THE EVOLUTION OF AMERICAN FOREIGN POLICY
IN SOUTHEAST ASIA.

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American interests in Southeast Asia have received ample scholarly attention in the wake of the Vietnam War. Much of this material seeks to understand how policies in the first post-war years led to American military involvement in Vietnam. A sizable body of work is also devoted to U.S. policy in Indonesia in its first years of independence. But very few of these studies trace American interests in the region before 1940. Previous concerns for Southeast Asia are usually summed up in a few sentences that dismiss them as minor commercial interests of private companies. However, the development of American policy in Southeast Asia was not as sudden as these studies suggest. Since the late nineteenth century, the United States had become increasingly concerned with Southeast Asia. The process was a gradual one, but in no way did America’s interest in the region start fresh in 1945. Several largescale continuities in American policy in Southeast Asia during the first half of the twentieth century can be observed.

First among these was a gradual and ongoing expansion of United States interests in the region. American involvement through the mid-nineteenth century was limited principally to trade in spices and a few other non-essential commodities. American exports to Southeast Asia were relatively unimportant. Then, in the late nineteenth century, American trade with Southeast Asia began to expand. Southeast Asia took on a new signifi-
cance as a market for American manufactures. By the 1920's, however, interest in Southeast Asia as a buyer of American goods was preempted by concern for the region as a supplier of vital raw materials. The oil and rubber resources of the Netherlands East Indies were of special concern to the United States. Within ten years, however, military and security concerns gradually supplanted these economic interests. For the first time, events in Southeast Asia became an important strategic issue for the United States. After World War II, American policy entered a new era. While economic and security concerns continued to factor into American policy decisions in Southeast Asia after 1945, they were subordinated to larger ideological questions like the future of the European colonial empires and the spread of communism.

Thus, United States objectives in Southeast Asia moved from the comparatively minor economic goals of the Open Door to concern for the most important ideological issues of the day. The gradual expansion of American interests corresponds to Stephen Krasner's categorization of general U.S. diplomatic objectives. In *Defending the National Interest*, Krasner wrote,

American officials had three basic aims in international raw materials markets: increasing competitive economic behavior, insuring security of supply, and furthering broader foreign policy objectives. In order of increasing importance, they consistently ranked them in the following way: 1) increase competition; 2) insure security of supply; 3) promote broad foreign policy objectives. (1)

The evolution of American diplomatic objectives in Southeast Asia paralleled this analysis. Until the early years of the twentieth
century, United States Southeast Asian policy focused on free competition in regional markets (the Open Door); this era corresponds with Krasner's least important category, that of "increasing competitive economic behavior". Beginning in the 1930's, however, purely economic interests gave way to concern for insuring the security of future imports of raw materials from the Netherlands East Indies and French Indochina to the United States. This stage parallels the second level in Krasner's analysis, "insuring stability of supply". After the Second World War, the critical issues for American diplomacy in Southeast Asia were the questions of colonialism and the Communist Menace. Thus, by 1945, American interests in the region had risen to the level rated highest in Krasner's analysis: "promotion of broad foreign policy objectives".

Not surprisingly, the growth of American interests in Southeast Asia was coupled with increased official participation. The U.S. position in Southeast Asia in the early twentieth century is 'best described as near total non-involvement. While there were a few Foreign Service officers in the region, American diplomatic activity was rare. As U.S. commercial interests in Southeast Asia expanded, however, the diplomatic staffs also grew. Greater commitment of personnel resulted in increased diplomatic correspondence from Southeast Asia; this fresh supply of information, in turn, promoted still more American interest in the region. Commercial attaches sent to the Netherlands East Indies to report on possible markets for American goods, returned
to Washington with information on mining and manufacturing opportunities as well.

The range of policies open to United States diplomats also widened dramatically. The low grade American commitment to Southeast Asia in the early twentieth century meant that U.S. diplomats working in the area had little leverage. Given the lack of American interest in the region, Foreign Service officers could do little more than politely express their wishes to local officials with scant hope of any action to support their position. Even as American interests grew, Washington was slow to change. During negotiations with the Netherlands concerning opportunities for American oil companies in the East Indies, the State Department showed great reluctance to take retaliatory measures against the Dutch. The question of embargoes on sales of war materiel to Japan before World War II was another example of American hesitancy to enact any unprecedented policy. In general, the State Department was slow to take any new action in Southeast Asia; despite this consistent reluctance, however, US policy in the region did gradually become more active. American diplomatic efforts in Southeast Asia were further strengthened by the growth of the U.S. military presence in the region during the 1940's. Until 1945, American military weakness in the Pacific had placed strict limits on the range of policies open to the United States. After World War II, however, American military strength in Southeast Asia allowed a far greater range of policy options. To summarize, a slow growth in the willingness and capability of the
American government to act in Southeast Asia is discernible.

The second general trend in American policy in Southeast Asia was that decisions were consistently affected more by developments outside of the region than within. Throughout the first half of the twentieth century, events in Southeast Asia did not factor in American policy decisions; the region was only an object upon which policy was enacted. The extra-regional concerns which shaped U.S. policy in Southeast Asia included not only the domestic situation in the United States, but also developments elsewhere in the world, particularly in Europe and Japan.

The quick rise and fall of American oil diplomacy in the early 1920's demonstrated this trend. Following the First World War, the United States embarked upon an aggressive program to aid American oil companies abroad. State Department assistance to the Standard Oil Company of New Jersey in the Netherlands East Indies was a central component of this initiative. Within a few years, however, new oil reserves were discovered at home and the diplomatic effort was curtailed, long before attaining its goals in the East Indies. Domestic considerations also dictated American policy during the Depression when the Roosevelt administration sacrificed international objectives in order to concentrate on resolving domestic chaos.

Events in Europe were also important considerations in American policy for Southeast Asia. On the one hand, this is hardly surprising given that both the East Indies and Indochina were European colonies throughout the period in question. It was
therefore natural that American representations about Southeast Asia were made in Europe. On the other hand, however, the impact of European considerations on policy in Southeast Asia went far deeper. It was not just the colonial status of Southeast Asia that involved Europe in U.S. decisions. Instead, European events shaped the content and form of American policy. Much of the increased interest in Southeast Asia during the 1930's was a reflection of American concern for the European colonial powers. A State Department report from the early 1940's concluded that "it is not apparent that there was any marked increase of American diplomatic interest [in Southeast Asia] until... the fear of an axis-dominated world forced the United States to canvass every possible point of resistance and support." (2) Washington consistently gave greater priority to its programs in Europe. After World War II, the United States sacrificed its objectives of decolonization in Southeast Asia in the interests of building a stronger Europe.

While it is not surprising that events in America and Europe dominated minds in Washington, it is striking that relatively little consideration was given to the impact of American policy in Southeast Asia on Southeast Asia. As U.S. involvement in Southeast Asia increased, this failure to understand internal conditions in the region would become far more important. It was of little concern to Indonesians whether or not the State Department supported Standard Oil of New Jersey in the 1920's; twenty years later, however, the American stance on colonialism
had a significant impact on the region. The expansion of U.S. interests in Southeast Asia was not matched by a broadening of the American mind. Washington continued to base its policy on domestic and European concerns, without much insight into the impact of its decisions on Southeast Asia.

The third important continuity in U.S. Southeast Asian policy was a consistent lack of long range vision. American involvement in the region was sporadic and reactive. There was little sense of what America's long-term interests in the region were. Washington formed policies for Southeast Asia only in crisis situations. The American response was often late and quickly slackened after a brief flurry of activity.

Even during relatively "active" periods of U.S. engagement in the region there was little consideration of long-term objectives. Instead, American policy focused on solving the specific problem of the day. In the 1920's, this meant that American diplomats equated the Open Door in the Netherlands East Indies with the success of Standard Oil of New Jersey. Therefore, when Jersey Standard won concessions, the State Department accepted this as evidence of the Open Door; as a result, the U.S. discontinued its pressure on the Dutch government even though a careful examination of the East Indian situation would have revealed continued discrimination against other American oil companies.

This failure to adequately prepare for the future was also visible during the war. Between Pearl Harbor and V-J Day,
the United States concentrated all of its energies on winning the war. Although American officials did discuss the difficult issues that would confront postwar Southeast Asia, they avoided any firm decisions on the subject.

