist solution to the peoples of the devastated belligerent nations and the impoverished colonies. In July 1945, Orme Sargent argued that, while it was doubtful that Stalin sought further territorial expansion, the Soviet Union might well attempt to create ‘an ideological Lebensraum’ around its borders.⁷⁰ Thus, communist ideology and revolutionary upheaval, rather than military might, were the dangers posed

⁶⁶ NA, FO 371/45152/AS183, Christie minute, 12 January 1945.

⁶⁷ Lewis, *Changing Direction*, p. 337.

⁶⁸ NA, FO 371/45152/AS183, Christie minute, 12 January 1945.

⁶⁹ Thomas G. Paterson, *Meeting the Communist Threat: Truman to Reagan* (Oxford, 1988), pp. 3-17; Deighton, *The Impossible Peace*, pp. 24-28; Leffler, *A Preponderance of Power*, p. 21.

⁷⁰ NA, FO 371/50912/5471, Orme Sargent revised memorandum ‘Stocktaking after V.E. Day’, 11 July 1945.

by the Soviet Union to the British and US governments.⁷¹ Whitehall and Washington had consistently perceived Venezuelan nationalism as a threat to their interests in the oil industry, and the potential for communist-inspired uprisings in the country now gave this danger a new international dimension.

During 1945, the United Nations Conference on International Organization in San Francisco and the First Meeting of the Council of Foreign Ministers in London exposed tense disagreement between Soviet officials and their US and British counterparts.⁷² At the same time, Washington and Whitehall became increasingly concerned by Soviet foreign policy as, by October, the Kremlin had prevented free elections in Eastern Europe, sought military bases in Turkey and made claims to the Turkish provinces of Ardahan and Kars.⁷³ Yet of most immediate concern to Whitehall officials was the threat posed by the Soviet Union to British interests in the Middle East and, in particular, the oil fields of Iran.⁷⁴ Whitehall reacted with trepidation when, in the autumn of 1945, the Kremlin placed itself in opposition to the Iranian government by supporting separatist movements in Azerbaijan and Kurdistan. Soviet troops remained in Iran as per the 1942 Tripartite Treaty and the Kremlin demonstrated an unwillingness to have them leave.⁷⁵ As the Middle East linked the Mediterranean to Asia, the British government saw its dominance in the region as a vital component of its global influence and ability to project power. Moreover, as the Persian Gulf was a crucial source of oil for both Britain and the USA,

⁷¹ Leffler, *A Preponderance of Power*, pp. 3-9; Andrew Defty, *Britain, America and Anti-Communist Propaganda, 1945-53: The Information Research Department* (Abingdon, 2004), p. 33; Weston Ullrich, 'Preventing 'Peace': The British Government and the Second World Peace Congress', *Cold War History*, Vol. 11, No. 3, p. 343.

⁷² Gaddis, *The United States and the Origins of the Cold War*, pp. 224-230, 263-267; Harry S. Truman, *Memoirs, Vol. I: Year of Decisions* (New York, NY, 1955), pp. 280-288, 516-519; Vandenberg (ed.), *The Private Papers of Senator Vandenberg*, pp. 199-216.

⁷³ Leffler, *A Preponderance of Power*, pp. 49-54; Jamil Hasanli, *Stalin and the Turkish Crisis of the Cold War, 1945-1953* (Lanham, MA, 2011), pp. 75-79; Anthony Eden, *The Eden Memoirs: The Reckoning* (London, 1965), pp. 543-547

⁷⁴ Leffler, *A Preponderance of Power*, p. 77.

⁷⁵ Painter, *Oil and the American Century*, pp. 111-116; Mark Hamilton Lytle, *The Origins of the Iranian-American Alliance, 1941-1953* (New York, NY, 1987), pp. 128-144; Kristen Blake, *The U.S.-Soviet Confrontation in Iran, 1945-1962: A Case in the Annals of the Cold War* (Lanham, MA, 2009), pp. 29-32; Westad, *The Global Cold War*, pp. 60-64.

Washington supported British domination of the Middle East in order to secure its own strategic interests.⁷⁶ Thus, Soviet behaviour in Iran alarmed British and US officials and reinforced their fears that the Kremlin harboured expansionist ambitions that jeopardised their own international power.⁷⁷ These overarching geopolitical concerns subsequently informed British and US policy towards Venezuela and its oil industry.

Misgivings regarding Soviet policy affected British perceptions of left-wing political movements more generally. Consequently, now that Christie viewed AD as ‘an extreme socialist doctrinaire party’ he argued that it was ‘quite clear that whoever gains from the new state of affairs, the foreign oil companies may be the losers.’⁷⁸ Similarly, Richard H. S. Allen of the FO’s South American Department felt that ‘it is somewhat disquieting that the head of the new Government, Sr. Romulo Betancourt, should be a person described in our Personalities Report as “an unscrupulous, Communistic agitator, who was expelled from Venezuela in January 1937”.’⁷⁹ In fact, the description of Betancourt in the FO’s 1945 ‘Report on Leading Personalities in Venezuela’ went on to state that the AD leader was ‘by far the most dangerous opponent of capital in Venezuela and, though a fanatic, is not without ability’.⁸⁰ Yet this FO report failed to take into account Betancourt’s own political evolution from communist to social democrat throughout the 1930s and 1940s.

By 1939, Betancourt was arguing that Venezuela needed investments of foreign capital but that this should be regulated in order to improve the living-conditions of the Venezuelan people and prevent their exploitation. He contended that nationalisation of

⁷⁶ Leffler, *A Preponderance of Power*, p. 77.

⁷⁷ Defty, *Britain, America and Anti-Communist Propaganda*, p. 33; Truman, *Memoirs, Vol. I*, p. 574; Victor Rothwell, *Britain and the Cold War, 1941-1947* (London, 1982), pp. 247-252; Alan Bullock, *The Life and Times of Ernest Bevin, Vol. III: Foreign Secretary, 1945-1951* (London, 1983), pp. 34-40; Warner, ‘From ‘Ally’ to Enemy’, pp. 300-303; Westad, *The Global Cold War*, pp. 112.

⁷⁸ NA, FO 371/45152/AS5481, Christie minute, 22 October 1945.

⁷⁹ NA, FO 371/45153/AS5566, Allen minute, 25 October 1945.

⁸⁰ NA, FO 371/45174/AS4167, Ogilvie-Forbes to Churchill, ‘Report on Leading Personalities in Venezuela’, 13 August 1945.

the Venezuelan oil industry was unviable but asserted that workers' pay should be raised and revenues from oil used to develop other areas of the economy.⁸¹ Thus, to describe Betancourt as a 'communist agitator' and 'dangerous opponent of capital' in 1945 demonstrated the FO's lack of diligence in following his political leanings, in updating their records, or both. Indeed, the FO had used the same description of Betancourt in its reports on leading Venezuelan personalities for years.⁸² As Betancourt was a leading political figure in Venezuela this was an oversight on the part of the British Embassy staff in Caracas tasked with writing these reports.

Furthermore, the way that the term 'communist' was used by British officials was ambiguous and was not necessarily used to refer to an ideologue. Indeed, Christie of the FO felt that the word 'in its normal sense, at any rate for Venezuela' was 'a synonym for any irresponsible mob agitator.'⁸³ As British relations with the Soviet Union began to deteriorate, the idea of mob agitators in Venezuela took on greater geopolitical significance. As numerous reports highlighted the growth in hostile Soviet propaganda, British and US policy-makers feared the spread of Soviet influence through communist subversion.⁸⁴

Allen's concerns regarding the new Venezuelan leadership led the FO official to feel that 'this is not very reassuring, and we certainly need show no particular empressement to recognise the new Government.' Despite, his misgivings regarding Betancourt's political views, Allen felt that revolution had 'gone, on the whole, smoothly,

⁸¹ Steven Schwartzberg, 'Romulo Betancourt: From a Communist Anti-Imperialist to a Social Democrat with US Support', *Journal of Latin American Studies*, Vol. 29, No. 3 (October 1997), pp. 613-665; Luis Ricardo Dávila, 'Rómulo Betancourt and the Development of Venezuelan Nationalism (1930-1945)', *Bulletin of Latin American Research*, Vol. 12, No. 1 (January 1993), pp. 49-63.

⁸² NA, FO 371/34279/A8091, Gainer to Eden, 'Report on Leading Personalities in Venezuela', 14 August 1943; NA, FO 371/45174/AS4167, Ogilvie-Forbes to Churchill, 'Report on Leading Personalities in Venezuela', 13 August 1945.

⁸³ NA, FO 371/45153/AS5740, Christie minute, 1 November 1945.

⁸⁴ Defty, *Britain, America and Anti-Communist Propaganda*, pp. 33-40; Victor Rothwell, *Britain and the Cold War, 1941-1947* (London, 1982), pp. 252-259; Frank Furedi, *Colonial Wars and the Politics of Third World Nationalism* (London, 1998), pp. 72-74.

for such things, and the new Government now seems to be firmly in the saddle for the time being'. British officials' attention quickly turned to ensuring the uninterrupted flow of oil and, again, their policy towards Venezuela was largely directed by this strategic raw material. Allen argued that in view of 'the great importance' of British oil interests in Venezuela it would be desirable to mention to the Venezuelan Ambassador in London 'the importance attached by H.M.G. to proper guarantees for the safeguarding of these British interests.'⁸⁵

Despite Shell's reservations regarding a unilateral British approach, Allen argued 'that it could only be helpful for the Venezuelan Ambassador to be told informally of the importance we attach to this matter'.⁸⁶ F. C. Starling, head of the PD, emphasised to the FO 'the serious effect on our oil position if there were any interference in the operations of British oil companies in Venezuela.' He told Allen that his division would wish to support any step which the FO could take to impress upon Caracas the importance of this point.⁸⁷ On 26 October 1945, the Venezuelan Ambassador, Andrés Rodríguez Azpúrua, called on Whitehall to request British recognition of his new government. Sir Neville Montague Butler, Assistant Under-Secretary for Foreign Affairs, took the opportunity to emphasise that Venezuelan oil had made a great contribution to the war effort and was of particular importance to British and European oil supplies. He said that the 1943 law was intended to ensure stability in the Venezuelan oil industry but that the British government was now apprehensive that this might be disturbed. Rodríguez replied that the government would respect the law but this did little to reassure British officials.⁸⁸

Butler felt that 'Romulo Betancourt, has been in the past so hostile to the oil industry' that it would be justified for Whitehall and Washington to gain guarantees from

⁸⁵ NA, FO 371/45153/AS5566, Allen minute, 25 October 1945.

⁸⁶ *Ibid.*

⁸⁷ NA, FO 371/45153/AS5663, Starling to Allen, 25 October 1945.

⁸⁸ NA, FO 371/45153/AS5696, memorandum by Sir Neville Montague Butler, Assistant Under-Secretary for Foreign Affairs (Americas), 26 October 1945.

the Venezuelan government ‘that it intends to maintain that stability in the oil industry’ by respecting the 1943 law. He pointed out that:

We should not be demanding an assurance as a condition of recognition; we should be informing ourselves as to the new Government’s intentions. The Ministry of Fuel here asked us to do this, and Betancourt’s record justifies it.⁸⁹

Consequently, the FO wrote to Lord Halifax, the British Ambassador to the USA, stating that:

it seems to us most desirable to secure if possible from Venezuelan authorities, prior to recognition, satisfactory assurances regarding United States and British oil interests in Venezuela, perhaps in the sense of confirmation of late Government’s declared intention as regards giving stability to the oil industry

However, British officials were also keen to point out that any diplomatic contact would need to be done in concert with the State Department as a ‘parallel approach to the Venezuelan authorities’.⁹⁰

Whitehall consistently sought to forge a joint Anglo-US approach to any issue relating to Latin America but this strategy was ultimately contradictory. British officials recognised that the USA held a dominant position in Latin America but they sought to expand their own influence in the region as an alternative to US hegemony. Concurrently, in order to protect Britain’s access to foreign oil, Whitehall generally sought to maintain a hard-line stance in support of Shell and in opposition to Venezuelan economic nationalism. However, US officials had a vested interest in encouraging pan-American cooperation as a means of safeguarding their political, economic, and security interests in the region as a whole. These regional concerns had led to the formation of the Good Neighbor policy and made US officials hesitant to engage in lengthy public disputes with

⁸⁹ NA, FO 371/45153/AS5696, Butler minute, 26 October 1945.

⁹⁰ NA, FO 371/45153/AS5566, FO to Halifax, 27 October 1945.

the Venezuelan government.⁹¹ At the same time, Whitehall officials' feared that their unilateral intervention in Venezuela would lead the local government to discriminate against Shell, thereby placing British oil supplies at risk. Thus, Washington could largely ignore British views regarding Venezuela and formulate its policy independently, safe in the knowledge that Whitehall officials would ultimately feel compelled to follow the US lead.