Before proceeding further, it seems wise to briefly outline the structure of what follows. The thesis is divided into four sections, each treating a specific time period: the roots of American involvement before 1918; the "oil diplomacy" of the 1920's; strategic concerns beginning in the mid-1930's and continuing through World War II; and planning for the post-war world after 1945. Each chapter represents a distinct era in American relations with Southeast Asia.

A brief prologue covers events from the mid-nineteenth century until 1918. American interests during this period were almost exclusively economic and involved little official government activity.

Chapter two covers the period between the end of World War I and the mid-1930's. 1919 marked an important change in United States interests in Southeast Asia. After the end of the war, the State Department became actively involved in the efforts of American oil firms abroad. Using the principle of the Open Door, the United States tried to secure foreign oil concessions for American companies. The Netherlands East Indies were one focal point of these policies. The second chapter presents first a brief summary of American oil diplomacy around the world and then an extensive account of the specific events in the East
Chapter three treats the concerns of American policy from the mid-1930's until 1945. In the 1930's, American policy moved away from the earlier emphasis on Open Door rhetoric towards a new concern for security objectives in Southeast Asia. It is difficult to pinpoint an exact beginning to this new stage in American policy, due in part to the considerable overlap in the objectives of the twenties and thirties. The turning point is further obscured by the fact that in the early thirties there was very little American policy towards Southeast Asia at all. Despite considerable overlap between the policies of this and the previous era, they are separated by fundamental differences. The economic priorities of the 1920's were clearly reduced to secondary importance in the 1930's; American interests now centered on the military and strategic importance of Southeast Asia.

The fourth chapter presents an analysis of the American search for a post-World War II order in Southeast Asia. The central concerns of this era were the fate of the European colonial empires and the rise of communism in the region. Discussion of these issues began before the end of the war, but no firm decisions were reached. Chapter four, therefore, begins with American discussions during the war concerning a post-war settlement in Southeast Asia. Thus, there is some temporal overlap between the military/security concerns of the last chapter and the search for a post-war order. But the issues are fundamentally different.
The first chapters of the thesis deal almost exclusively with the Netherlands East Indies. This reflects American interests of the time. U.S. concern for Indochina developed substantially later, primarily because the French colony did not offer the economic temptations that lured Americans to the Netherlands East Indies. American interests expanded to include Indochina in the 1930's; the increased scope of the study in chapter three reflects that development.

At this point, a brief word on the geographic focus of the thesis is in order. Southeast Asia commonly denotes a larger area than what this thesis focuses on. While the definition of Southeast Asia is somewhat flexible, it is accepted to include Burma, Thailand, Cambodia, Laos, Vietnam, Malaysia, Singapore, the Philippines, Indonesia, Portuguese Timor, and Brunei. (3) The research for this thesis, however, was limited to the Netherlands East Indies and French Indochina. The Philippines were not included because they were an American territory and, hence, not a fit comparison for European colonies in the area. Thailand was similarly excluded because it remained an independent state, never coming under the control of a European power. Due to time constraints, British Malaya and Singapore were omitted from the study. It seems unlikely, however, that their inclusion would have had significant impact. American interests in the British possessions in Southeast Asia were almost identical to U.S. concerns for the East Indies and Indochina.
NOTES


The earliest American concerns in Southeast Asia were economic. Throughout most of the nineteenth century, American business interest in the region was limited to trade in raw materials for export to the United States. In the last thirty years of the old century, however, Southeast Asia emerged as a potential market for American manufactures. Both export and import interests were essentially limited to the Netherlands East Indies. Outside of the Dutch colony, the only discernible American involvement was missionary work. None of these activities involved significant government action; the American presence in Southeast Asia included relatively little official support until the early years of the twentieth century.

American involvement in Southeast Asia originated shortly after 1790 when U.S. merchants began to work the Sumatran pepper trade. Although Americans had a virtual monopoly on this trade within thirty years, the total dollar value was never significant. The East Indies were also an important stopping point for American ships bound for Canton. Ships that rounded the Cape of Good Hope, crossed the Indian Ocean, and passed through the Sunda Strait often called on East Indian ports to reprovision. (1)

In addition to spices, the Netherlands East Indies offered American traders a wide variety of other agricultural
products like tobacco, sugar, and coffee for import to the United States. (2) Sugar and coffee were the most important of these products accounting for approximately ninety percent of all American-East Indian trade. (3) Sumatran coffee was particularly well-regarded and highly sought after in American markets of the nineteenth century. In the 1880's and '90's, Americans imported between four and six million dollars worth of Indonesian tobacco each year. Other less important commodities included rattan, nutmeg, tea, and various natural dyes. (4)

The United States also imported tin from the Netherlands East Indies. As early as 1832, Americans imported $64,000 worth of tin. This trade had grown to nearly one million dollars annually by the turn of the century. (5) Throughout this period, however, the bulk of American tin imports came from Bolivia. The United States did not rely heavily on supplies from Southeast Asia.

On the whole, American imports from Southeast Asia remained relatively insignificant. Compared with American totals, trade with the Netherlands East Indies never exceeded .5% of imports and .1% of exports. (6) The fact that American-East Indian trade dealt mostly in luxury goods further reduced the significance of Southeast Asia in American eyes. The products that the United States obtained in Southeast Asia were not vital to the American economy.

During most of the nineteenth century, American traders found only a small market for their goods in Southeast Asia. (7)
British and Dutch concerns enjoyed a virtual monopoly in the region. The situation changed, however, in the 1860’s with the introduction of American petroleum products into Southeast Asian markets. Petroleum’s chief value in the nineteenth century was as kerosene for household illumination. American oil companies dominated the international kerosene industry. Most of the oil in the world was produced in the United States and more than half of all American kerosene production between 1870 and 1900 was exported.

Given the importance of export markets to American kerosene producers, U.S. oil interests, in particular John D. Rockefeller’s Standard Oil, began to look abroad for markets. The huge, untapped Asian market gleamed like a beacon for American oilmen. Drawn by the thought of millions of Asians sitting in the dark, the U.S. began kerosene exports to Southeast Asia soon after the Civil War. Sales of kerosene to the Netherlands East Indies grew rapidly. The first shipments arrived in 1864; in 1866, a total of 42,230 gallons of American kerosene was sold. Two years later, sales had increased more than tenfold to 457,792 gallons. Throughout the 1870’s, American exports of kerosene to the East Indies grew steadily, although not spectacularly, reaching 800,000 gallons in 1882. In the early 1880’s the volume of sales took another dramatic leap forward. By 1886 the total had reached 10,500,000 gallons, a more than thirteen-fold increase in just four years. By 1890, kerosene sales had doubled once again, reaching 22,340,000 gallons. (8)

American oil companies enjoyed a virtual monopoly on
kerosene sales in the Netherlands East Indies until the late 1880's. Although there were other kerosene producers, the Americans had the advantage of reliable, leak-proof containers. These were sturdy wooden cases which enclosed two five-gallon cans of kerosene. The empty containers were employed throughout the Indies for storage and were cut up and used to make a wide variety of tools. American kerosene packing cases were so prevalent in the Indies that one Dutch observer in the early 1920's noted half-seriously that "the colony could not have been developed without oil cans." (9)

The late nineteenth century boom in American kerosene exports sparked interest in developing new sources of oil. As the petroleum industry became more lucrative, businessmen around the world scrambled to enter the field. The Netherlands East Indies were an obvious candidate for exploration. Knowledge of oil deposits in Sumatra dated back at least 1,000 years and there were many places in the Indies where oil actually oozed from the ground. (10) Thus, it is hardly surprising that prospecting for oil fields began in the East Indies almost immediately after the first American kerosene sales in the region. As early as 1871, only eight years after the first imports of American kerosene, Dutch oil interests were actively searching for oil fields in the East Indies. (11) The first commercially viable oil deposits were discovered in Sumatra in 1885. These findings served as the foundation for one of the great international petroleum companies, the Royal Dutch group. (12)
American entrepreneurs were also interested in the potential oil wealth of the East Indies. The most persistent of these American interests was the Standard Oil Company. Beginning in the early 1890's, Standard sought to establish itself in the oil fields of the Dutch colony. At first, Standard attempted to buy concessions from other companies already active in the Indies. This tactic included offers in 1892, and again in 1895, to purchase outright the fledgling Royal Dutch. These transactions, however, were frequently blocked by the Dutch colonial government. Standard Oil then began independent explorations, in the hopes of developing its own concessions. (13) Although Standard Oil's early efforts in the Indies met with little success, the company continued to pursue oil concessions there through the early years of the twentieth century. (14) A more detailed examination of these efforts will be postponed until the next chapter.

Standard Oil's interest in East Indian oil did not stem from a shortage of domestic supplies. American oil production continued to dominate the world industry through the first decades of the twentieth century. American fields accounted for more than sixty-five percent of all crude oil produced before 1930. (15) American desire for Southeast Asian oil was based on two considerations. First, it was seen as a way of providing fuel for the expanding Asian market at lower cost. Kerosene produced in the Netherlands East Indies could be sold at more competitive prices because of reduced shipping costs. This concern became
increasingly important as Royal Dutch and other companies expanded their production capabilities in the East Indies. Second, the oil of the Netherlands East Indies was of extremely high quality by the standards of the day. It required less refining than other crudes; this, too, made it potentially more profitable than kerosene exported from the United States. (16)

The growth of oil prospecting in the Netherlands East Indies developed a second important market for American goods in Southeast Asia. Oil producers in the region purchased their drilling equipment and other mining supplies from American firms. The first oil well in the Indies was drilled with an American-built rig. (17) Sales of drilling equipment and other heavy industrial products related to oil extraction eclipsed kerosene as America's largest export to the East Indies in 1915. Even into the 1920's, Royal Dutch Shell remained dependent upon American-made extracting equipment. (18) It is worth noting that oil companies, and Standard Oil in particular, already dominated American interests in Southeast Asia in the late nineteenth century. Standard's dual concerns of kerosene sales and oil exploration in the Netherlands East Indies would continue to be a crucial factor in U.S. involvement in Southeast Asia for years to come.

U.S. commercial interests in Southeast Asia were confined mostly to the Netherlands East Indies. Although Americans had been in Vietnam as early as 1820, (19) American trade with the French colony was slow to develop. Indochina offered neither the
resources for export nor the same potential markets as the Netherlands East Indies. The spices which first lured Yankee traders to the Dutch colony did not grow in Indochina. Coffee and sugar, which made up the bulk of U.S.-East Indies trade before the kerosene boom, were also not produced in significant quantities in Indochina. Nor was there much potential for oil production; as of 1918, there were no known petroleum deposits in Indochina. (20) The only mineral resource produced in large quantity in Indochina was coal. By the late nineteenth century, however, the importance of coal was on the wane. Within ten years, most of the major navies of the world, including that of the United States, switched from coal to oil powered fleets. (21) Thus, none of the raw materials which drew American merchants to the Netherlands East Indies were present in French Indochina.

Indochina did not develop as a market for American industrial goods primarily because French colonial policy enforced tight economic ties with the metropolis. High tariffs were placed on all imports into French colonies, effectively prohibiting the sale of non-French goods. (22) A further impediment to American-Indochinese trade was the absence of direct shipping lines from the United States to Indochina; regular steamship service from America’s Pacific coast to Indochina was not established until the late 1920’s. (23) In addition, the French restricted the development of manufacturing in Indochina. The French colonial administration relegated Indochina to the role of a producer of raw materials for manufacturing interests in the
This eliminated the possibility of sales of American industrial machinery to Indochina. (25)

American economic interests in French Indochina lagged far behind those in the Netherlands East Indies. This imbalance was due to differences both in the colonial policies of France and the Netherlands and the natural resources available in the two colonies. Yankee traders were not the only Americans active in Southeast Asia, however; the intrepid entrepreneurs were joined by their more religious cousins, the hardy missionaries.

Although most of the task of christianizing Southeast Asia fell to the Netherlands and France as the colonial rulers, American missionaries were active in Southeast Asia throughout the nineteenth century. In 1833, two representatives of the American Board of Commissioners for Foreign Missions arrived in Batavia. Their success, however, was limited, largely due to the fact that they were killed and eaten by Bataks shortly after their arrival. Later in the nineteenth century, the Methodist Episcopal Church established more enduring missions in Java and Sumatra. In the 1890's, both the Seventh Day Adventists and the Salvation Army sent missionaries to the Netherlands East Indies. The latter organization was particularly successful, quickly spreading throughout Java and onto other islands as well. (26) As in the economic sphere, American missionary activity in Indochina lagged behind that in the East Indies. Because American missionaries were almost invariably Protestant, they met with some resistance from Catholic French officials. Nonetheless, by the
early 1900's, both the Christian and Missionary Alliance and the Plymouth Brethren had established missions in Indochina. (27)

American involvement in Southeast Asia in the nineteenth century, both religious and economic, was almost entirely limited to the activities of private individuals. Although the United States established consulates throughout Southeast Asia during the nineteenth century, there was little sustained official involvement in the affairs of Americans there. Against this background of general indifference, however, the first signs of U.S. government interest in Asia as a whole were visible. A few isolated incidents of official American involvement in the region are perhaps worth noting.

In 1830, natives of the northwest coast of Sumatra attacked the American pepper ship Friendship. In response, the United States sent the frigate Potomac to Sumatra to punish the natives. (28) This incident had no longterm impact. It was the only instance of American military involvement in Southeast Asia until the outbreak of World War II. American naval strength was not considered sufficient to enable action in Southeast Asia. In the 1880's, American diplomats served as mediators in the Sino-French dispute over control of Annam. (29) Although the American role was largely passive, it did represent a departure from the normal course of non-involvement in the affairs of the region. These instances were, however, anomalies in official American interest in Southeast Asia and did not manifest any ongoing and coherent U.S. policy in the region.
The annexation of the Philippines in 1898 marked a new American commitment to Southeast Asia. Historians have debated whether U.S. acquisition of the Philippines was an unforeseen windfall of the Spanish-American war or a carefully plotted move. The argument can be made both ways. Certainly, there is evidence that top level American leaders gave the Philippines little consideration in contemplating the move to war. On the other hand, the record shows that Admiral Dewey's great victory at Manila was not completely unexpected; before the war started, Assistant Secretary of the Navy Theodore Roosevelt had instructed Dewey to seize Manila upon the outbreak of hostilities. Whatever the degree of premeditation involved in the military seizure of the Philippines, the subsequent annexation of the islands marked an important turning point in American involvement in Southeast Asia. For the first time, the United States commitment entailed prolonged military and political involvement. This greater expenditure of resources could not help but focus Washington's attention on a hitherto distant part of the globe.

The American administration of the Philippines brought closer ties with all of Southeast Asia. The annexation offered American merchants new economic opportunities in the Philippines. In addition, U.S. commercial interests established branch offices in the islands, providing a base for increased American operations throughout Southeast Asia. The experience of ruling the Philippines, in particular the guerilla war of 1899-1901, made Americans truly aware of the nationalist aspirations of South-
east Asia for the first time.

However, the acquisition of the Philippines did not trigger an unreserved American commitment to Southeast Asia. The U.S. attitude towards its new ward remained ambivalent long after the debate over annexation itself had ended. Recurring doubts plagued American leaders. In the face of Aguinaldo's fierce resistance to the imposition of U.S. rule, many Americans questioned whether the undertaking threatened liberal democratic ideals. Others worried that the United States had over-extended itself. Less than ten years after the annexation, Theodore Roosevelt, one of the most ardent American imperialists, called the Philippines the "achilles heel" of U.S. defenses. (30) Thus, annexation of the Philippines should not be seen as the beginning of an unwavering and inexorable expansion of American involvement in Southeast Asia. The process continued only hesitantly and with frequent reversals. The first two decades of the twentieth century were one such instance. The bold advance of American interests in Southeast Asia after 1898 soon lagged. American attention, so far as it went abroad at all, focused on events in Latin America and China.

By 1918, then, Southeast Asia had moved from being a place of interest only to spice traders and missionaries to a new position as a substantial trading partner of the United States. The Netherlands East Indies was of particular interest to Americans, both as a source of raw materials and as a market for American goods. It is difficult, however, to write of United
States diplomacy on Southeast Asia before 1918. There was, as yet, little official involvement in the region.
NOTES


5. Gould. Americans in Sumatra. p.20

6. Sullivan, John A.L. "The United States, the East Indies and World War II." p.44.


14. After the dissolution of Standard Oil in 1911, the Standard Oil Company of New Jersey received title to Standard’s oil production interests in the East Indies. The kerosene marketing end of the business, on the other hand, was awarded to the Standard Oil Company of New York. This division of production interests for Jersey Standard and sales network to SOCONY would persist until the 1930’s.


CHAPTER TWO
Oil Diplomacy in the 1920's.