On the US side, Corrigan informed the State Department that there was 'no reason to believe that our interests are adversely affected' by the change in government and, by 25 October, the State Department had decided that there appeared to be 'no threat to the hemisphere nor any pro-Axis inspiration in the Venezuelan Junta revolutionary movement'.⁹² By the morning of 27 October, Washington decided to recognise the new Venezuelan government in view of the fact that it was in control of the country and had announced its intention to fulfil its international obligations.⁹³ On the evening of 27 October, the State Department instructed Corrigan to present a note to the Venezuelan authorities on 30 October, which would grant recognition to the new government.⁹⁴

However, on the same day that the US government chose to recognise the government, oil industry executives expressed concerns regarding the new Venezuelan leadership. While the local managers of the foreign oil companies were satisfied by the Venezuelan government's attitude, Gulf executives in the US were unconvinced.⁹⁵ On the morning of 27 October, Charles W. Hamilton and James Frank Drake, the Vice President

⁹¹ Woods, *The Making of the Good Neighbor Policy*, pp. 267-269.

⁹² NARA, DS 831.01/10-2445, Corrigan to Byrnes, 24 October 1945; NARA, DS 831.01/10-2545, Byrnes to Diplomatic Representatives in the American Republics, 25 October 1945.

⁹³ NARA, DS 831.01/10-2545, Byrnes to Diplomatic Representatives in the American Republics, 25 October 1945; NARA, DS 831.01/10-2745, Byrnes to Diplomatic Representatives in the American Republics, 27 October 1945.

⁹⁴ NARA, DS 831.01/10-2745, Byrnes to Corrigan, 27 October 1945.

⁹⁵ NARA, DS 831.6363/10-2845, Corrigan to Byrnes, 28 October 1945; NARA, DS 831.6363/10-2445, memorandum of conversation with Vice President of Mene Grande James M. Greer by Joseph Flack, Chief of the Division of North and West Coast Affairs, 24 October 1945; NARA, DS 831.6363/10-2745, Byrnes to Corrigan, 27 October 1945.

and President of Gulf respectively, urged the State Department to obtain reassurances from Betancourt that existing concessions and the basic principles of the 1943 law would not have to be renegotiated.⁹⁶ In addition to his position at Gulf, Drake was also a member of the Petroleum Industry War Council, making him a highly influential figure.⁹⁷ While the State Department did not anticipate any infringement of the 1943 law, US officials felt that requesting further guarantees was justified and in the interests of the industry. Consequently, Secretary of State James F. Byrnes asked Ambassador Corrigan to gain assurances from Betancourt, stating that the ‘matter is very urgent’ and should be dealt with before recognition was extended.⁹⁸

In response, Corrigan informed the State Department on 28 October that he was concerned that requesting such assurances before extending recognition would give the impression that Washington’s attitude was being influenced by the oil companies. The State Department’s desire to gain assurances from the Venezuelan government had in fact been inspired by oil company officials. Therefore, Corrigan argued that any diplomatic approach along those lines ‘might well produce [a] reaction unfavourable to [the] industry.’ He stated that Betancourt was fully cognizant that Venezuela’s position in the post-war international oil industry depended on its ability to compete with lower-cost oil from the Middle East and was ‘astute enough’ to realise that AD’s hopes of implementing its economic and social programme depended upon oil revenue. As such, he argued that there was ‘every reason’ to expect that Betancourt would treat the oil companies with ‘kid gloves’. He therefore asserted that ‘it is not deemed advisable or necessary’ to approach the government when ‘sufficient assurances already have been given by it that [the] 1943

⁹⁶ NARA, DS 831.6363/10-2745, Byrnes to Corrigan, 27 October 1945.

⁹⁷ Joseph P. Fried, ‘J. Frank Drake, Former Chairman Of Gulf Oil Corporation, Dies at 96’, *New York Times*, 21 December 1976, p. 36.

⁹⁸ NARA, DS 831.6363/10-2745, Byrnes to Corrigan, 27 October 1945.

law will be respected.⁹⁹ Moreover, later the same day, he informed the State Department that Pérez Alfonso had produced a signed statement for the *Oil and Gas Journal* in which he reaffirmed the government's intention to respect the 1943 law.¹⁰⁰

The State Department endeavoured to safeguard the legal rights of the oil companies in Venezuela and, therefore, would be reassured by commitments from the new AD-led government that the 1943 hydrocarbons law would be respected. However, as Corrigan pointed out, the Venezuelan authorities could react negatively if it seemed that Washington was using recognition as leverage to gain such assurances. As a consequence, delaying recognition might harm US-Venezuelan relations and have detrimental consequences for the oil companies. Thus, the US government's reliance on private enterprise for its supplies of foreign oil led to conflicting views of how the State Department could best protect company operations. It appears that Corrigan's telegrams to Washington had some effect as Flack subsequently spoke with various oil executives to reassure them that the State Department had received encouraging information from Venezuela.¹⁰¹ Moreover, he told James M. Greer of Gulf that Washington was not prepared to use the attaining of a commitment from the Venezuelan leadership as a *quid pro quo* for recognition. Instead, he explained that the State Department had decided to ask Corrigan to thank Betancourt for his guarantees in order to 'tie down the various assurances made' by his government.¹⁰²

⁹⁹ NARA, DS 831.6363/10-2845, Corrigan to Byrnes, 28 October 1945.

¹⁰⁰ NARA, DS 831.6363/10-2845, Corrigan to Byrnes, 28 October 1945. This is a different telegram to the referenced above.

¹⁰¹ DS 831.6363/10-2945, Flack memorandum of conversation with Charles Francis Darlington of Socony-Vacuum, 29 October 1945; NARA, DS 831.6363/10-2745, Flack memorandum of conversation with Assistant Secretary of State for Western Hemisphere Affairs Spruille Braden, SOCNJ Vice President Orville Harden and Creole Vice President Horry F. Prioleau, 29 October 1945; DS 831.6363/10-3045, Flack memorandum of conversation with James M. Greer, Vice President of Mene Grande, 30 October 1945.

¹⁰² DS 831.6363/10-3045, Flack memorandum of conversation with James M. Greer, Vice President of Mene Grande, 30 October 1945.

On 27 October, Ogilvie-Forbes reported to the FO that the provisional government ‘are young and well-intentioned but inexperienced and while [the] position is not very stable there is no alternative regime in sight and we must be prepared for a restless year.’¹⁰³ Two days later, he reported that AD were showing ‘indications of weakness and also some doubt is expressed how long Democratic Action Party can carry on without quarrelling with the military who put them in.’ Thus, Ogilvie-Forbes argued that ‘this haste’ in recognising the Venezuelan government was ‘regrettable’ but felt that it was ‘a matter in which we have no alternative but to follow the United States.’¹⁰⁴ When the US government recognised the new Venezuelan government on 30 October, Whitehall immediately followed suit.¹⁰⁵

Despite their recognition of the Venezuelan government, British officials were not optimistic about future developments. Perowne wrote that he was ‘not at all happy’ about the new government nor sure of its good intentions.¹⁰⁶ On 5 November, Betancourt freely assured Ogilvie-Forbes that his government would respect its obligations concerning oil and other matters before adding that his government would welcome visits from British contractors and other trade representatives with a view to developing commercial relations.¹⁰⁷ Yet, in response, Christie stated that ‘[e]verything that Sr Betancourt says should be taken with a grain of salt.’¹⁰⁸ Robert H. Hadow, Counsellor of the British Embassy in Washington, added to Whitehall concerns when he contended that State Department officials were unwilling to put any pressure upon the new Venezuelan government and felt ‘that Betancourt is a good boy and must be encouraged in every way’.

¹⁰³ NA, FO 371/45153/AS5633, Ogilvie-Forbes to FO, 27 October 1945.

¹⁰⁴ NA, FO 371/45153/AS5661, Ogilvie-Forbes to FO, 30 October 1945; NA, FO 371/45153/AS5740, Ogilvie-Forbes to FO, 29 October 1945.

¹⁰⁵ NA, FO 371/45153/AS5672, Halifax to FO, 30 October 1945; NA, FO 371/45154/AS5947, Ogilvie-Forbes to Acting Venezuelan Minister for Foreign Affairs Dr Carlos Morales, 30 October 1945; NA, FO 371/45153/AS5696, Perowne to the Venezuelan Ambassador in London Andrés Rodríguez Azpúrua, 31 October 1945.

¹⁰⁶ NA, FO 371/45153/AS5633, Perowne minute, 30 October 1945.

¹⁰⁷ NA, FO 371/45153/AS5835, Ogilvie-Forbes to FO, 6 November 1945.

¹⁰⁸ NA, FO 371/45153/AS5835, Christie minute, 8 November 1945.

Joseph Flack had told Hadow that Pérez Alfonso's statement in the *Oil and Gas Journal* was a sufficient guarantee and could be used later if the government changed its attitude toward the oil companies. Flack added that he had spoken with US oil company officials who were satisfied by the assurances they had received, and with the general situation in Venezuela. Hadow reported that:

In short, it is I think clear that the U.S.G. [US government] intends to give Betancourt the "Green Light". ... Events will doubtless show how far American optimism is justified; but it would in any case be unwise, in view of the present attitude of U.S. officialdom, to risk penalisation of our companies on the ground that they alone were distrustful of the intentions of the new Venezuelan Government.¹⁰⁹

As was customary, British officials prioritised the interests of Shell when formulating their policy towards Venezuela but, again, their actions were largely dictated by the attitude of the State Department. Whitehall officials desired formal assurances from the government that the oil companies' established legal position would be respected but only felt able to make a diplomatic approach with State Department support. Yet US officials were unwilling to offer such support and were confident that Betancourt would not interfere in the companies' operations. Once Washington recognised the Venezuelan government, FO officials felt compelled to do likewise and were not prepared to press the issue for fear that Shell would be the victim of reprisals to the benefit of US firms. Once again, Whitehall's unwillingness to act unilaterally allowed US officials to undermine its hard-line position.

While Christie admitted that it was 'too early to lay down any definite opinion on the new Venezuelan Government' he feared that State Department officials were 'being rather woolly minded' and 'more than usually naïve in their treatment of the Betancourt

¹⁰⁹ NA, FO 371/45157/AS6034, Robert H. Hadow, Counsellor, Washington Embassy, to Victor Butler, Office of British Petroleum Representative, Washington, 10 November 1945.

regime. I only hope they prove to be right.’¹¹⁰ He wrote that if the State Department ‘expects a Liberal, or even a stable, regime from this unholy combination they would, like the Duke of Wellington’s friend, “believe anything.”’¹¹¹ Allen argued that the issue was a ‘very much of a moot point’ and stated that ‘solemn promises’ extracted from a post-revolutionary government seeking recognition would not prevent the same government ‘from proceeding against foreign interests later on when they feel their position to be secure - if they decide that it is to their advantage to do so’.¹¹² Perowne felt that Venezuela had ‘a completely lopsided internal economy, and no real political experience’ and pointed out that ‘a little time back, the Americans regarded the new Venezuelan provisional President, Romulo Betancourt, as a most dangerous agitator’. Thus, he concluded that it was ‘far too soon to think of patting ourselves on the back at the change of regime.’¹¹³

Other British officials were more optimistic. James Dalton Murray of the FO felt that it was arguably in US interests to encourage the new government and ‘definitely undesirable to make it feel it is suspected of a tendency to welsh.’¹¹⁴ The British official felt that it ‘seems that on the whole we can regard the developments in Venezuela without alarm, if not indeed with satisfaction’.¹¹⁵ Ogilvie-Forbes pointed out that ‘Romulo Betancourt used to be associated with the Communist Party but he is now anti-Communist, and this is a revolution of the Middle Class.’ He stated that:

The local representatives of the Big Three Oil Companies, including Shell, are satisfied with the assurances given by Betancourt and there is no need for panic. The new Government’s

¹¹⁰ NA, FO 371/45171/AS5828, Christie minute, 9 November 1945; NA, FO 371/45157/AS6034, Christie minute, 22 November 1945.

¹¹¹ NA, FO 371/45171/AS5828, Christie minute, 9 November 1945.

¹¹² NA, FO 371/45157/AS6034, Allen minute, 27 November 1945.

¹¹³ NA, FO 371/45154/AS6020, Perowne minute, 1 December 1945.

¹¹⁴ NA, FO 371/45157/AS6034, minute by James Dalton Murray, FO, 23 November 1945.

¹¹⁵ NA, FO 371/45154/AS6020, Murray minute, 1 December 1945.

position is not nearly strong enough to upset this industry, so vital to Venezuela.¹¹⁶

The FO's B. M. Beves argued that AD were 'fully alive' to the 'menace from' communists and pointed out that there was 'no anti-British feeling, and the Democratic Action Party have made surprisingly favourable undertaking and gestures of oil companies.'¹¹⁷

The British perception of Venezuela's new government was almost entirely shaped by AD's policy towards the oil industry and its attitude towards communism. These issues were linked as Whitehall feared that Betancourt's supposed communist sympathies might lead him to challenge the established rights of the multinational oil companies. For British officials, the worst-case scenario would be for the AD government to nationalise the oil industry and expropriate company property in a repeat of earlier events in Mexico. In particular, British officials focused on safeguarding Shell's operations due to the company's close links with Whitehall and central role within British oil policy. They were also increasingly concerned by the threat posed by communism at an international level as, by the time of the Venezuelan revolution, the Soviet Union appeared to be making inroads into the Middle East. For Whitehall officials, communist subversion in Venezuela was just a small part of a worldwide communist threat. However, it would be US officials, rather than the British, who would be most alarmed when the Junta sought to extract additional money from the oil companies.

A New Tax

Although the Venezuelan government had stated its intention to abide by the 1943 hydrocarbons law, on 2 January 1946, it made public an extraordinary levy on 1945 pre-

¹¹⁶ NA, FO 371/45157/AS6402, Ogilvie-Forbes to Hadow, 19 November 1945.

¹¹⁷ NA, FO 371/45154/AS6020, minute by B. M. Beves, FO, 1 December 1945.

tax net profits. Taxpayers whose total net profits amounted to more than Bs 800,000 would, in addition to their normal taxes, be charged 6% on profits between Bs 800,000 and Bs 1 million, 10% between Bs 1 million and Bs 1,400,000, 15% between Bs 1,400,000 and Bs 2 million and 20% on all profits in excess of Bs 2 million. The government stated that the purpose of the tax was to finance developments in agriculture, industry, low-cost public housing, and the creation of a merchant marine.¹¹⁸

The different ways the British and US Embassies reported this to their home governments resulted in the two governments pursuing alternative policies. Ogilvie-Forbes told the FO that he was 'reliably advised' that the tax would affect only oil companies 'actually exporting or refining in Venezuela for domestic markets, namely Standard Oil Company, New Jersey's local company, that of Sinclair, and certain Shell units.' He reported that the measure was not universal and that the 'chief victims' would be local manufacturers of beer, tobacco, sugar, and electricity along with 'notorious profiteers who enjoy certain favours from the late regime and took advantage of United States and Venezuelan trade control; also certain public works contractors who were privileged.' The British Ambassador also reported that the affected oil companies 'consider that they have no grounds for protest', given that neither their concession contracts nor the 1943 law safeguarded them from the tax. Moreover, he argued that 'since they did not object to the first act of the revolutionary government assuming executive power, they cannot contest the constitutionality of its enactments.' He felt that it would be difficult to oppose the tax 'on grounds of justice, morals, or international usage' and that 'its aims at palliating are very real.' The Ambassador noted that SOCNJ had recently given wide publicity to the vast profits of its Venezuelan operations, which

¹¹⁸ NARA, DS 831.512/1-246, Allan Dawson, Chargé d'Affaires to Venezuela, to Byrnes, 2 January 1946; NA, FO 371/52206/AS65, Ogilvie-Forbes to FO, 2 January 1946.

had attracted public curiosity and comment.¹¹⁹ This report led the FO's John C. W. Bushell to 'judge from the enumeration of "chief victims" this seems a well-considered tax'.¹²⁰ FO officials seemed more interested in the prospect of selling ships for the new merchant marine than the tax's impact on the oil industry and, therefore, did not protest.¹²¹

While British officials viewed the new tax as a relatively unimportant, reasonable and isolated policy, their US counterparts reacted very differently. State Department officials felt that the tax indicated that the Venezuelan government was instigating a turn towards economic nationalism that would put private foreign investment at risk. As the US economic policy towards Latin America was based around encouraging private investment in the region, developments in Venezuela took on broad significance. US Chargé d'Affaires in Venezuela, Allan Dawson, immediately reported to the State Department that the tax would primarily affect oil companies, whose payments to the government would be approximately \$30,000,000 in addition to regular income tax.¹²² While US officials acknowledged that the surtax was not technically a violation of the 1943 law, Corrigan was disturbed by the fact that Venezuelan officials had given no impression that such an important decree was imminent. State Department officials told Embassy staff that they were 'disappointed' by the government's methods which appeared 'to be contrary to [the] cooperative spirit that characterized the earlier statements'.¹²³

¹¹⁹ NA, FO 371/52206/AS99, Ogilvie-Forbes to FO, 3 January 1946.

¹²⁰ NA, FO 371/52206/AS99, minute by John C. W. Bushell, FO, 5 January 1946.

¹²¹ *Ibid.*; NA, FO 371/52206/AS99, Murray minute, 6 January 1946. However, Ogilvie-Forbes would later state in his end of year report to the FO that in practice the tax affected the oil industry most of all as the oil companies possessed 90% of the taxable income: NA, FO 371/52206/AS1012, Ogilvie-Forbes to Bevin, 20 February 1946.

¹²² NARA, DS 831.512/1-246, Dawson to Byrnes, 2 January 1946.

¹²³ NARA, DS 831.512/1-346, Byrnes to Dawson, 7 January 1946.

At the previous year's Inter-American Conference in Mexico, US officials had outlined an economic policy that was based on increasing private foreign investment in Latin America rather than expanding US government loans to the region.¹²⁴ Consequently, State Department officials were concerned that the Venezuelan surtax would discourage new foreign capital investment in the country and they asked the Embassy to inform Caracas of 'the shocked surprise' with which 'financial circles' received the tax and 'what a blow it might entail for the Junta's standing abroad.'¹²⁵ The US government's emphasis on private foreign investment went back to the 'Clayton Plan' and 'Economic Charter of the Americas' that had envisaged Latin America as an outlet for private US capital investment in the production of raw materials for export.¹²⁶ In order for this strategy to come to fruition in Venezuela, US officials required a 'cooperative spirit' between the local government and private enterprise that would ensure that the interests of foreign capital were secure.

US officials had initially greeted the Venezuelan revolution with optimism but the new tax produced a reactionary response. Chargé d'Affaires Dawson met with members of the Junta including President Betancourt but found their justifications for the new tax 'completely unconvincing'. Embassy staff felt that the Venezuelan government could have financed its proposed projects in agriculture, industry, housing and merchant shipping from its ordinary revenues. Indeed, Betancourt had told Dawson that the Venezuelan government had no real financial worries and an adequate mounting surplus to meet its economic and social objectives providing that oil revenues continued at a high

¹²⁴ *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, DC, 1945), pp. 93-96. Green, *The Containment of Latin America*, pp. 172-179.

¹²⁵ NARA, DS 831.512/1-346, Byrnes to Dawson, 7 January 1946.

¹²⁶ Caulfield, *NAFTA and Labor in North America*, p. 32; Kofas, *Foreign Debt and Underdevelopment*, p. 26; 'U.S. Proposals at Mexico City Parley for a Hemisphere Charter', *New York Times*, 27 February 1945, p. 15; *Final Act of the Inter-American Conference on Problems of War and Peace*, pp. 93-96; Green, *The Containment of Latin America*, pp. 172-179.

level. This led Dawson to doubt the Venezuelan government's stated reason for introducing the new tax.

Dawson felt that a more likely explanation for the sudden tax was that 'some bright lad' in the government realised that the Venezuelan oil industry would soon be facing increased competition from the Middle East, which produced oil at lower cost. This competition would inevitably lead to a reduction in Venezuelan production and, therefore, a corresponding decrease in government revenue. As the major oil companies operating in Venezuela had made huge profits in 1945, Dawson surmised that the government believed 'now was the time to get some of the fat off of the geese laying the golden eggs, before their weight went down'. He also postulated that the tax has been introduced for political reasons as a means of gaining public support. He felt that the 'decree was a simple one and soaked the always unpopular "petrolero" without being openly discriminatory or violating the Petroleum Law'.¹²⁷

Indeed, Dawson subsequently learned from Betancourt that the tax had been specifically designed to draw excess profits from the oil companies but had been given a general form to avoid discrimination. The President also assured Dawson that the Junta would try to avoid taking any new action affecting the oil companies and insisted that his government's norm was to operate openly after consolation and negotiation. Yet he refused to make a formal declaration to that effect. Betancourt said that the Venezuelan government would guard against any inflationary effects of the law, and that its intention was to use large shares of the funds to purchase US equipment. Dawson informed the State Department that the '[e]ntire explanation was utterly unconvincing' and that the tax

¹²⁷ NARA, DS 831.512/1-1046, Dawson to Byrnes, 10 January 1946.

was based on the 'idea of a grab of what could be gotten away with rather than any real need for additional revenues.'¹²⁸

The US government could potentially highlight the possibility of reduced foreign investment and capital flight in an attempt to dissuade Venezuelan officials from increasing taxation of local industry. However, US officials were not prepared to put this argument to the government which might interpret it as a threat and, in addition, they did not wish to put particular emphasis on the opinion of the oil industry.¹²⁹ Thus, while the State Department sought to secure the interests of multinational oil companies they did not want the Venezuelan government to believe that their policy was governed by these interests. In fact, in November, the President of SOCNJ's Venezuelan subsidiary, Arthur Proudfit, had admitted that there could be no reasonable objection to the government seeking more revenue from an increase in tax rates or surtaxes. Other oil industry officials had, in private and confidential conversation, told the US Embassy's petroleum reporting officer, First Secretary Thomas Maleady, that they were inclined to agree.¹³⁰ However, this did not alter the views of State Department officials who still felt that the tax was unreasonable and a sign of trouble ahead.

Dawes stated that there was 'increasing evidence' that the Venezuelan government's public protestations of good will towards the foreign oil companies were insincere and argued that there was 'every indication' that the new tax was 'only the beginning of a campaign to milk the companies of everything possible'.¹³¹ Such fears seemed substantiated when a Venezuelan citizen wrote to the government Finance Minister (*Ministro de Hacienda*) Carlos D'Ascoli asserting that the 1943 oil law was unconstitutional and accusing Gulf, SOCNJ and Shell of holding a number of concessions

¹²⁸ NARA, DS 831.512/1-1146, Dawson to Byrnes, 11 January 1946.

¹²⁹ NARA, DS 831.512/1-1646, Flack memorandum, 16 January 1946.

¹³⁰ NARA, DS 831.6363/1-1046, Dawson to Byrnes, 10 January 1946.

¹³¹ NARA, DS 831.6363/1-1746, Dawson to Byrnes, 17 January 1946.

illegally. It was rumoured that Pérez Alfonso had encouraged the letter, which was of great concern to oil company officials who felt that the government held menacing and dangerous attitudes toward their interests.¹³²

Embassy officials deemed the 1943 law ‘in effect to be a solemn contract’ entered into after extensive discussions in which US government officials had intervened as ‘honest brokers’. Dawson felt that there was a real danger that the Venezuelan authorities would rule that the concessions in question were being held illegally, which in itself ‘would cost the companies involved many millions of dollars, and establish a precedent which might cost them and others, many more millions.’ He argued that Pérez Alfonso would ‘go to great length to have his own point of view prevail over the law’ and that the Junta had shown itself to be ‘capable of sudden announcement of costly decision’.¹³³ Thus, US officials were not only concerned by the one-time tax itself but feared that the Venezuelan government might well take similar action in future.

The Embassy passed on its views to Finance Minister D’Ascoli who said that the 1943 law would be respected. However, Embassy officials were not entirely reassured. Upon entering office, the Development Minister Pérez Alfonso had stated that:

We are going to respect the Oil Law of 1943 and the contracts made according to it. Concessions, agreements, royalties, holdings, exploration and exploitation commitments will remain the same. Our purpose will be limited to determining if present federal revenues are honestly calculated. The present provisional Government does not contemplate any change in the law.

However, the AD party had been critical of the law at the time of its passing. In 1943, Pérez Alfonso had contended that the legislations could not ‘convert injustice into right’ which would only be achieved ‘by means of a reasonable payment ... to the Venezuelan nation’ by the oil companies. Dawson told the State Department that US Embassy

¹³² NARA, DS 831.6363/1-1846, Dawson to Byrnes, 18 January 1946.

¹³³ *Ibid.*

‘strongly suspects that Minister of Fomento Pérez Alfonso, for one, has not exactly changed his spots.’¹³⁴

On 21 January, Arthur Proudfit met with Betancourt who reiterated to the SOCNJ official that his government intended to uphold the 1943 law.¹³⁵ Proudfit suggested that the President make a public declaration to that effect and, on 23 January, the Venezuelan government released a statement unambiguously declaring that it would respect and enforce the law.¹³⁶ Following this, Dawson wrote to the State Department stating that despite earlier fears that Caracas was embarking ‘on policies which would tend to bring increasing pressure on American interests established in Venezuela’ he could now report ‘that events in the past few days have tended to lessen this possibility for the present.’¹³⁷

However, managers of the smaller Texas, Socony-Vacuum, Pantepec and Sinclair oil companies were concerned that, if the AD-led government placed further financial burdens on the industry, their firms would be unable to recover their financial investments in Venezuela. Pantepec asked the State Department to support a formal protest to the Venezuelan authorities but it refused, stating that the law did not violate the established rights of US companies.¹³⁸ It is important to recognise that the oil companies in Venezuela were not a homogenous group that necessarily shared interests. The largest wealthiest oil companies of Shell, SOCNJ and Gulf could more easily withstand additional financial burdens placed on them by the Venezuelan authorities. They were, therefore, more ready to accept increased costs than their smaller competitors. Indeed, if additional expenses forced the smaller companies out of the market it would be all the

¹³⁴ NARA, DS 831.6363/1-2546, Dawson to Byrnes, 25 January 1946.

¹³⁵ NARA, DS 831.6363/1-1746, Dawson to Byrnes, 23 January 1946.

¹³⁶ NARA, DS 831.6363/1-2646, Dawson to Byrnes, 26 January 1946; NARA, DS 831.6363/1-1746, Dawson to Byrnes, 23 January 1946; NARA, DS 831.6363/1-2546, Dawson to Byrnes, 25 January 1946.

¹³⁷ NARA, DS 831.6363/1-2846, Dawson to Byrnes, 23 January 1946.