In the aftermath of the First World War, American policy in Southeast Asia underwent profound changes. The region, particularly the Netherlands East Indies, assumed a new and unprecedented importance for the United States. Whereas previous American involvement had been almost entirely private, Southeast Asia now became an object of concern for the United States government. At the heart of this new interest in Southeast Asia was a growing awareness of the importance of foreign oil fields. A desire to assure American access to the natural resources of the Netherlands East Indies became the dominant consideration in American minds, replacing the previous concern for the region as a market for American goods.

This chapter traces the origins and developments of America's newfound interest in the oil of the Netherlands East Indies. First, the reasons underlying U.S. concern for foreign oil after World War I are examined. Next, American diplomatic efforts in the Netherlands East Indies are summarized. The chapter concludes with an evaluation of the success of United States oil diplomacy in Southeast Asia.

After World War One, Americans, government officials and private citizens alike, became increasingly anxious about the exclusion of American interests from oil development opportuni-
ties abroad. For a few years in the early 1920's, foreign oil fields figured heavily in the foreign policy of the United States. American appeals for foreign oil concessions were based on the principle of reciprocity. The State Department argued that American oil firms abroad should receive treatment similar to that enjoyed by foreign oil firms operating in the United States.

Washington, therefore, took an active interest in the work of American oil companies abroad, filing complaints with governments believed to exclude or restrict American participation. These efforts at oil diplomacy encompassed many regions. At one time or another, the U.S. government made representations on behalf of American firms in the Middle East, Romania, Latin America, and the Netherlands East Indies. These areas represented virtually every significant oil producing region of the time.

The origins of aggressive oil diplomacy were twofold. First, the emergence of new petroleum-using technologies made oil far more significant to the national well-being in 1920 than it had been just ten years earlier. Simultaneously, a fear that America was rapidly exhausting its domestic oil reserves arose. This concern for future oil supplies was the second principal cause for heightened US interest in foreign oil.

The experiences of World War I provided much of the impetus for American interest in oil. The war underscored for all nations the importance of oil to national defense. British Secretary of State for Foreign Affairs Lord Curzon's famous
remark that "the Allies floated to victory on a sea of oil" was typical of such sentiments. (1) The rise of petroleum did not, however, begin with the war. The origins of oil's new prominence could be seen already in the prewar years. Until the first decades of the twentieth century, the primary value of petroleum was as a source of light and heat in homes. (2) Oil burning engines did exist, but they were still relatively unusual. The first important step towards petroleum dependence was the conversion of ships from coal to oil burning engines. The first navy to undertake this change was Italy, which began the conversion to oil in 1890. Other powers followed soon after; by 1904, both the British and American navies had converted to oil burning engines. (3)

But it was not until the war itself that the importance of this change was realized. Even prewar military planners greatly underestimated the supplies of oil needed to wage a modern war. (4) Unlike earlier conflicts, the battles of World War I were contested with oil-fueled technologies. Virtually all of the weapons innovations introduced into the conflict depended on oil. The tanks, submarines, airplanes, and mechanized ground vehicles which distinguished the 1914-1918 war from its predecessors all required unrestricted access to oil. (5) In addition to these new weapons, traditional military technologies like ships had also become oil-fueled. Given the modern war machine's need for oil, even the briefest of interruptions in the oil supply line could spell defeat for any belligerent. Thus, al-
though the movement towards oil dependency began much earlier, the significance of the change was not fully comprehended until World War I forced the realization upon world leaders.

The war also changed the relationship between government and the oil industry. Before the war, issues of oil production, refining, and distribution had been solely private, commercial concerns. With the outbreak of hostilities, however, military planners in America and Europe developed close cooperative ties with the major oil firms to insure stable supply lines. (6) Governmental involvement in oil matters during the war served as an important precedent. Oil-government cooperation would continue into the postwar years.

Increased military significance represented only part of the enhanced significance of oil to modern society. Petroleum's value carried over into the peacetime economy as well. American leaders of the early 1920's quickly recognized the importance of oil to domestic prosperity. Secretary of State Charles Evans Hughes summed up the American view in 1921.

Ample supplies of petroleum have become indispensable to the life and prosperity of my country as a whole, because of the fact that the United States is an industrial nation in which distance renders transportation difficult, and agriculture depends largely on labor-saving devices using petroleum products. (7)

The economic boom of the war years had been fueled largely by oil. Some feared that the American economy would collapse without plentiful and inexpensive oil supplies. The rise of the automobile lent added significance to petroleum supplies.
The years just after World War One saw the beginning of mass-produced automobiles. Cars ceased to be the luxury that they had been earlier. Hundreds of thousands of Americans bought cars for the first time and gasoline consumption rose dramatically. (8) Sales of gasoline in the United States rose from six million barrels in 1899 to seventy-five million barrels twenty years later. (9)

American concern for oil supplies was merely a part of a wider global trend. Almost every world power was pursuing similar objectives. Indeed, in many respects, the US effort lagged behind that of the British. (10) However, there was one important factor, not shared by other powers, that further strengthened the American push for foreign oil. Simultaneous with the global realization of oil's importance in the world, Americans began to fear that domestic oil reserves were approaching exhaustion. This apprehension of imminent production shortfalls constituted the second principal motive behind US oil diplomacy in the 1920's. (11)

For years the United States had dominated world oil production. The oil industry first rose to prominence in the 1860's and for a short time the United States enjoyed a virtual monopoly internationally. Between 1913 and 1917, American crude oil production still accounted for just over sixty-five percent of the world total. (12) During the war, U.S. oil firms supplied eighty percent of the Allies' oil needs. (13) But this massive production at home had seriously depleted known oil reserves. The
situation seemed grave to contemporary observers. In 1920, Secretary of State Bainbridge Colby estimated that the U.S. possessed approximately 12% of the world's petroleum reserves, while its annual needs accounted for 70% of the world's annual supply. (14)

The danger of imminent resource crisis sharply contrasted with traditional American concepts of its vast raw materials wealth. The United States had customarily seen itself as blessed with almost limitless supplies of virtually every vital natural resource. A prominent American banker announced in 1902 that "of all nations the United States has the most unbounded wealth of natural resources. We have hardly comprehended the inevitable advantages which those resources are to give us." (15)

There were, however, voices of warning even before World War I. During the Presidency of Theodore Roosevelt, Gifford Pinchot released a study which warned that the United States was consuming its resources recklessly. (16) Similar alarms were sounded more frequently during the 1910's. A fast-growing and influential school of thought emerged that saw struggles for scarce resources as the key determinant of future international developments. Among the adherents to this viewpoint were Brooks Adams and George Otis Smith, the director of the United States Geological Survey in the Department of Interior. (17) Despite such warnings, however, most Americans remained unaware of the country's precarious raw materials base until the 1920's.

The publication of the U.S. Geological Survey prepared under the direction of George Otis Smith shook this complacency.
Released shortly after the end of World War I, the Survey gave new urgency to the American quest for oil abroad. (18) Smith's report warned that existing American oil reserves would be exhausted in less than thirty years at existing consumption rates. The combined forces of oil's new significance and fears of domestic production shortfalls resulted in nothing short of an oil panic. Suddenly, oil diplomacy was one of the vital issues of the day.

Oil diplomacy itself was nothing new. The United States had acted on behalf of US oil interests abroad intermittently before 1920. These initial efforts at oil diplomacy were irregular and generally of short duration. In 1902, the State Department filed protests with the British Foreign Office on behalf of Standard Oil interests in Burma. (19) The United States again applied official pressure in 1910 supporting Admiral Colby Chester's claims for concessions in the Ottoman Empire. (20) Oil diplomacy also factored heavily in American relations with Mexico after 1910. The battles of the Mexican Revolution threatened to disrupt the activities of U.S. oil companies; the possibility that one of the revolutionary factions would seize the oil fields posed a greater danger. The Mexican Constitution written in 1917 realized these fears; Article 27 of the new constitution declared that the state held unalienable ownership of all subsoil rights. The State Department sought guarantees that this provision would not be applied retroactively against U.S. holdings. The oil companies themselves also expended tremendous energy and money in
an effort to buy favor with the rival factions in Mexico. (21)

Despite Washington's efforts in Mexico, early U.S. oil diplomacy met with little success. Given the low intensity and short duration of American protests, the foreign governments in question could afford to simply ignore the State Department's protests. Thus, these early instances of American diplomatic concern for oil matters do not reflect an enduring and important policy. Rather, American oil diplomacy before World War One, although it did exist, was not yet fully developed.

The unawareness of the importance of oil and the danger of dwindling American reserves were not the only reasons that pre-war American oil diplomacy had been weak. Government officials were also unwilling to promote U.S. oil interests abroad because of domestic political considerations. American leaders shared a widespread fear that strong support for the major oil firms, especially Standard Oil, could lead to charges of corruption. In the early twentieth century, Standard enjoyed a sinister reputation among the general public. Given this public atmosphere, which culminated in the anti-trust decision against Standard in 1911, it not surprising that government officials were wary of the dangers of close association with Standard. Public sentiment against oil companies "precluded aid that was too overt in character." (22)

The State Department's lukewarm commitment to oil diplomacy changed rapidly after 1918, however. A broad spectrum of forces pressured officials in Washington to develop a more active
foreign oil policy. (23) In 1920, the Senate passed Resolution 331 which directed the State Department to gather information on restrictions faced by American oil interests around the world. SR 331 also required the State Department to report to Congress all measures being taken to alleviate cases of discrimination. (24) In 1920, the Democratic Party platform recognized "the importance of the acquisition by Americans of additional sources of supply of petroleum and other minerals" and called for increased diplomatic support for American oil firms abroad. (25)

Private interests also agitated for government action on behalf of American oil firms. In September 1919, the Board of Directors of the American Petroleum Institute called for diplomatic aid in securing equal treatment for U.S. oil companies abroad. (26) The American Institute of Mining and Metallurgical Engineers also pressed the US government throughout 1919 and 1920 for more active support of American oil interests abroad. At the time of these appeals, the President of the Institute of Mining and Metallurgical Engineers was Herbert Hoover. The oil activists were assured a strong voice in the Harding administration when Hoover became Secretary of Commerce in 1921. (27) The national media also joined the clamor for greater support of American oil interests abroad. Literary Digest warned that the quest for foreign oil was ultimately "a battle for world trade, commercial supremacy, naval dominance, and the control of the air." (28) American oil diplomacy soon focused on a few key regions including the Netherlands East Indies.
The Netherlands East Indies were a third focal point of American oil diplomacy in the 1920's. The interest of American oil firms in the East Indies predated the beginning of active governmental support. Beginning in the late 1890's, many American oil firms, including the Sinclair Oil Company, Gulf Oil, Standard Oil of New Jersey and California, and the Pure Oil Company, sought concessions in the East Indies. Most of these companies were active in the Indies for only a short time. One company, however, was remarkable for its persistence: the Standard Oil Company (after 1911, the Standard Oil Company of New Jersey). American diplomatic efforts, therefore, centered on obtaining a concession for Standard Oil of New Jersey.

To fully understand the situation as of 1920 when American diplomatic support began, it is useful to first review Standard Oil's previous experiences in the Netherlands East Indies. These began before the beginning of the century. As noted in the preceding chapter, Standard's first involvement in the Indies came from kerosene exports to the Dutch colony. This venture proved wildly successful and by 1890, thirty-five years after the first kerosene sales, Standard Oil had forged a strong network in the East Indies. Standard's presence in the archipelago in these years was limited to marketing interests.

The first commercially viable oil deposits in the Netherlands East Indies were discovered in 1885. Within seven years, Standard Oil was actively seeking entrance into East Indian oil production. (29) In 1894, Standard Oil established
offices in Batavia, Java for the purpose of acquiring oil lands. (30) Standard’s early efforts to acquire oil concessions took several different forms. Initially, Standard tried to buy oil rights from existing East Indian companies. This strategy included the outright acquisition of smaller oil companies as well as purchases of oil rights on a specific block of land from those companies.

In 1892, Standard attempted to buy out the fledgling Royal Dutch Company. Royal Dutch turned to the Netherlands government for protection. The Colonial administration, concerned at the prospect of foreigners in the East Indian oil industry, blocked the sale. Three years later, Standard again offered to buy Royal Dutch outright. Again the Netherlands government intervened to protect the smaller company. (31) The Dutch passed a new law requiring that the directors of all oil companies in the Netherlands East Indies be Dutch citizens. (32) This provision effectively excluded Standard Oil.

Despite such setbacks, Standard Oil continued to offer buyouts of East Indian oil companies. In 1897, Standard was poised to buy substantial concessions in Sumatra from the Moera Enim Petroleum Company. (33) Moera Enim was prepared to complete the sale, terms had been agreed to, but at the last moment, the Colonial government intervened. The Minister of Colonies, J.T. Cremer, advised officers of Moera Enim that if its Sumatran fields were sold to Standard, the government would not grant Moera Enim any further permits to produce oil or renew the
exploitation rights on lands the company currently had under production. (34) Faced with these threats, Moera Enim broke off the agreement with Standard Oil and, instead, sold the property in question to the Royal Dutch Company; the Minister of Colonies quickly approved this transaction. (35)

The Netherlands government acted largely to protect the interests of the Royal Dutch Company. The principal element behind the Colonial Ministry's intervention, was Royal Dutch's influence within the government, rather than any real fear of American economic penetration. The officers of Royal Dutch, wishing to avoid the stiff competition that would result if Standard Oil began production in the Indies, used their close connections with top government officials to block the sale. (36) Standard's efforts to buy proven oil lands were not entirely fruitless, however. Despite the interference of the Dutch government, the company was able to acquire the rights to some oil lands from third parties. These concessions, however, were almost invariably worthless. (37)

Despite these setbacks and internal chaos resulting from the dissolution of Standard Oil in 1911, the company persisted. Standard's interests in the East Indies were transferred to Standard Oil of New Jersey which continued to bid for oil lands in the Dutch colony. In 1912, Jersey Standard formed the Nederlandsche Koloniale Petroleum Maatschappij (NKPM or Koloniale) under Dutch laws. (38) The creation of NKPM heralded a new strategy on the part of Standard Oil. Earlier efforts had
been limited to buying previously surveyed and licensed oil lands from other companies. Koloniale, however, was formed to bid for oil concessions on unexplored and undeveloped territories. Under the Dutch Mining Law, companies could not be awarded concessions unless they were incorporated in the Netherlands or the Netherlands East Indies. NKPM satisfied these requirements and submitted a bid for concessions in the Djambi region of Sumatra. (39) At the time, the Djambi fields were generally viewed as the most important oil lands in the East Indies. (40) Once again, however, the Netherlands government acted to block Standard's efforts.

Three bids for the Djambi concessions were submitted to the Colonial government in 1912. NKPM and an independent Dutch firm both outbid Royal Dutch. These bids, however, were not accepted. (41) Rather than grant the Djambi concessions to NKPM, the Dutch colonial government suspended all new oil concessions throughout the East Indies as of 1913. (42)

This moratorium on concessions was intended to exclude Jersey Standard from the East Indies. The new mining law was a direct response to Standard's new tactic of pursuing concessions on virgin lands. The old law had been quite satisfactory to the government and Royal Dutch "until the moment that the Standard undertook seriously to enter the field through its subsidiary, Koloniale." (43) Although the suspension of exploration licenses applied equally to all oil companies, the policy favored Royal Dutch Shell because "their holdings were already so extensive,
that the failure to obtain new territories handicapped them but slightly." (44)

The events of 1912-1913 unfolded without any support from the United States government. It is not even clear that the State Department was aware of the actions taken against Standard Oil in the East Indies at the time. Official American concern did not begin until the postwar oil panic spurred Washington into action. American attention quickly focused on Dutch mining law. In January 1920, the American Consul in Batavia, Charles Jewell, warned Washington of discrimination against American oil companies in the East Indies. Jewell urged the State Department to take "strong action to bring about a favorable change in what appears to be intolerable conditions governing the granting of mineral oil concessions in Netherlands India." (45) The passage of Senate Resolution 331 in March 1920 marked another important step in official U.S. involvement. SR 331 ordered U.S. consulates throughout the world to report on the conditions faced by American oil firms abroad. The consuls in both the East Indies and Holland itself reported that current Dutch mining law did, in fact, discriminate against U.S. companies in the Indies. (46)

Simultaneous with the awakening of American oil consciousness, the Netherlands reopened consideration of the Djambi concessions. The moratorium on concessions enacted in 1913 had never been more than a temporary solution. Suspension of the mining law brought the development of East Indian oil to a halt. Consequently, the government forfeited the additional revenues
that increased oil production would have generated. Given the undesirability of a prolonged moratorium on concessions, it is perhaps surprising that it continued for more than four years. The length of this freeze serves as an indicator both of Dutch determination to exclude foreign companies and, more importantly, the strong influence of Royal Dutch Shell over the Netherlands government. The moratorium did not, however, solve any of the underlying problems. When a New Mining Law was enacted in 1918, the issue of concessions in the Djambi came to the fore almost immediately.