¹³⁸ NARA, DS 831.6363/10-2345, Corrigan to Byrnes, 23 October 1945; NARA, DS 831.6363/4-1146, memorandum of conversation with Flack and McCloy by John A. Loftus, head of the Petroleum Division, 11 April 1946.

better for Shell, SOCNJ and Gulf. Such variances demonstrate the importance of recognising the limitations of any sweeping analysis of private enterprise and its relationship to the state.

The fragmented nature of oil industry opinion came to the fore when, in May 1946, the Venezuelan government began to negotiate with the oil companies regarding new labour contracts for industry workers. Some company officials felt that communist union leaders would not wish to collaborate and instead would seek a showdown with industry management. They argued that the best course of action would be to invite confrontation by refusing to discuss certain issues. In particular, oil company officials were united in their refusal to accept the union demand that no worker be hired or fired without union consent. Thomas J. Maleady, First Secretary at the US Embassy in Caracas, felt that a strike of oil workers could endanger the government's position and felt, therefore, that a firm stand by the industry would be a safe course of action. Yet, due to the differing financial positions of the oil companies in Venezuela, there was a variety of opinion as to the extent to which the industry should give in to workers' pay demands. The larger wealthier companies, such as SOCNJ, were more able to afford higher wages than the smaller companies such as Socony-Vacuum.¹³⁹

Maleady reported that the 'wide difference in the status of the several companies makes full agreement among them difficult.' He stated that while 'Creole [the SOCNJ subsidiary] and Shell are "fat" with profits, and can afford to give', some of the smaller companies were investing more than they were earning in Venezuela.¹⁴⁰ As such, the smaller companies sought to maintain a harder line in negotiations than SOCNJ and Shell.¹⁴¹ Gulf's position was between the two extremes as 'while it has sizeable

¹³⁹ NARA, DS 831.6363/5-646, Maleady to Byrnes, 6 May 1946.

¹⁴⁰ NARA, DS 831.6363/5-2746, Maleady to Byrnes, 27 May 1946.

¹⁴¹ NARA, DS 831.6363/6-346, Maleady to Byrnes, 3 June 1946.

production is not nearly as fat as Creole and Shell.¹⁴² Knowing that SOCNJ and Shell officials would be more amenable to suggestions, Betancourt spoke to them a number of times over the course of negotiations. While SOCNJ and Shell management reported back to the other oil companies, Corrigan told Washington that the smaller firms were not convinced that their larger competitors 'had been as firm as the situation warranted.'¹⁴³ Some oil company officials who had experience of working in Mexico were concerned that the issue could become a repeat of the conflict over pay that had led to expropriation of the Mexican oil industry.¹⁴⁴

When negotiations stalled, Betancourt and his Labour Minister Raul Leoni told the oil companies that unless the issue was soon resolved, the government would impose a settlement by decree. Wishing to avoid such a development, the companies promptly agreed to union demands on 30 May. The only issue on which they stood firm was their ability to hire and fire freely while, simultaneously, workers were given wage increases, paid holiday and sick leave. Moreover, Shell and SOCNJ agreed to introduce a pension scheme within a year. Estimates of the total cost of the settlement to the industry varied from Bs 40,000,000 to Bs. 110,000,000 per year while Shell officials projected that their company's costs would amount to Bs. 20,000,000 per year.¹⁴⁵ Corrigan informed the State Department that 'several of the oil company managers were exceedingly angry' and some felt that 'they had been swayed too greatly by their profit-fat colleagues.'¹⁴⁶

The State Department supported the agreement but Secretary of War Robert Patterson felt that the union demands would force the US oil companies in Venezuela out

¹⁴² NARA, DS 831.6363/5-2746, Maleady to Byrnes, 27 May 1946.

¹⁴³ NARA, DS 831.6363/6-346, Corrigan to Byrnes, 3 June 1946.

¹⁴⁴ NARA, DS 831.6363/5-2746, Maleady to Byrnes, 6 May 1946.

¹⁴⁵ NARA, DS 831.6363/5-3146, Maleady to Byrnes, 30 May 1946; NA, FO 371/52208/AS4918, Beves minute, 21 August 1946; 'Venezuelan Oil Concessions', *The Manchester Guardian*, 3 July 1947, p. 2.

¹⁴⁶ NARA, DS 831.6363/6-346, Corrigan to Byrnes, 3 June 1946.

of business.¹⁴⁷ However, acting Secretary of State Dean Acheson told Patterson that State Department officials believed the agreement to be a reasonable settlement. He contended that the Department had 'long been well aware of the military and economic importance of the Venezuelan petroleum industry' and that its officials appreciated 'the seriousness of any movement which might lead to curtailment of Venezuelan production.' Acheson affirmed that the State Department had 'over a long period of years maintained a very close working liaison with American petroleum companies operating in Venezuela' and that it 'did not believe that the interests of our Government or the American petroleum companies would be best served if the latter were encouraged to resist the reasonable demands of labor.'¹⁴⁸ Oil was of fundamental importance to the US military and the State Department did take military considerations into account when formulating oil policy. Nevertheless, State Department officials were tasked with putting policy into practice on the ground, which had the potential to cause conflict between the military and political wings of the US government.

British officials were less trusting of Betancourt and initially more concerned by the prospect of a new wave of Venezuelan economic nationalism than their US counterparts. In this light, the one-off extra tax did not come as a great surprise and appeared relatively mild. On the other hand, US officials had much greater faith in the moderate tendencies of AD and the surtax appeared to be a sudden and surprising betrayal. The different manner in which the tax was interpreted and reported by embassy officials in Venezuela also had an important impact on British and US policy. As FO and State Department officials depended on embassy reports to inform their view of events in Venezuela, the mechanics of international diplomacy could have concrete outcomes in policy formulation.

¹⁴⁷ Painter, *Oil and the American Century*, p. 132; NARA, DS 831.6363/6-746, Acting Secretary of State Dean Acheson to Secretary of War Robert Patterson, 17 June 1946.

¹⁴⁸ NARA, DS 831.6363/6-746, Acheson to Patterson, 17 June 1946.

Moreover, the US government was attempting to instil a liberal economic climate throughout Latin America in the hopes of encouraging an influx of private foreign capital to the region.¹⁴⁹ US officials feared that the Venezuelan government's decision to hastily introduce special taxation measures was not only unjust to the oil companies but might also discourage foreign investment in the country as a whole. Yet both the tax and pay disputes reveal that the Venezuelan government did have the ability to gain significant concessions from oil company and State Department officials. Despite its hegemonic position in Latin America, the US government was unable to dictate Venezuelan oil policy. These episodes also demonstrate that in the immediate years following the end of the Second World War, the US government showed a willingness to take a relatively nuanced approach to a leftist government in Venezuela. While US officials were concerned that the new tax signalled a move towards economic nationalism in Venezuela they were not fearful that AD's reformism was in some way communist inspired. This is in contrast to the stark bi-polar perspective that would come to inform US Cold War policy in Latin America.¹⁵⁰

British Concerns and Aspirations

In March 1945, Perowne's 'The Importance of Latin America' had set out the FO's policy towards Latin America. FO officials were agreed that this policy should be to increase British economic and political influence in the region, which would necessitate challenging US preponderance.¹⁵¹ Throughout 1946, Whitehall officials attempted to

¹⁴⁹ Caulfield, *NAFTA and Labor in North America*, p. 32; Kofas, *Foreign Debt and Underdevelopment*, p. 26; Green, *The Containment of Latin America*, pp. 172-179.

¹⁵⁰ Jorge I. Dominguez, 'US-Latin American Relations during the Cold War and its Aftermath', in Victor Bulmer-Thomas and James Dunkerley (eds), *The United States and Latin America: The New Agenda* (Cambridge, MA, 1999), pp. 41-45; Stephen G. Rabe, *Eisenhower and Latin America: The Foreign Policy of Anticommunism* (Chapel Hill, NC, 1988), pp. 26-41

¹⁵¹ NA, FO 371/45012/AS1599, Perowne memorandum 'The Importance of Latin America', 17 March 1945.

apply this aim to their Venezuelan policy but, ultimately, their efforts served to highlight the British government's economic constraints. In February 1946, with the British Labour government in the midst of undertaking a range of social security measures, the Venezuelan authorities sought to institute their own national insurance system. Betancourt informed the British government that he would be grateful if Whitehall could provide an expert to help adapt the Beveridge Report to Venezuelan conditions. Crucially, from Whitehall's perspective, Shell officials also supported the proposal.¹⁵²

Whitehall officials wished to seize any opportunity to assist the Venezuelan government in the hope that this would lead to an increase in British exports to the country.¹⁵³ This attitude was in line with the British government's general policy to encourage export trade as a means of stimulating a domestic economy devastated by the Second World War.¹⁵⁴ The war had cost Britain an estimated £7,300 million and, in 1945, its debt to India and the Dominions was £3,567 million. During the war, it had sold foreign assets valued at £4,200 million and, following the conflict's end, was left with a labour shortage as well as out-dated industries that suffered from lack of investment. On 21 August 1945, Lend-Lease support suddenly came to an end and the newly installed Labour government had no choice but to accept the onerous conditions attached to a US loan of \$3.75 billion in July 1946. To make matters worse, Britain's balance of payments deficit amounted to £386 million in 1946.¹⁵⁵

After becoming Foreign Secretary in 1945, Ernest Bevin argued that in a 'world dominated by power politics' Britain was 'faced with a very difficult economic problem over the next two years, during which every effort should be made to release men and

¹⁵² NA, FO 371/52206/AS757, Ogilvie-Forbes to FO, 5 February 1946.

¹⁵³ NA, FO 371/52206/AS757, Murray to Arton Wilson, Ministry of Labour, 18 February 1946.

¹⁵⁴ Kent, *British Imperial Strategy*, pp. 123-126.

¹⁵⁵ Fergus Carr, 'Cold War: The Economy and Foreign Policy', in Jim Fyrrth (ed.), *Labour's High Noon: The Government and the Economy, 1945-51* (London, 1993), pp. 135-137; Truman, *Memoirs, Vol. I*, pp. 475-480; Gardner, *Sterling-Dollar Diplomacy*, pp. 208-254; David Sanders, *Losing an Empire, Finding a Role: British Foreign Policy since 1945* (London, 1990), pp. 47-49.

materials for the expansion of our export trade.’¹⁵⁶ As the British government sought to overcome its balance of payments deficit and dollar shortage, Latin America’s ability to pay for goods in US dollars led the Treasury to argue that the region constituted a particularly important export market.¹⁵⁷ In addition to being one of the most significant oil-producers in the world, Venezuela was also a steady market for British exports and, in line with Treasury thinking, it was able to pay for these goods in dollars, or at least in currency that was readily exchangeable for dollars.¹⁵⁸

The aim of increasing exports was part of the British government’s broader effort to maintain its influence in international relations. In March 1946, Bevin argued that Britain was ‘the last bastion of social democracy. It may be said that this now represents our way of life as against the red tooth and claw of American capitalism and the Communist dictatorship of Soviet Russia.’¹⁵⁹ This foreign policy perspective paralleled the argument outlined in Orme Sargent’s ‘Stocktaking after V.E. Day’ memorandum which had called for the formation of a ‘tripartite system’ in international politics.¹⁶⁰ Moreover, FO officials had a similar perception of Britain’s potential role in Latin America as outlined in Perowne’s ‘The Importance of Latin America’. Perowne had argued in this memorandum that the British government must do everything possible to mitigate the threat posed by US and Soviet dominance of international relations.¹⁶¹

The additional element that Bevin added to this foreign policy approach was the Labour government’s social democratic principles which were now of particular relevance to British relations with Venezuela as AD was a fellow social democratic party.

¹⁵⁶ NA, CAB 69/7, DO (45) 11th meeting, Cabinet Defence Committee minutes, 29 October 1945.

¹⁵⁷ Kent, *British Imperial Strategy*, pp. 124-125.

¹⁵⁸ NA, FO 371/52206/AS757, Murray to Arton Wilson, Ministry of Labour, 18 February 1946.

¹⁵⁹ NA, CAB 131/2, DO (46) 40, Bevin memorandum, 13 March 1946.

¹⁶⁰ NA, FO 371/50912/U5471, Orme Sargent revised memorandum ‘Stocktaking after V.E. Day’, 11 July 1945.

¹⁶¹ NA, FO 371/45012/AS1599, Perowne memorandum ‘The Importance of Latin America’, 17 March 1945.

The Venezuelan request for assistance setting up a social security scheme was evidence that shared political principles could create international ties between social democratic governments. The FO were 'anxious to encourage and assist' the present 'moderate Socialist' Venezuelan government. However, their motives for assisting AD were not triggered by a sense of social democratic solidarity *per se* but more the fear that a collapse of the present Venezuelan government might lead to serious labour disturbances that would disrupt the country's oil production.