In early 1920, a bill granting all concessions in the Djambi region to the Royal Dutch Shell Company came up for consideration before the Estates General of the Netherlands. The State Department instructed its officers in the Netherlands to closely follow the progress of the Djambi bill. (47) In view of the importance of the proposed concessions, William Phillips, the United States Ambassador at The Hague, made representations to the Colonial Ministry requesting the relaxation of restrictions against U.S. oil interests in the East Indies and the inclusion of American oil firms in the Djambi bill. (48)

The State Department's case rested on the principle of reciprocity. Washington argued that American companies operating abroad should be entitled to treatment equivalent to that encountered by foreign firms in the United States. The State Department informed the Netherlands Government in April 1920 that its policy with reference to the petroleum
resources of Netherlands India is a matter of concern to this Government [US]; that it is the view of this Government that this policy, so far as revealed and understood, is apparently in many respects antagonistic to the principal of reciprocity, which, it is believed, should, so far as possible, govern the economic relations of the US and the Netherlands with reference to access to raw materials. (49)

The State Department also claimed that America was entitled to East Indian oil because its domestic reserves were exhausted. Secretary of State Hughes called on the Netherlands to admit American firms because "the United States has for years carried a burden of supplying a large part of the petroleum consumed by other countries, and that the petroleum resources of no other country have been so heavily drawn upon to meet foreign needs as the petroleum resources of the United States." (50) Hughes argued that because America had emptied its own petroleum reserves to supply the rest of the world's needs, including that of the Netherlands, the United States should be allowed access to oil deposits in those countries.

The Netherlands quickly dismissed this latter argument. While the Dutch reply was phrased diplomatically, the essence of it was captured in a British newspaper.

There is the idea, that American oil has been handed as a gift to the world for which the world owes America gratitude to be expressed in allowing Americans to enter every oil-field. We do not imagine that any country will take that altruistic view of the situation. Just as Americans sold their oil for the best price they could obtain when they were the chief producers, so they will have to pay the world price if their own supplies are inadequate. (51)

The Dutch also proved unsympathetic to American pleas for
reciprocal treatment. The Netherlands government denied any discrimination against American oil interests in the East Indies. Both Minister for Foreign Affairs van Karnebeek and the Dutch Ambassador in Washington de Beaufort claimed that mining law in the East Indies applied to American and Dutch subjects equally. De Beaufort told Hughes, "American citizens have with respect to the law the same facilities as Netherlands subjects to obtain the contracts in question provided that they adopt the form of a Netherlands or Netherlands East Indian company." (52) This effectively denied any discrimination against the Standard interests, because NKPM was incorporated under Dutch laws.

As evidence of the existence of an Open Door, the Dutch noted that NKPM had already received several oil concessions in the East Indies. In February, 1921, the Dutch announced that NKPM had received four new oil concessions in September of the preceding year. (53) This announcement clearly surprised the State Department; it contradicted their understanding of events in the East Indies. A letter from Standard Oil of New Jersey's William Mansfield in March of 1921 clarified the situation. Mansfield revealed that the concessions in question had actually been secured by Dutch companies before the suspension of the Old Mining Law in 1913. NKPM had subsequently purchased these exploitation rights, but they did not represent new concessions. (54)

The Netherlands offered alternative explanations for the failure of American oil interests to secure concessions. The
Dutch attributed NKPM's lack of success to its late arrival in the field. The Colonial Ministry claimed that Dutch companies had shown interest in East Indian concessions long before NKPM entered the field. This late start meant that many concessions had already been awarded before NKPM expressed any interest. (55) The record, however, does not support the Dutch claim. Between 1910 and 1920, NKPM applied for more than six thousand prospecting licenses in the Indies; only two of these licenses were granted, both before 1913. During the same ten years, Royal Dutch Shell received 945 prospecting licenses, including more than two hundred after 1913. (56)

Dutch diplomats expressed regret at any difficulties met by U.S. firms in the East Indies. They claimed that any impediments to foreign oil interests were not directed at Americans, but rather at other countries, presumably the Japanese. Foreign Minister van Karnebeek defended his country against American Open Door rhetoric. He claimed that the relative weakness of the Netherlands justified greater protectionism.

The United States was a great Power which easily could look after its own interests, whereas Holland was a small Power which had to be very careful in its dealings with foreign countries, especially within the colonial empire; otherwise its colonial possessions might pass under the political control of another power. (57)

Faced with stiff Dutch resistance to American pleas for the Open Door, the State Department looked for a stronger weapon. Ambassador Phillips wrote from The Hague, "I am convinced that I can do nothing further here unless I am in a position to state
that retaliatory measures will be employed against the Dutch oil interests in America unless American capital is permitted to participate in the Netherlands Indies." (58) The Public Lands Leasing Act of February 25, 1920 offered the State Department just such a threat. The Act prohibited the leasing of public lands in the United States to citizens of any "country, the laws, customs, or regulations of which, deny similar or like privileges to citizens or corporations of this country." Corporations with stock owned, held, or controlled by citizens of non-reciprocating countries were also barred from new leases on public lands. (59) Almost as soon as the Public Lands Leasing Act was passed, U.S. officials contemplated invoking it against the Netherlands. By July 1920, the State Department had concluded that Dutch mining laws did, in fact, discriminate against American oil companies. U.S. citizens in the East Indies were denied privileges accorded to Netherlands citizens in the United States.

Retaliation was not immediately forthcoming, however, because the administration of the Public Lands Leasing Act was charged to the Department of Interior. No action could be taken until Interior determined whether the Netherlands was a "non-reciprocating" nation. (60) The decision fell to the General Land Office in the Department of Interior. Throughout 1920, the GLO vacillated as to whether or not the Netherlands should be declared a "non-reciprocating" country. By September 22, 1920, however, a decision was reached. Until the situation in the Netherlands East Indies altered, the United States would not
After that time, Dutch firms were barred from all new oil concessions on public lands in the United States. When the Netherlands government protested the American decision, Secretary of State Hughes informed them that only a revision of Dutch mining law could change the situation. (62)

The Netherlands refused to alter the mining law, but held out the hope of a private settlement. Throughout the negotiations with the United States, Dutch diplomats professed to sincerely desire American capital in the Indies. Unwilling to alter the mining law in the Indies, the Netherlands government suggested a private agreement between Royal Dutch Shell and American capital. Minister of Colonies de Graaff hinted to Ambassador Phillips that he would urge Royal Dutch Shell to adopt such an arrangement. (63) Phillips seized on this as a last chance to secure American participation in the Djambi. (64) U.S. diplomats accepted the good faith of the Dutch. They genuinely expected the Netherlands government to pressure Royal Dutch Shell into admitting American partners. (65)

Royal Dutch Shell proved uncooperative and negotiations soon fell through. Not surprisingly, the Netherlands Government expressed its regret but took no action. Despite this setback, Phillips clung to the hope of a private settlement. He continued to believe that American diplomatic efforts would sway the Dutch...
position. (66) Royal Dutch Shell's resistance remained adamant, however, and in April 1921 the Estates General granted the Djambi concessions to the Dutch company. (67) Ambassador Phillips blamed this defeat on the American oil companies' insufficient interest in the negotiations. He lamented that diplomatic efforts would not succeed "until American businessmen understand that they themselves must take an active and intelligent interest in such affairs." (68)

American interest in East Indian oil concessions continued throughout the 1920's. Finally, in 1928, NKPM was awarded substantial concessions in Sumatra. The significance of these fields can be seen in the fact that American oil firms' share of total East Indian oil production rose from 3.1% in 1927 to 23% nine years later. (69) Charles Raynor, the State Department petroleum advisor summed up the American effort thus in 1945,

the Netherlands Government at first did not accede to our representations and negotiations continued through the early 1920's. With a view to exerting further pressure on the Netherlands Government the American Government took steps to block the issuance of further concessions to the Royal Dutch Shell in public lands in the United States. The final result was that the New Jersey company was given additional producing concessions in the Indies which turned out to be some of the richest in the islands. (70)

Raynor's assessment was soon adopted by others; an enduring consensus developed. Virtually every analysis of American oil diplomacy since has concluded that the granting of concessions to NKPM in 1928 marked a triumph for the State
Department. Adherents to this position include Peter Mellish Reed, James Gould, Irvine Anderson, Stephen Krasner, Edward Chester, and Fiona Venn. Although their analyses differ somewhat, all ultimately reach the conclusion that American diplomatic efforts were vital and indispensable to the winning of the East Indian concessions. Taken as a whole, their writings represent a consensus that has lasted almost forty years. The similarity between the oldest of these works and the most recent demonstrates the enduring nature of the consensus. Charles Raynor, who wrote his summary of American oil diplomacy in the Netherlands East Indies in 1945 while serving as the State Department’s petroleum adviser, concluded that "there seems to be little question that without the diplomatic support of the American Government, American oil companies could never have obtained equal facilities with Netherlands companies for the development of petroleum deposits in the Netherlands Indies." (71) Forty-one years later, Fiona Venn reached a strikingly similar conclusion. In reference to American efforts on behalf of Jersey Standard in the Indies she wrote, "yet again, United States diplomatic support for an American company had led to substantive changes in the policy of another government, with consequent advantages for American commercial interests." (72) All of these scholars argue that the State Department’s persistent efforts ultimately compelled the Dutch Government to admit American oil firms. In particular, they cite American retaliation against Dutch oil interests in the U.S. as a potent weapon used effectively by
American diplomats.

Writing in 1958, Peter Mellish Reed concluded that "apprehension of being declared a "non-reciprocal" country under the terms of the U.S. Public Land Leasing Act was one of the principal factors in the Dutch decision to admit American oil companies. (73) Three years later, James Gould, an historian and former Foreign Service officer, echoed Reed's praise for American diplomatic efforts. Gould credited President Hoover and Secretaries of State Hughes and Kellogg with opening the door for U.S. firms in the Netherlands East Indies. He also cited the threat of retaliation as an important influence in the Dutch decision. "The intense interest of the Dutch government in the position of Shell in the United States makes it clear that the opening of the Indies was a result of the policy of commercial reciprocity advanced by William Phillips in 1920, approved by Secretary of State Colby, and adhered to by his successors for eight years." (74) Other, less exhaustive treatments of the episode agree with Raynor, Reed, and Gould. The works of Irvine Anderson, Stephen Krasner, Edward Chester, and Fiona Venn all concur with the assessment of American oil diplomacy in the Netherlands East Indies as a success. (75)

These scholars' conclusions depend heavily on one another. Few included a thorough examination of the relevant primary materials. Raynor, who presented his conclusions in 1945, based his findings solely on excerpts from the State Department files found in the Foreign Relations of the United States series.
While these excerpts provide a valuable framework for understanding the broad features of American diplomatic action, they are far from complete. Peter Mellish Reed's 1958 work is based on records referred to simply as "Petroleum Dutch East Indies" (PDEI). PDEI seems to be a collection of State Department correspondence on oil diplomacy in the Indies. However, no other scholar cites such a source and I have been unable to discern what the PDEI records contain or where they are located. Although Reed refers to State Department correspondence which is not included in the Foreign Relations series, he never cites official document numbers. Thus, while the PDEI records contain more than the Foreign Relations series, it is difficult to determine whether all of the State Department correspondence was included. Reed's research appears to have focused on the events of 1920 and 1921. There is little account of developments later in the decade, opening the question as to whether these materials were included in the PDEI records.

None of the subsequent scholars (Gould, Anderson, Krasner, Chester, and Venn), went further than the Foreign Relations series in researching the topic. Most simply cited Rayner and Reed. This reliance on secondary sources is understandable given the broad scope of most of these works. American oil diplomacy in the Netherlands East Indies was a relatively minor concern within the framework of larger studies. It would not have been feasible or even worthwhile for these scholars to undertake primary research on this topic.
The belief in the efficacy of American oil diplomacy is not unanimously shared, however. Gerald Nash’s *United States Oil Policy, 1890-1964* (1968) presented a rather different interpretation. Nash berated the State Department in strong terms for weakness and diplomatic incompetence.

The diplomatic skills of both the later Wilson and the Harding Administrations were meager. The policies of Robert Lansing, Bainbridge Colby, and Charles Evans Hughes revealed many weaknesses and vacillations. As a result, American efforts to secure foreign oil concessions in the Middle East and Sumatra met only minimal success. (76)

Nash’s position, however, has had little influence on other scholars. This is hardly surprising given his poor command of the facts of the case. Among his more glaring errors was the assertion that, "while [NKPM] received some concessions, these were not of major importance." (77) The concessions granted NKPM after 1928 were tremendously important and allowed for a sixteen-fold increase in NKPM’s production between 1927 and 1937. Irvine Anderson cited this very flaw as a reason for dismissing Nash’s conclusions. (78) In addition, Nash’s book failed to advance an alternative explanation for the change in Dutch oil policy. His work was limited to fierce criticisms of American diplomacy and offered no counter explanation for NKPM’s success after 1928.

Close examination of the complete State Department files on American oil diplomacy in the Netherlands East Indies reveals that Nash, despite the weakness of his argument, had stumbled onto the right conclusion. Contrary to the consensus that has endured from Raynor to Venn, diplomatic efforts on behalf of
American oil interests in the Netherlands East Indies had little direct impact on the granting of concessions to Standard Oil in 1928. American oil diplomacy failed to achieve its objectives;

First, we must understand what the objectives of American policy were. United States oil diplomacy sought to insure opportunities not only for Jersey Standard, but for all American companies. The State Department explicitly stated that equality of opportunity should apply to every American firm. In 1920, Acting Secretary of State Norman Davis cautioned Ambassador Phillips that a private agreement between a single American company and the Dutch government would not be "satisfactory in regard either to principle or to permanency" (79) Four years later, Secretary of State Hughes reiterated this position. "This Government is seeking equality of opportunity for American companies, not a particular opportunity for one or some American companies." (80) The State Department seemed to rule out the possibility of accepting any such settlement. "We cannot abandon our policy and say that a grant to the Koloniale will be satisfactory." (81)

With the objectives of the State Department clearly in mind, even a relatively brief analysis reveals that they were not achieved. Even after the Dutch offered concessions to NKPM in 1928, the door was never truly open to American oil interests. Firms other than Jersey Standard repeatedly complained to the State Department of discrimination in the East Indies long after the Open Door had supposedly been achieved. Standard Oil of
California's Francis B. Loomis, a former Under Secretary of State, pleaded for State Department support into the early 1930's. In view of California Standard's continued inability to secure a concession in the East Indies, Loomis asked that the Netherlands be declared a "non-reciprocating" country once again. (82) The State Department, however, refused to take any action on Standard Oil of California's behalf. (83) A year later, Loomis again sought assistance, noting that "no foreign-owned company other than the Koloniale has a concession or contract covering possible oil areas in the Island of Sumatra - or, for that matter, anywhere else in the Dutch East Indies - obtained under existing laws." (84) The State Department held to its position that the Open Door already existed in the Indies. Loomis was not alone in encountering discrimination after 1928. William T. Wallace, Vice President of Gulf Oil, wrote in March 1932, "It looks to me very much indeed as if however wide open the door in the Dutch East Indies may be in theory, as a practical matter and from the standpoint of profitable and unhampered operation it is at least pretty effectively barred." (85) It is both ironic and instructive to contrast these sentiments with those expressed by Jersey Standard and NKPM. In 1933, George Walden of NKPM informed the State Department that the Dutch government had cooperated fully with his company. Walden told American diplomats that all was well in the East Indies and assured them that "there has never been anything reasonable that we have failed to obtain from the Dutch Government." (86)
State Department officials were also aware that discrimination against American oil interests persisted in the East Indies. In both February and November of 1934, Dutch Prime Minister Colijn told Ambassador Swenson that the colonial administration did not want any new oil companies (besides Royal Dutch Shell and NKPM) to begin operations in the East Indies. (87) Even those scholars who saw oil diplomacy as a success admit that American companies other than Jersey Standard faced continued obstacles. (88) Oil production statistics also contradict the idea of an open door. No American company besides Jersey Standard produced significant quantities of oil in the Netherlands East Indies during the 1930s. Although Standard of California did acquire some properties in the East Indies during the 1930’s, the only two oil companies operating on a large scale in the East Indies before World War II were Royal Dutch Shell and Koloniale. (89) Thus, it is clear that although the door was opened for Jersey Standard, other American oil interests continued to face discrimination in the Netherlands East Indies. In the State Department’s own terms, such a result was clearly a failure.