On May 1946, Ogilvie-Forbes reported that a 'labour crisis' faced the foreign oil companies. While he felt that the oil workers were already well paid, improved living conditions for the working classes 'is a certainty which no future Government of whatever complexion can afford to ignore.'¹⁶² Similarly the Ministry of Fuel and Power argued that the British government could not afford to have more labour trouble in the Venezuelan oil industry and that it was, therefore, of the utmost importance to provide a social security advisor.¹⁶³ The danger of labour disputes was linked to the threat posed to British interests by communism in Venezuela. This issue arose in July 1946, when the British Information Department in Caracas reported that public opinion in Venezuela had not been favourable to Britain due to 'the "smear" method of propaganda which has been and is being used by the U.S.S.R. against the United Kingdom'. Emile P. Lecours, the recently appointed Press Attaché, reported that the three local communist parties had grown from insignificant numbers in 1943 to 'impressive groups' which were 'extremely well organised' and 'very active' with no less than thirty thousand members.¹⁶⁴ He wrote that Venezuela 'is in reality a terribly poor country with a very rich Government' and

¹⁶² NA, FO 371/52207/AS2936, Ogilvie-Forbes to Bevin, 28 May 1946.

¹⁶³ NA, FO 371/52208/AS3574, Murray minute, 27 June 1946; NA, FO 371/52208/AS3759, Murray minute, 28 June 1946.

¹⁶⁴ NA, FO 371/52208/AS4257, 'Proposed Expenditure in the Information Department at Caracas, Venezuela' by Lecours, attached to Ogilvie-Forbes to Bevin, 10 July 1946.

Ogilvie-Forbes felt that communist propaganda attacking the capitalist system had ‘the attraction of professing to solve the very real grievances of the poor.’¹⁶⁵

The Venezuelan poor’s association with Britain and the USA was through oil, public utilities and other businesses and Ogilvie-Forbes reported that, consequently, the poor ‘imbibe with relish the subtly anti-British communist inspired’ articles criticising British imperialism.¹⁶⁶ Such pro-communist, anti-British sentiments could potentially be a grave threat to British oil interests in Venezuela which led Whitehall to become preoccupied with the influence of communist ideology and Soviet influence on the AD-led government. Lecours wrote that ‘[u]ndoubtedly Betancourt would like to nationalise the oil industry, but realizes that this is impossible and he frequently has commented on the mistake made by Mexico. Venezuela, unlike Mexico, depends exclusively on oil for its subsistence.’¹⁶⁷ Ogilvie-Forbes argued that ‘in spite of much diplomatic cordiality, it must be admitted that the Government has tended to be more nationalistic than its predecessor, though jealousy of foreign interests has not as yet taken any extreme form.’¹⁶⁸ Lecours reported that Betancourt frequently met with the Soviet Ambassador who was an expert on the oil industry and that the Soviet Embassy had a large staff and spent a ‘very considerable’ amount of money on propaganda. However, he felt it was ‘very doubtful that in any circumstances would Betancourt side with Russia against the U.S.A. and Great Britain.’¹⁶⁹

These anxieties regarding the spread of Soviet propaganda and influence in Venezuela must be understood within the broader context of Whitehall’s increasing

¹⁶⁵ *Ibid.*; NA, FO 371/52208/AS4257, Ogilvie-Forbes to Bevin, 10 July 1946.

¹⁶⁶ NA, FO 371/52208/AS4257, Ogilvie-Forbes to Bevin, 10 July 1946.

¹⁶⁷ NA, FO 371/52209/AS6356, Lecours minute, 27 September 1946.

¹⁶⁸ NA, FO 371/61391/AS1345, Ogilvie-Forbes to Bevin, 7 February 1947.

¹⁶⁹ NA, FO 371/52209/AS6356, Lecours minute, 27 September 1946.

concerns regarding the Kremlin's foreign policy.¹⁷⁰ In April 1946, Foreign Secretary Ernest Bevin argued that British 'policy towards Germany should be guided by the consideration that Russia is our most likely potential enemy and is a more serious danger than a revived Germany.'¹⁷¹ This matched the Chief of Staff's view that British 'long-term policy with regard to Germany must take full account of the fact that Russia is a much more dangerous potential enemy than Germany'.¹⁷² US officials shared these concerns which were propagated by George F. Kennan's highly influential 'long telegram' of 22 February 1946.¹⁷³ Kennan, who was the US chargé d'affaires in Moscow, contended that Soviet officials sought to increase their international influence and weaken capitalist societies through 'an underground operating directorate of world communism, a concealed Comintern tightly coordinated and directed by Moscow.'¹⁷⁴ These same sentiments were conveyed in a US Central Intelligence Group report of July 1946, which claimed that:

The Soviet Government anticipates an inevitable conflict with the capitalist world. It therefore seeks to increase its relative power by building up its own strength and undermining that of its assumed antagonists. ... In Latin America, in particular, Soviet and Communist influence will be exerted to the utmost to destroy the influence of the United States and to create antagonisms disruptive to the Pan American system.¹⁷⁵

As Leffler argues, US officials, worried by the turmoil and unrest of the post-war world, 'placed blame and responsibility on the Kremlin' and by the middle of 1946 it had

¹⁷⁰ Deighton, 'Britain and the Cold War, 1945–1955', pp. 118–121; David Reynolds, 'Great Britain', in David Reynolds (ed.), *The Origins of the Cold War in Europe: International Perspectives* (New Haven, CT, 1994), pp. 81–83

¹⁷¹ NA, CAB 129/8, CP (46) 139, Bevin memorandum, 15 April 1946.

¹⁷² NA, CAB 80/101, COS (46) 105 (0), Chiefs of Staff Committee report 'The Future of Germany and the Ruhr', 5 April 1946.

¹⁷³ Gaddis, *The United States and the Origins of the Cold War*, pp. 302–304; Leffler, *A Preponderance of Power*, pp. 108–109; *FRUS*, 1946, Vol. VI, pp. 696–709; Acheson, *Present at the Creation*, pp. 150–151.

¹⁷⁴ *FRUS*, 1946, Vol. VI, pp. 703–704.

¹⁷⁵ Central Intelligence Group, Office of Research and Evaluation, ORE 1: Soviet Foreign and Military Policy, 23 July 1946, in Michael Warner (ed.), *CIA Cold War Records: The CIA under Harry Truman* (Washington, DC, 1994), pp. 66, 74.

become ‘commonplace to charge that Stalin and his comrades sought world domination.’¹⁷⁶

Wayne S. Cole and Warren F. Kimball have argued that, from 1941, the perceived success of the Good Neighbor policy led US officials to argue that pan-American cooperation was a model for effective regional organisation.¹⁷⁷ By the end of 1946, this view had taken on a Cold War context as, on 22 October 1946, Kennan contrasted the Soviet government’s ‘essential deceptiveness and divisiveness’ with Washington’s own policy towards Latin America. He questioned why the Kremlin did ‘not reconcile itself – as our Government has done in relation to the governments of Central and South America – to a relationship which allows neighboring countries full expression of political feeling, restricting them only when questions of regional security are involved?’¹⁷⁸ Subsequently, the Truman administration hardened its attitude towards the Soviet Union and began to formulate a policy of ‘containment’ designed to limit the Kremlin’s international influence and protect US interests around the world.¹⁷⁹

In relation to Venezuela, B. M. Beves of the FO argued in December 1946 that the local communists were ‘biding their time’ but were ‘no doubt very ready to foment labour troubles when good opportunities occur.’¹⁸⁰ The potential for communist agitation and intense labour upheaval placed further importance in establishing a social security system in Venezuela that would mitigate these threats and, therefore, avoid any disruption to the country’s oil industry. Ogilvie-Forbes asserted that any disorder in Venezuela could lead to attacks on ‘foreigners, especially those connected with the “Imperialist” Oil Companies

¹⁷⁶ Leffler, *A Preponderance of Power*, p. 100.

¹⁷⁷ Cole, *Roosevelt and the Isolationists*, pp. 357-362; Kimball, *The Juggler*, pp. 107-111.

¹⁷⁸ George F. Kennan, ‘Contemporary Soviet Diplomacy’, 22 October 1946, in Giles D. Harlow and George C. Maerz (eds), *Measures Short of War: The George F. Kennan Lectures at the National War College 1946-1947* (Washington, DC, 1991), pp. 59, 61.

¹⁷⁹ Gaddis, *The United States and the Origins of the Cold War*, pp. 304-315; Leffler, *A Preponderance of Power*, pp. 109-140.

¹⁸⁰ NA, FO 371/52209/AS7812, Beves minute, 23 December 1946.

and Big Business, all of whom are so prosperous while the poor rot and this would provide plenty of troubled waters for the Communists to fish in.¹⁸¹

By July 1946, the FO had still been unable to secure the assistance of a social insurance expert for the Venezuelan government. In response, Ogilvie-Forbes wrote that if Whitehall proved unable to fulfil the Junta's request, this would:

only increase the impression that we are so exhausted by the war that we are unable not only to send out the exports of goods demanded but also even to export useful manpower which would not cost the Treasury one panny [sic] of foreign exchange. ... The President's comment to me the other day, more in sorrow than in wrath, that he realized we could contribute very little in the way of exports and services, is rather ominous.

The British Ambassador contrasted this with the Americans who 'seized upon' opportunities to provide Venezuela with goods and advisers.¹⁸² Ogilvie-Forbes believed that the Venezuelan government 'do not want to be tied hand and foot to the Americans' but argued that 'we must never forget that we have the Americans on the doorstep ready to offer but not necessarily deliver anything from a row of pins to a battleship.'¹⁸³ While FO officials had repeatedly stated their intention to facilitate British trade with Venezuela, it proved difficult to realise this ambition. Starling at the PD argued that 'the appointment seems to us so important on broad grounds of policy' and contended that the 'social legislation on which the adviser is needed by the Venezuelans is an important factor in preserving relations and consequently unimpeded oil development.'¹⁸⁴ He was concerned, like Ogilvie-Forbes, that the British government would lose Venezuelan good-will if they were unable to provide the Junta with an adviser.

Starling reminded Butler, Assistant Under-Secretary for Foreign Affairs, that Venezuela was the third largest oil-producer in the world, and the largest oil-exporter.

¹⁸¹ NA, FO 371/61391/AS1347, Ogilvie-Forbes to Bevin, 11 February 1947.

¹⁸² NA, FO 371/52208/AS4276, Ogilvie-Forbes to Perowne, 10 July 1946.

¹⁸³ NA, FO 371/52209/AS5685, Ogilvie-Forbes to Perowne, 27 August 1946.

¹⁸⁴ NA, FO 371/52208/AS4883, Starling to Butler, 14 August 1946.

Since the British stake in Venezuelan oil was so large, he argued that ‘from our point of view the goodwill of the Venezuelans is most valuable since our difficulties in the Middle East demand that we should reinsure the oil supplies we have, both in peace and war, in other major sources of production.’¹⁸⁵ The Palestinian and Iranian crises of 1945 to 1946, to which Starling referred, demonstrated that Britain could not rely solely on the Middle East for its oil supplies. This placed additional emphasis on Venezuela as a source of oil imports and consequently increased the importance of ensuring sound relations between the British and Venezuelan governments. Accordingly, this put further pressure on the FO to procure the services of a social security advisor for Venezuela. In December 1946, following helpful suggestions from Shell, the FO was finally able to suggest two British candidates to the Venezuelan government.¹⁸⁶

When the opportunity arose, FO officials were keen to ingratiate themselves to the Venezuelan government as part of a broader aim to extend British influence in Latin America.¹⁸⁷ Once again, international, regional and local considerations merged as concerns regarding Britain’s international standing, the communist threat and oil supplies all informed Whitehall’s policy in Venezuela. When FO officials saw a chance both to increase their ties to the Venezuelan government, while simultaneously helping to ensure stability of the local oil industry, they strove to take it. Moreover, the issue highlighted the interconnected aims of Shell executives and British government officials who both sought to mitigate the possibility of disruption to the oil industry by helping to establish a social security programme in Venezuela. The important links between domestic and international politics were also demonstrated as the Labour government’s social

¹⁸⁵ *Ibid.*

¹⁸⁶ *Ibid.*; NA, FO 371/52209/AS7192, FO to Francis, 28 November 1946; NA, FO 371/52209/AS7814, Frost to Dr Carlos Morales, Acting Minister for Foreign Affairs, 2 December 1946.

¹⁸⁷ NA, FO 371/45012/AS1599, Perowne memorandum ‘The Importance of Latin America’, 17 March 1945.

programmes created opportunities for the FO to assist its social democratic counterpart in Venezuela.

The episode also highlights the concerns of British officials regarding their inability to compete with US business interests. Indeed, it was Britain's balance of trade deficit which led, in part, to the sterling convertibility crisis of 1947 that highlighted British economic weakness.¹⁸⁸ The British government's subsequent decision to make sterling inconvertible prevented Latin American countries from gaining dollars from exports to Britain and this limitation was compounded by Britain's inability to supply goods for purchase in sterling. Moreover, in the immediate post-war period, the Treasury prevented any major capital exports to Latin America while British-owned utilities and industries in the region were sold to local national governments. As a result of all of these restrictions on trade and investment, British capital in Latin America halved between 1939 and 1949.¹⁸⁹ Concurrently, the Labour government endeavoured to reduce the cost of its international commitments in order to help relieve its financial difficulties.¹⁹⁰ In stark contrast, on 12 March 1947, President Truman extended US interventionism with his eponymous Truman Doctrine which committed Washington to the worldwide containment of communism and Soviet influence.¹⁹¹

The Birth and Death of Venezuelan Democracy

A year after its seizure of power, the revolutionary Junta fulfilled its promise to introduce democracy to Venezuela. In free elections, on 27 October 1946, AD won an

¹⁸⁸ Gardner, *Sterling-Dollar Diplomacy*, pp. 312-331.

¹⁸⁹ Miller, *Britain and Latin America*, pp. 227-230; Leslie Bethell, 'Britain and Latin American in Historical Perspective', in Bulmer-Thomas (ed.), *Britain and Latin America*, p. 19.

¹⁹⁰ Kent, *British Imperial Strategy*, pp. 131-135; Anthony Adamthwaite, 'Britain and the World, 1945-9: The View from the Foreign Office', *International Affairs*, Vol. 61, No. 2 (Spring 1985), pp. 225-227; Woods, *A Changing of the Guard*, pp. 395-396.

¹⁹¹ Leffler, *A Preponderance of Power*, pp. 141-148; Elizabeth Edwards Spalding, *The First Cold Warrior: Harry Truman, Containment, and the Remaking of Liberal Internationalism* (Lexington, KY, 2006), pp. 68-79.

overwhelming majority of seats in the National Constituent Assembly and, subsequently, on 14 December 1947, the party's candidate Romulo Gallegos was elected President.¹⁹² During the Venezuelan congressional debates on the new oil law in 1943, Pérez Alfonso, who was now Minister of Development, had objected to the legislation on the grounds that the government would still not share an equal division of profits with the companies. The AD government did not make this an issue until the spring of 1947 when SOCNJ's balance sheets revealed that, during 1946, the government had received \$80 million in various royalties and taxes while the company had made a profit of \$83 million. After Pérez Alfonso brought the issue to SOCNJ's attention, the company informally indicated that they were willing to discuss the matter with a view to arriving at an amicable settlement. Pérez then approached Shell management in Caracas along the same lines.

Subsequently, Shell and SOCNJ officials discussed the matter and came to the conclusion that, if the companies were to contest the government's demand for a fifty-fifty share of profits, it was extremely doubtful that they would win their case. Moreover, even if they were to prevail, the government would, in all likelihood, change the tax laws in such a way as to gain an even greater share of industry earnings. Thus, Shell and SOCNJ officials agreed that the realistic and sensible approach was to reach an amicable arrangement with the government on the matter. Forster, of Shell's Venezuelan management, felt that although the deal 'would cost the company some money in the good years, [it] would be well worthwhile since it would tend to stabilize and improve our relations with the Government'. He felt that the ability of the two parties to 'publicly claim that they are henceforward true partners' would allow the government to defend Shell against any unreasonable demands made by the Venezuelan public.¹⁹³

¹⁹² Betancourt, *Venezuela*, pp. 109-119.

¹⁹³ NA, FO 371/68307/AS1840, Forster memorandum 'Note on the So Called Fifty-Fifty Split', 3 February 1948.

British Ambassador Ogilvie-Forbes felt that ‘this step marks the beginning of an important era in our relationship with the Venezuelan Government on oil matters which is not only in keeping with the spirit of the time but is also on the long view favourable to our interests.’ He agreed with Forster that it was much preferable for the oil companies and Venezuelan government to be in partnership as it would avoid ‘perpetual struggle’ between the two groups.¹⁹⁴ The US Chargé d’Affaires in Venezuela, Allan Dawson, felt that ‘from a broad point of view, there would seem to be no sound economic reason to oppose the addition of an excess profits tax’ as the oil companies were making ‘huge profits’ due to ‘Venezuela’s constantly increasing oil production’.¹⁹⁵ Subsequently, on 12 November 1948, the Venezuelan government introduced a new income tax that brought the fifty-fifty agreement into law. Neither Whitehall nor Washington objected to the new tax as the oil companies perceived it as an opportunity to stabilise their relationship with the government and, thereby, secure British and US oil supplies.¹⁹⁶ In fact, the formal fifty-fifty split would become a model emulated by other oil-producing countries.¹⁹⁷

A mere twelve days later, a military *coup* overthrew the AD government in Venezuela.¹⁹⁸ Margaret Joan Anstee of the FO South American Department believed that the military leadership put in place was ‘more favourably disposed towards the U.S. and ourselves’ and felt it was ‘reassuring that the danger of sabotage in the oilfields, which has always been a major preoccupation, is now rather less.’¹⁹⁹ John H. Magowan, the new British Ambassador to Venezuela, argued that it was:

¹⁹⁴ NA, FO 371/68307/AS1840, Ogilvie-Forbes to Bevin, 26 February 1948.

¹⁹⁵ NARA, DS 831.5123/9-2746, Dawson to Byrnes, 27 September 1946.

¹⁹⁶ ‘Venezuelan Oil Concessions’, *The Times*, 28 July 1948, p. 8.

¹⁹⁷ Venn, *Oil Diplomacy*, pp. 120-121, 128-129.

¹⁹⁸ *FRUS*, 1948, Vol. IX, pp. 134-138; Betancourt, *Venezuela*, pp. 235-249.

¹⁹⁹ NA, FO 371/74887/AS1091, Anstee minute, 28 February 1949. Anstee would later become Under-Secretary General to the United Nations. After joining the FO as a 22-year-old she was disappointed to learn that it was Whitehall policy to never send a female diplomat to Latin America for fear that they would ‘suffer “a fate worse than death” at the hands of some passionate Latino, and become unreliable.’ See: Margaret Joan Anstee, *Never Learn to Type: A Woman at the United Nations* (Chichester, 2003), p. 69.

reasonable to speculate that, had the extremist elements of Accion Democrática gained control of the party, and were that party in power at a time when the United States of America were engaged in hostilities with the Union of Socialist Soviet Republics there would indeed be grave risk of oil fields sabotage, and certainly of some degree of malevolence towards the Western powers.

He reported that all the indications were that ‘politically and economically’, the new regime wanted ‘to reverse the Betancourt tendency to hostility towards the “capitalists” and “colonial” powers.’²⁰⁰ Joseph Robinson at the British Embassy in Caracas stated that the ‘larger oil companies, content though they were with the so called 50/50 agreement they had reached with the Government of Democratic Action, and happy with the prospect of stability achieved by the labour contracts signed a year ago, find the new government more civil and amenable.’²⁰¹ Such statements demonstrate that the British government’s prevailing interest in Venezuela remained securing access to the country’s oil and this concern dictated their response to the *coup*.

Since AD’s rise to power, British officials had been concerned by the potential for communist subversion and political turbulence in Venezuela. If actualised, these threats would endanger the oil companies’ operations and jeopardise British imports of Venezuelan oil. Thus, if the new military leadership was capable of protecting Shell’s operations and ensuring the uninterrupted flow of oil from the country, British officials were not overly concerned by the end of Venezuelan democracy. The same attitude was held by Washington officials who had grown concerned by the danger posed by communism to US interests in Latin America.²⁰²

While the Soviet Union posed no direct military threat to the Western Hemisphere, the CIA was troubled by communist influence within Latin American industries. In

²⁰⁰ NA, FO 371/74887/AS1091, John. H. Magowan, Amabassador to Venezuela, to Fordham, 11 February 1949.

²⁰¹ NA, FO 371/74887/AS652, Joseph Robinson to Bevin, 21 January 1949.

²⁰² Grandin, *The Last Colonial Massacre*, pp. 7-9; Bethell and Roxborough, ‘The Impact of the Cold War on Latin America’, pp. 311-313; Trask, ‘The Impact of the Cold War on United States-Latin American Relations’, pp. 279-283.

November 1947, the CIA reported that 'Communist under-cover penetration of strategic spheres of the various economies is already such as to permit the USSR ... to withhold from the US at least, for a limited period, its normal peacetime flow of strategic raw materials from Latin America', including oil. The CIA felt that most Latin American governments, including the AD administration, would be unable to prevent such interruption of trade or Soviet-inspired disruption to the region's economies. While the US Army and Air Force concurred with the CIA's conclusions, both the State Department and Naval Intelligence argued that the report exaggerated the threat posed by communism in Latin America.²⁰³

Although CIA officials doubted the capacity of Latin American governments to defend against Soviet-inspired sabotage, they argued that AD's social democratic ideology was beneficial to US interests. In January 1948, a CIA report asserted that AD's leadership in Venezuela 'not only assures a progressive and pro-US government but continues in power an active non-Communist party which can be counted on to obstruct the development of a strong communist movement.' It argued that AD had 'gone out of its way to alienate any Communist support' and that communists in Venezuela 'will in all probability refrain from excessive or militant opposition since they are in agreement with many of the AD policies'. Thus, CIA officials were relatively nuanced in their assessment of the Cold War role social democratic governments could play in Latin America. From their perspective, moderate left-wing parties protected, rather than threatened, US interests in the Western Hemisphere by undermining support for more radical communist groups. Indeed, the report concluded that 'in the special conditions of Latin American politics, an active non-Communist progressive party constitutes one of the best guarantees against a

²⁰³ HSTL, PSF, Central Intelligence Reports File, 1946-1953, Box 215, CIA Report ORE 16/1: Soviet Objectives in Latin America, 1 November 1947.

strong Communist movement.’²⁰⁴ Consequently, the CIA was prepared to accept AD’s leadership of Venezuela providing that it continued to uphold the legal position of US oil companies and maintained its anti-communist stance.

However, the Intelligence Division (ID) of the Department of the Army was not convinced of AD’s anti-communist credentials. ID officials felt that AD ‘may cooperate with the Communists in the future if it seems expedient’ and reported that ‘the nationalism of Acción Democrática represents a potential danger to the United States interests in Venezuelan oil and that their present temperate pro-United States policy represents expediency.’²⁰⁵ Also of concern to US officials was the question of whether AD had the ability to prevent communist interference in Venezuela’s oil industry.²⁰⁶ In September 1948, the CIA continued to argue that ‘Communist capabilities in Latin America are limited essentially to subversion espionage, and sabotage, in which respects they are considerable.’²⁰⁷ A separate CIA report outlined the specific threat posed to the oil facilities of Venezuela, Aruba and Curaçao which were deemed ‘vulnerable to sabotage by trained agents’ and constituted ‘one of the most remunerative targets in the Western Hemisphere’. The document argued that the ‘[c]rippling of these wells or refineries would be a serious blow to US capacity either to prepare for or to wage war’ and, thus, a US-supported ‘comprehensive protective program’ was needed in both Venezuela and the Dutch West Indies to safeguard against Soviet-inspired attack.²⁰⁸ The related threats of communism and disruption to the oil industry were central to Washington’s decision to recognise the Junta which toppled the AD government.

²⁰⁴ HSTL, PSF, Central Intelligence Reports File, 1946-1953, Box 215, CIA Report ORE 65: The Venezuelan Elections of 14 December 1947, 5 January 1948.

²⁰⁵ *Ibid.*

²⁰⁶ *FRUS*, 1948, Vol. IX, pp. 759-760.

²⁰⁷ HSTL, PSF, Central Intelligence Reports File, 1946-1953, Box 216, CIA Report ORE 60-48: Threats to the Security of the United States, 28 September 1948.

²⁰⁸ HSTL, PSF, Central Intelligence Reports File, 1946-1953, Box 216, CIA Report ORE 31-48: Vulnerability to Sabotage of Petroleum Installations in Venezuela, Aruba and Curacao, 17 May 1948.

Following the military *coup*, Walter Donnelly, the US Ambassador to Caracas, argued that to deny the Junta diplomatic recognition could lead to political instability which would disrupt the country's oil production. Yet at the same time, he pointed out that a military dictatorship might provide a 'fertile field' for the growth of oppositional communist groups. The Junta assured Donnelly that it would hold free elections, oppose national and international communism, follow US policy in the United Nations and intensify its relationship with the US military. It also promised to support private enterprise, encourage foreign investment, respect existing oil concessions and allow companies to begin oil production in new areas. These pledges to defend the principal US interests in Venezuela led Donnelly, after some contemplation, to recommend that Washington recognise Venezuela's new government.²⁰⁹

US military leaders were especially keen to point out that vital national security interest in maintaining US access to Venezuela's rich oil fields. Kenneth C. Royal, the US Secretary of the Army wrote that the new leadership 'may be expected to provide more adequate security measures for the oil production area than a reinstated Gallegos Government which would depend for a part of its support on unions sympathetic to Communistic aims.' Moreover, Royal argued that, by recognising the Junta, the US government could further 'Venezuelan orientation toward the United States' and so he concluded that the Army believed that recognition 'is militarily favorable to the United States.'²¹⁰ With its interests in Venezuelan oil seemingly assured, Washington was content to recognise the country's new leadership.²¹¹

²⁰⁹ NARA, DS 831.00/12-448, Walter Donnelly, Ambassador to Venezuela, to Secretary of State George C. Marshall, 4 December 1948.

²¹⁰ NARA, DS 831.01/12-1548, Secretary of the Army Kenneth C. Royal to Secretary of Defense James Vincent, 9 December 1948.

²¹¹ *FRUS*, 1948, Vol. IX, pp. 139-152; Rabe, *The Road to OPEC*, pp. 114-115; Painter, *Oil and the American Century*, pp. 134-135.

The CIA had been unable to produce any concrete evidence that communist groups were planning to sabotage installations in Venezuela. Rather, the agency's fears were founded on the assumption that the Soviet Union was actively hostile to US interests around the world which would inevitably lead the Kremlin to engineer attacks on the Venezuelan oil industry. This adds further weight to Odd Arne Westad's argument that the Cold War had a pervasive impact on international politics as superpower rivalry led Washington and the Kremlin to repeatedly intervene in the local politics of the Third World.²¹² For Westad, ideological underpinnings are crucial to understanding US foreign policy during the Cold War as Washington sought to export globally its own particular conceptions of liberty, reform and development in opposition to the conflicting model of modernity and progress promoted by the Kremlin.²¹³ As we have seen, US efforts to establish universal principles governing post-war international relations had their roots in a hemispheric policy that first took shape in the Depression and later became globalised through the Atlantic Charter. Yet our acknowledgment of the role played by ideology in driving the Cold War should not lead us to overlook the importance of national security within US foreign policy.²¹⁴ While the US government's fear of Soviet expansion led it to devise an international policy of containment, in Venezuela, fear of communism centred on the very local and specific threat posed to the oil industry.²¹⁵ Between 1945 and 1948, US policy in Venezuela remained fundamentally unchanged from that formulated during

²¹² Westad, *The Global Cold War*.

²¹³ *Ibid.*, pp. 8-38; The importance of ideology in driving Cold War superpower rivalry is also stressed in Melvyn P. Leffler, *For the Soul of Mankind: The United States, the Soviet Union, and the Cold War* (New York, NY, 2007).

²¹⁴ For criticism of Cold War histories that over-emphasise 'ideological determinism' see: Oscar Sanchez-Sibony, *Red Globalization: The Political Economy of the Soviet Cold War from Stalin to Khrushchev* (Cambridge, 2014), pp. 57-58, 251-252.

²¹⁵ For opposing views concerning the origins of the US containment policy see: Melvyn P. Leffler, 'The American Conception of National Security and the Beginnings of the Cold War, 1945-48', *The American Historical Review*, Vol. 89, No. 2 (April 1984), pp. 346-381; and John Lewis Gaddis' response: *ibid.*, pp. 382-390.

the Second World War as US officials remained committed to safeguarding oil company operations from disruption or attack.

While, at the time of the *coup*, US officials were concerned by the threat of internal communist subversion in Latin America, they did not fear that the Western Hemisphere was at risk from direct military attack from the Soviet Union.²¹⁶ Indeed, the creation of the Organization of American States on 30 April 1948 reinforced the regional security and cooperation that the US government had fostered since Roosevelt's initial election in 1933.²¹⁷ Within the context of the early Cold War, Washington officials no longer viewed Latin America as an economic or political priority. Instead the US government focused its attention on the reconstruction of Europe and Asia, which were deemed to be under immediate threat from Soviet expansionism.²¹⁸ As Leslie Bethell and Ian Roxborough have argued, '[f]rom the US point of view Latin America was safe, whereas the Eurasian land mass – western Europe and the Near East – was in great danger'.²¹⁹ On 6 May 1947, George Kennan, who had risen to become director of the State Department's newly created Policy Planning Staff, outlined this attitude when he argued that there was 'a great difference in the danger of Communism in areas which are contiguous to Soviet military power and the danger of Communism in areas remote from it, as for example, in South America.' Thus, he argued that the US government did not 'have to go in with financial support everywhere' to counter the Kremlin's international influence.²²⁰ Dean Acheson, who would be appointed Secretary of State in 1949, is

²¹⁶ Bethell and Roxborough, 'The Impact of the Cold War on Latin America', p. 311.

²¹⁷ 'Charter of the Organization of American States', *The American Journal of International Law*, Vol. 46, No. 2 (April 1952), pp. 43-63; *FRUS*, 1948, Vol. IX, pp. 193-202; Trask, 'The Impact of the Cold War on United States-Latin American Relations', pp. 279-282.

²¹⁸ Leslie Bethell, 'The Latin American Economies, 1939-c. 1950', in Leslie Bethell (ed.), *Latin America: Economy and Society since 1930* (Cambridge, 1998), p. 128.

²¹⁹ Bethell and Roxborough, 'The Impact of the Cold War on Latin America', p. 310.

²²⁰ George F. Kennan, 'Problems of US Foreign Policy after Moscow', 6 May 1947, in Harlow and Maerz (eds), *Measures Short of War*, p. 198.

reported to have made this same point more bluntly: '[s]ince the Latins, he said, were going to be with us anyway, why bother to help them?'²²¹

Indeed, in relation to Latin America's economic development, Washington officials again argued that the region's governments should look to private enterprise for investment, rather than US aid.²²² This prescription was also favoured by United Nations officials who recommended that the region's governments organise their economies in such a way as to attract foreign capital. In addition, United Nations reports estimated that the US-funded Marshall Plan would assist the region by enabling European countries to purchase an estimated \$460 million worth of Latin American goods.²²³ Thus, while the US government would not extend aid Marshall Aid directly to Latin America, the Truman administration argued that the European Recovery Program indirectly financed development of the region.²²⁴ However, the USA's own purchases of Latin American commodities decreased as Washington promoted the production of raw materials in other parts of the world as a means of restoring European economies.²²⁵

Conclusion

Events in Venezuela can be seen as a case study of the links between British and US experiences of the Second World War and later attitudes to the Cold War. Whitehall's wartime and post-war policy remained committed to securing Britain's supplies of

²²¹ Tyler Abell (ed.), *Drew Pearson Diaries, 1949-1959* (New York, NY, 1974), p. 10.

²²² Willard Leon Beaulac, *The Fractured Continent: Latin America in Close-Up* (Stanford, CA, 1980), pp. 158-159; Greg Grandin, 'What Was Containment? Short and Long Answers from the Americas', in Robert J. McMahon (ed.), *The Cold War in the Third World* (Oxford, 2013), pp. 40-42; Robert Everett Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley, CA, 1986), p. 45.

²²³ United Nations Archives, New York, NY [hereafter UNA], S-0932-0012-06, 'First Draft of Part II of ECLA's Economic Survey of Latin America', Division of Economic Stability and Development, Latin American Unit, 28 March 1949; UNA, S-0932-0012-07, 'Revised Draft of Part II of ECLA's Economic Survey of Latin America', Division of Economic Stability and Development, Latin American Unit, 18 April 1949; United Nations, Economic Commission for Latin America, *Economic Survey of Latin America, 1948* (New York, NY, 1949), pp. 247-260; *United Nations Bulletin*, Vol. VI, No. 12 (15 June 1949), p. 623.

²²⁴ Kofas, *Foreign Debt and Underdevelopment*, p. 52; Robert Harrison Wagner, *United States Policy toward Latin America: A Study in Domestic and International Politics* (Stanford, CA, 1970), pp. 46-49.

²²⁵ Wagner, *United States Policy toward Latin America*, pp. 46-47.

Venezuelan oil and its decision to recognise successive regimes in Caracas rested on each government's willingness, and ability, to protect oil company operations. Furthermore, during the Second World War, Whitehall suspected that Washington endeavoured to create a hemispheric bloc that would undermine Britain's political and economic interests in Latin America. In the immediate post-war period, these fears persisted but became imbued with a Cold War context as the formation of regional blocs, led by the two superpowers, threatened to diminish Britain's own international influence. Thus, while the burgeoning Cold War altered the context of British policy in Latin America, it did not alter the substance of its aims as Whitehall's desire to limit US hegemony in the region continued. Yet, while FO officials sought to increase British influence in Venezuela and throughout Latin America, they were frustrated by their inability to ably compete with Washington.

Similarly, many of the attitudes held by US policy-makers during the Cold War were informed by their experience of the Second World War. Throughout the war, US officials encouraged pan-American solidarity as a means of securing the Western Hemisphere from Axis attack and, by 1947, US officials sought to ensure that the region was equally secure from communist assault. In particular, they were anxious to safeguard against sabotage of the region's industries and, specifically, Soviet-inspired attacks on Venezuelan oil production. Subsequently, the US government chose to support the military Junta that seized power in 1948 due to its apparent willingness and ability to defend against such attacks. US policy towards Venezuela remained focused on protecting oil companies' operations, despite the international transition to the Cold War.

Washington's free trade philosophy also survived the Second World War although it underwent a clear transition. After the conclusion of hostilities, Latin America was no longer a political priority for US officials and their economic plan for the region drifted

away from New Deal reform towards an embrace of the free market. This shift was exhibited in the Clayton Plan and Economic Charter of the Americas which emphasised the importance of guaranteeing an attractive economic climate for foreign investment throughout Latin America.²²⁶ Subsequently, US officials balked at the 1946 Venezuelan surtax and refused to provide a Marshall Plan for the Western Hemisphere. While Washington persisted with its free trade policy throughout the Depression, Second World War and early Cold War, the programme's character evolved over time in a manner that reflected the US government's global priorities.

²²⁶ Caulfield, *NAFTA and Labor in North America*, p. 32; Kofas, *Foreign Debt and Underdevelopment*, p. 26; 'U.S. Proposals at Mexico City Parley for a Hemisphere Charter', *New York Times*, 27 February 1945, p. 15; *Final Act of the Inter-American Conference on Problems of War and Peace*, pp. 93-96; Green, *The Containment of Latin America*, pp. 172-179.

Conclusion

On 4 January 1948, the British Foreign Secretary Ernest Bevin outlined his 'First Aim of British Foreign Policy'. He argued that with the creation of:

a Western European system ... backed by the power and resources of the Commonwealth and of the Americas, it should be possible to develop our own power and influence to equal that of the United States of America and the U.S.S.R.

He contended that such an outcome would 'show clearly that we are not subservient to the United States of America or to the Soviet Union' and allow the British government to play a pivotal role within international relations.¹ With the benefit of hindsight it is easy for us to brand Bevin's outlook as optimistic at best, as it quickly became apparent that the British government would play an ancillary role in a burgeoning Cold War between the two superpowers. Nevertheless, his opinions were indicative of the views held by Whitehall officials who, throughout the 1940s, sought to maintain and expand Britain's global interests and influence. There existed, therefore, a continuity between the Second World War and the Cold War as policy-makers aimed to exercise British power, independent of, and potentially at odds with, US foreign policy. However, throughout the 1940s, British officials struggled to turn these ambitions into successful policy as they contended with the conflicting aims of the US government.

As part of this, FO officials clearly hoped to extend British influence in Latin America but were concerned that Washington was deliberately undermining their interests in the region. As this thesis has argued, these tensions surfaced when British and US policy-makers formulated contrasting strategies in response to the Venezuelan government's efforts to reform the country's oil industry. This was caused primarily by the two governments' divergent interpretations of the perceived threat of Venezuelan

¹ NA, CAB 129/23, Bevin memorandum 'The First Aim of British Foreign Policy', 4 January 1948.

nationalisation. British officials wanted to avoid the immediate disruption to oil production that nationalisation would cause, and believed that, in the longer-term, Venezuela lacked the expertise and infrastructure to operate the country's oil industry as efficiently as foreign companies. Moreover, Whitehall officials feared that the nationalisation of Venezuela's oil industry would continue the precedent set by the Mexican government in 1938. As an imperial power, the British government feared that its entire oil policy would be threatened by an international pattern of expropriation.

While the British Isles lacked any known substantial oil fields, as we have seen, the British government had used its position at the centre of a network of international trade to maintain its fuel supplies. British reliance on private enterprise to produce, refine and transport this vitally important strategic raw material meant a lack of direct government control over the country's oil security. Whitehall officials believed that British companies, more so than any other, could be relied upon to act in accord with the national interest and it was this belief that formed the basis of their policy. Venezuela and its political and economic exploitation loomed large in Whitehall's calculations as British officials sought to ensure that the oil industry operated in a manner most amenable to their interests. Consequently, Whitehall was prone to challenge the Venezuelan government's economic reforms when they appeared to risk British access to the country's oil.

By the onset of the Second World War, the British government had developed close cooperative ties with Shell, whose operations in Venezuela were of vital importance to the war effort. While their motivations differed, Shell and British officials shared a common interest in ensuring that the company's Venezuelan production continued uninterrupted. Thus, as this thesis has demonstrated, Whitehall consistently acted to support the company and limit any intervention by the Venezuelan authorities that would

damage or constrain its operations. Shell officials became an important source of information for the British government as the company passed on internal correspondence that detailed and analysed the latest developments in Venezuela. Moreover, by collaborating with Shell when formulating policy, Whitehall could ensure that the two parties pursued a common goal in concert rather than working at cross-purposes. This intimate relationship benefitted British officials as it provided them with an opportunity to influence Shell's actions in accord with their own foreign interests. Yet British officials feared that Venezuelan popular nationalism would induce increasing government intervention in the oil industry and, ultimately, lead to a repeat of the 1938 Mexican expropriation case. Whitehall felt that the only way to prevent such a development was by supporting the oil companies' legal rights through a hard-line Anglo-US united front. However, as we have seen, the US government was able to undermine totally British policy in Venezuela through its own manipulation of oil companies.

US officials also sought to prevent nationalisation of the Venezuelan oil industry but felt that this would be best achieved through cooperative negotiation and compromise rather than an intransigent legalistic response. As chapter one establishes, this strategy must be understood within the broader context of the US government's efforts to improve its relationship with Latin America through the Good Neighbor policy. As early as 1933, the Roosevelt administration sought to stimulate the US domestic economy by developing policies and organisations designed to increase trade with, and US investment in, Latin America. As such, Latin America provided a testing-ground for the globalised New Deal that Elizabeth Borgwardt and Michael J. Hogan have argued formed the basis of US foreign policy in the 1940s.² This approach took on greater significance as US officials

² Borgwardt, *A New Deal for the World*, pp. 70-78; Hogan, *The Marshall Plan*, pp. 1-25.

sought to promote pan-American solidarity as a defence against possible Axis attack on, and infiltration of, the Western Hemisphere.

Chapter two reveals that the Good Neighbor policy produced successful results as the Venezuelan government pro-actively engineered State Department intervention in the oil industry. Subsequently, US officials used a combination of pressure and persuasion to convince the SOCNJ board to be more amenable to the Venezuelan government's tax reforms. Once SOCNJ had agreed to follow the policy set by Washington, the other oil companies felt compelled to do likewise and withdrew their support for the British united front. Consequently, US intervention in Venezuela was successful in ensuring that the independent actions of oil company executives did not undermine the Good Neighbor policy and impair pan-American solidarity. As the actions of oil company officials could determine the outcome of Anglo-US discord, the capacity for Whitehall and Washington to gain corporate backing was a crucial component of their ability to exercise power. This dynamic reveals that state-private networks can play a pivotal, yet often overlooked, role in international relations.

As we have seen, the Roosevelt administration consistently sought to establish universal free trade as a central component of its increasingly interventionist role in international affairs. These efforts to dismantle barriers to US exports were initially focused on Latin America but, from 1941, Washington officials made an increasingly concerted effort to universalise free trade. Chapter three demonstrates that this commitment to propagating free trade trumped the Good Neighbor policy's principle of non-interference as, in 1944, the US government felt it necessary to condemn Venezuelan attempts to increase domestic oil refining when they appeared to place geographical limits on trade. At the same time, its reliance on overseas oilfields prompted the British government to intervene in an attempt to prevent the Venezuelan government from

placing restrictions on the global flow of oil. Nevertheless, the practical application of these aims proved difficult to achieve in Venezuela as the local government retained sovereignty over its national trade policies. There were limits to the US and British ability to exert their respective authority in Venezuela, despite the two governments' global influence and power.

As revealed in chapters three and four, the Venezuelan government could use its local authority to delay the pending of new concessions to oil companies in order to safeguard its own interests in the industry. This was a strategy used by the Venezuelan authorities to successfully limit unwanted diplomatic intervention in the refinery 'banned zone' issue and gain assurances that Shell would promptly build a refinery on the mainland. This local authority forced British and US officials to be cognizant that their intervention could provoke countermeasures from the Venezuelan government to the detriment of the foreign oil companies. Thus, the oil companies' links with Whitehall and Washington could actually be damaging to their interests and, at times, this led them to decline diplomatic intervention. However, it is necessary to qualify Venezuelan agency with Max Paul Friedman's point that 'agency and independence are not the same thing' as there existed an asymmetrical and hierarchical power structure to international relations within which the British, US and Venezuelan governments operated.³

Although successive Venezuelan governments undoubtedly had the ability to influence the development of their oil industry, this was a localised power that did not stretch beyond their national borders and could not compete with the global influence of the British and US governments. Chapter four demonstrates that Whitehall and Washington had the capacity to set rules of behaviour to govern international relations while their relationships with multinational oil companies allowed them to influence

³ Friedman, 'Retiring the Puppets', p. 631.

developments on the ground in Venezuela. Conversely, the Venezuelan government did not have comparative powers to control events within the USA and British Empire or at an international level. As Paul Kramer argues, imperial power is ‘no less real for its limits’ and, indeed, dispensing with ‘the illusory association of empire with absolute power will allow historians to approach empires as complex circuits of agency’.⁴

Throughout the 1940s, the State Department sought to convince Whitehall to dismantle the system of imperial preference and open up the British Empire to US goods as a central component of its free trade policy. For their part, British officials were concerned of the effect of universal free trade on their own national interests and were sceptical of the US commitment to an open door policy in Latin America. Therefore, British and US intervention in Venezuela should be viewed as a case study of the broader wartime Anglo-US tensions regarding the future of international trade. These tensions reflected the evolving nature of the British and US world roles as Washington pressured Whitehall to accept its plans for post-war reconstruction of international trade and economics. Throughout 1944, British and US officials sought to alleviate some of these tensions by establishing principles, guidelines and organisations to govern the post-war international oil industry. The resulting Anglo-American Oil Agreement was founded on corporatist ideas of state-private sector power sharing and prioritised the interests of oil-importing, rather than exporting, countries.

By 1945, the US government’s interventionist foreign oil policy had come to resemble the British government’s decades-old corporatist strategy. This approach had been cultivated by Max Thornburg who, since 1941, had stressed the need for the US government to foster a cooperative and collaborative relationship with multinational oil companies. At the same time, Washington’s desire to create an international petroleum

⁴ Kramer, ‘Power and Connection’, p. 1383.

commission reflected a New Deal attitude to international organisation that also underpinned other US-led initiatives such as the United Nations and World Bank. Despite these efforts, the Anglo-American Oil Agreement failed to pass through Congress and Whitehall officials continued to see the US government as a rival for influence within the Venezuelan oil industry. Thus, while the Second World War created a close Anglo-US military alliance, it did not prevent Venezuelan oil from bringing to the fore the underlying competitive tensions between the two powers. In fact, by highlighting the armed forces' reliance on gasoline, the war propagated Anglo-US rivalry as Whitehall and Washington sought to secure their independent access to foreign oil.

As the Cold War emerged to dominate international relations, British officials became concerned that the formation of bipolar blocs dominated by the US and Soviet governments would diminish their own international influence. To counteract this threat in Venezuela, Whitehall officials sought to limit US hegemony through increased trade and diplomatic ties with the South American country. Whitehall's efforts to increase exports were of particular importance in the immediate post-war period as Britain suffered from a trade deficit and balance of payments crisis. However, Whitehall officials struggled to challenge the dominance of US trade while Washington reinforced its political hegemony in Latin America through the Act of Chapultepec and creation of the Organization of American States. British fears of increased US domination of the world demonstrate that the Cold War fostered intra-bloc rivalries between western powers as well as conflict between 'East' and 'West'.

Despite their conflicting interests in Venezuela, by 1946, British and US officials shared a distrust of Soviet foreign policy which they deemed to be aggressive and antithetical to their own international interests. Although neither Washington nor Whitehall feared a full-scale attack by the Soviet military on the Western Hemisphere, the

emergence of a global Cold War led them to believe that the Venezuelan oil industry was vulnerable to sabotage by communist agents. While the international context changed from World War to Cold War the British and US policies towards Venezuela remained focused on ensuring access to the country's oil. In the minds of British and US officials, old wartime concerns became imbued with a Cold War understanding of international relations as the threat to Venezuela's oil industry shifted from the Axis powers to communists. As this thesis has demonstrated, the actions of multinational oil companies played a pivotal role in determining the success or failure of British and US oil policy. Consequently, the British and US attitude towards both the AD government and subsequent military junta were largely dictated by their willingness, and ability, to protect the oil companies' operations.

In presenting this narrative, this thesis has made a series of contributions to the existing historiography. A principal aim of this thesis was to contextualise British and US oil policy during the 1940s within broader developments in international politics. As a result, this thesis has provided a new perspective on the development of US intervention in the international oil industry which should not be seen in isolation but, rather, perceived as part of US post-war planning during the 1940s. The Roosevelt administration's internationalisation of the New Deal originated in its policy towards Latin America as Washington officials took on the responsibility to manage hemispheric commerce. This hemispheric New Deal acted as an important stage between the domestic and global New Deals by providing US officials with an interventionist model which they could apply to the rest of the post-war world. The same interventionism and reformism that characterised Washington's approach to hemispheric economics formed the basis of US policy towards the oil industries of Latin America and, later, the world. By 1941, as US officials expanded their economic interventionism outside of the Western

Hemisphere, they sought to ensure that the international oil industry conformed to their plans for post-war international organisation. Throughout the 1940s, US officials intervened in the Venezuelan oil industry not only to protect their oil supplies but also to secure their wider global interests.

By analysing Whitehall intervention in the Venezuelan oil industry, this thesis also provides new insights into the history of British foreign policy. The British government's efforts to influence events in Venezuela demonstrate its ability and desire to exercise influence in Latin America. However, this thesis demonstrates the limitations placed on British ambitions by the increasing scope of US power. Throughout the 1940s, British officials were unable and often unwilling to pursue an independent foreign policy in Venezuela in opposition to US objectives. Within this context, Bevin's 'First Aim of British Foreign Policy' reflected Whitehall's yearning, but ultimately futile struggle, to maintain Britain's global influence in the new post-war world. With regards to the history of Anglo-US relations, this thesis adds credence to Thomas Mills' argument that, in Latin America, Whitehall and Washington were involved in a competitive rivalry during the 1940s. It provides a case study of this competition and builds on Mills' analysis by revealing that disputes over the international oil industry made a particularly significant contribution to such conflict.⁵ This thesis, consequently, provides a synthesis of Mills' argument with that of Fiona Venn who has argued that the politics of oil created friction within Anglo-US relations throughout the twentieth century.⁶

With regards to Cold War history, this study expands on Mills' analysis by revealing that Anglo-US rivalry endured into the early Cold War as British officials continued to perceive Washington as a competitor in matters relating to Latin America. This dynamic challenges the strictly bi-polar view of the Cold War and provides a more

⁵ Mills, *Post-War Planning*; Mills, 'Hemisphere Isolationists'.

⁶ Venn, *Oil Diplomacy in the Twentieth Century*; Venn, 'A Struggle for Supremacy?'; Venn, 'The Wartime "Special Relationship"?'.

nuanced picture of the development of post-war international politics. At the same time, this thesis provides further evidence in support of Odd Arne Westad's argument that the Cold War profoundly shaped US foreign policy outside of Europe.⁷ By 1948, both Whitehall and Washington officials' perceptions of the Venezuelan oil industry were shaped by fears of communist sabotage which were founded on their general suspicions of Soviet intentions. As such, the development of British and US policy towards Venezuelan oil during the 1940s is representative of the evolving geopolitical climate of the period.

The second major aim of this thesis was to analyse the relationship between multinational oil companies and national governments in order to develop our understanding of the mechanics of international relations. This thesis has done more than previous studies of the oil industry to reveal the substantial agency of company officials to instigate and shape international disputes. This compliments the work done in the disciplines of transnational and global history which have emphasised the importance of non-state actors in world affairs. Nevertheless, there is a danger that historians go too far in dismissing the role played by national governments and imperialism in creating global interconnectedness. As this thesis reveals, many of the free trade principles that came to dominate international politics and economics in the twentieth century were proposed, supported and advanced by national governments. At various points British and US policy-makers intervened in the Venezuelan oil industry in order to uphold such liberal economic principles and support the interests of multinational corporations. Thus, national governments often promoted, rather than restricted, global integration.

Throughout the 1940s, British and US officials frequently collaborated with oil companies to formulate policy and defend their shared interests. In fact, the ability of

⁷ Westad, *The Global Cold War*.

Washington and Whitehall to gain the support of privately-owned oil companies was an essential component of their ability to affect the outcome of events in Venezuela. This offers a valuable contribution to imperial and diplomatic history by demonstrating that relationships with private enterprise can provide governments with a powerful means to exercise power within international relations. This thesis provides an illustration of the state-private networks that pervade international relations but remain under-represented within the current historiography of British and US foreign policy.

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 - ADM 1, Correspondence and Papers
- Board of Trade
 - BT 11, Commercial Relations and Exports Department
- Cabinet Office
 - CAB 2, Committee of Imperial Defence and Standing Defence Sub-Committee
 - CAB 66, Memoranda (WP and CP Series)
 - CAB 69, Defence Committee (Operations), Minutes and Papers (DO Series)
 - CAB 77, Committees on Oil Policy
 - CAB 80, Chiefs of Staff Committee, Memoranda

CAB 115, Central Office for North American Supplies
CAB 129, Memoranda (CP and C Series)
CAB 131, Defence Committee, Minutes and Papers (DO, D and DC Series)
Foreign Office
FO 371, Foreign Office, Political Departments, General Correspondence
Ministry of Power
POWE 33, Petroleum Division and Predecessors
Prime Minister's Office
PREM 3, Operational Correspondence and Papers
Treasury
T 160, Registered Files, Finance Files (F Series)
T 161, Supply Department, Registered Files (S Series)
T 191, Development (Public Utility) Advisory Committee
T 231, Exchange Control Division, Registered Files (EC and ECA Series)
War Office
WO 216, Office of the Chief of the Imperial General Staff

United Nations Archives, New York, NY

S-0932, Office of the Assistant Secretary-General

United States National Archives and Records Administration, College Park, MA

RG 59, Department of State
Decimal Files
Petroleum Division
War History Branch
RG 165, War Department General and Special Staffs
RG 218, Joint Chiefs of Staff
RG 253, Petroleum Administration for War

University of Delaware Library, Newark, DE

MSS 109, George S. Messersmith Papers

Yale University Library, New Haven, CT

MS 465, Henry Lewis Stimson Papers

In the custody of the author

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