Close examination of American oil diplomacy reveals other reasons to question its success. Historian Michael Hogan argued that the American formula for international economic cooperation, including the notion of reciprocity, depended ultimately on the willingness of other countries "to sacrifice privilege and traditional principles for the sake of cooperative action." (90) This approach reveals the weakness of the U.S. position. Looking at
the matter from the Dutch perspective, it is difficult to see any compelling reason for the Netherlands to acquiesce to American demands.

Royal Dutch Shell was intimately connected with the upper levels of the Netherlands government. Many of the Ministers were former officers of Royal Dutch Shell and nearly all were stockholders. Thus, the Dutch leaders had little reason to want foreigners exploiting East Indian oil. In 1923, the American consul in Batavia, Charles L. Hoover, wondered "why it is expected that the Dutch will voluntarily surrender one of the most profitable fields of investment which the members of the inner circle of the government of Holland have." (91)

The United States argument was built on the principle of reciprocity. The Netherlands, however, did not share this American commitment to the ideology of equal access; the Dutch government explicitly defended its right to enact restrictionist measures. (92) Thus, they were not very susceptible to American Open Door appeals. American diplomats at the time recognized the weakness of their case. In 1920, Secretary of State Colby questioned whether the diplomatic corps could do anything to aid American oil companies abroad. (93) Even the normally optimistic Phillips dismissed the worth of the Open Door principle. "I [am] convinced that the arguments which I have adopted for the last year, based on the principle of reciprocity, were worthless." By May 1921, Phillips believed that harsher retaliation against Royal Dutch Shell in the United States was the only way to
convince the Netherlands. (94)

State Department pleas for the principle of reciprocity had little influence on the Netherlands. The reciprocity argument, however, was only one half of American oil diplomacy; the threat of retaliation against Royal Dutch Shell interests in the United States served as the other half. Peter Mellish Reed argued that this threat was the State Department's most potent negotiating tool. (95) The facts, however, do not support this assessment. American retaliation against Royal Dutch Shell holdings in the United States was ineffective. The Public Lands Leasing Act of 1920 applied only to public lands which accounted for less than 10% of American oil lands during the 1920's. (96)

In Enterprise in Oil: A History of Shell in the United States, Kendall Beaton dismissed the importance of American retaliation; Beaton argued that the Federal lands in question were not particularly attractive to Royal Dutch Shell. (97)

Despite the sanctions imposed under the Leasing Act, Royal Dutch Shell continued to produce ample quantities of oil in the United States. Roxana Oil, one of Shell's principal subsidiaries in America increased its production from 3,000,000 barrels in 1920 to 7,800,000 barrels by 1925. This increase was based primarily on purchases of new production lands in the western United States. (98) In 1923, two years after the Netherlands were declared a "non-reciprocating" nation, Shell's American subsidiaries accounted for 6% of total U.S. oil production, more "than any single American company or individual engaged in..."
the petroleum business." (99) Kendall Beaton's *Enterprise in Oil* provides another clear indication of the ineffectiveness of American retaliation. Beaton entitled the chapter covering the years 1925-1930, when the Netherlands was designated a "non-reciprocating" country, "The Golden Era of Volume". (100) This is hardly consistent with the perception of retaliation as an effective threat to Dutch oil interests.

In addition to the weaknesses of the State Department argument noted above, the question of timing must be considered. The concessions to NKPM came eight years after the State Department began diplomatic representations to the Netherlands government. Given this delay, the causal relationship seems unclear at best. As previously noted, most of the scholars above did not examine the complete State Department records. Instead, their primary resources were limited to the *Foreign Relations* series. This allowed them to miss the fact that between 1923 and 1927 the force and frequency of official American protests withered noticeably. When one goes to the actual State Department files the trend is obvious. Three reels of microfilm are required for correspondence between 1920 and 1922; the files for 1923 to 1928, however, fit on just one and a half reels.

The decline in sheer volume of correspondence, however, was only part of the picture. The State Department also failed to formulate any new arguments on behalf of American oil interests after 1922. Instead, U.S. diplomats merely repeated the same tired phrases with ever-diminishing conviction. In "The Movement
for an Aggressive American Oil Policy Abroad, 1918-1920", a seminal work on United States oil diplomacy, John A. DeNovo concluded that "as the 1920's wore on, the widespread clamor for an energetic foreign oil policy abated considerably." (101) As a result, American diplomats no longer focused their attention on petroleum issues.

In summary, American oil diplomacy placed no significant pressure on the Netherlands government. The Dutch largely ignored American pleas for reciprocity and retaliation against Royal Dutch Shell in the United States was ineffective. In addition, NKPM did not win concessions in the East Indies until 1928, long after the State Department's interest in the matter had waned. These facts are hardly consistent with the notion that diplomatic support was the key to the success of American oil companies in the East Indies.

Having rejected the argument that persistent American diplomatic efforts resulted in the concessions to American oil firms, a different and more plausible explanation for the Dutch policy shift must be found. If pressure from the United States government did not force the change, why then did the Netherlands finally relent? To a large extent the change in Dutch policy was due to the efforts of the Standard Oil Company of New Jersey itself.

The burst of interest in foreign sources of oil after World War One was not limited to American government officials. Private business interests also had important reasons for pursu-
ing foreign oil opportunities. The rise of United States oil diplomacy coincided with a new aggressive, expansionist era at Standard Oil of New Jersey. The first postwar years marked a bold new era at Jersey Standard. Younger, more imaginative leaders had taken control of operations. (102) The History of the Standard Oil Company of New Jersey called the period beginning in 1918 "a time of great beginnings" for the company. (103)

Jersey Standard's new leaders, especially the President, Walter Teagle, strongly emphasized the importance of increasing the company's crude oil production. (104) The partitioning of Standard Oil in 1911 had left Jersey Standard with ample facilities for refining, but relatively little crude oil production. In 1912, Jersey Standard produced only 7,500 barrels of crude daily for a refinery capacity of 96,000 barrels a day. By 1918 the situation had improved only slightly; 84% of the crude processed by Jersey Standard was purchased from other producers. (105) The search for new oil fields naturally drew Jersey Standard into foreign countries. In 1919 Jersey created a Foreign Production Department to coordinate the exploration and acquisition of foreign oil lands. (106)

Jersey Standard was remarkably persistent in its pursuit of concessions in the Netherlands East Indies. Despite the suspension of the Old Mining Law in 1913, NKPM continued to explore fields in the East Indies. Although results were disappointing, Jersey Standard invested heavily. Between 1912 and 1922, NKPM invested a total of $12,584,000 in the East Indies. Of
the 105 wells NKPM drilled during that time period, only thirteen were productive and only two yielded oil in commercially viable quantities. (107) This drilling and exploration took place on lands purchased by NKPM from third parties. Between 1922 and 1926, NKPM invested another nine million dollars in East Indies exploration. (108)

Standard Oil maintained offices both in the Netherlands and the East Indies beginning at least in 1900. Thus, the company had experienced personnel on hand to pursue its interests. Jersey Standard's top leaders visited the East Indies throughout the 1920's. (109) Standard's representatives in the Netherlands kept tight surveillance on the activities of the Dutch Ministry of Colonies. In 1927, Richard Tobin, the U.S. Ambassador at The Hague, commended the company's vigilance in watching its interests in the States General. (110)

Following the granting of the Djambi concessions to Royal Dutch Shell in 1921, the State Department had lamented the apparent lack of interest of American oil firms. Louis Sussdorff, the Charge d'Affaires at The Hague believed that Standard Oil would not succeed in the East Indies unless the company developed wider political support in the Netherlands. (111) As the twenties continued, Jersey Standard carefully cultivated support among Dutch leaders. This strategy effectively counteracted the previously close ties between Royal Dutch Shell and top Netherlands officials. During the 1920's, NKPM recruited many prominent Dutch figures, including Minister of Foreign Affairs van Karnebeck, to
serve on the Board of Directors. In 1925, US Ambassador Tobin informed the State Department that van Karnebeek had planned to resign his office and become a director of the NKPM, but decided that he could aid the company more by remaining in the cabinet for another year. (112) Two years later, van Karnebeck's eldest son accepted a position with the Standard Oil Company of New Jersey. (113)

Simultaneously, certain influential supporters of Royal Dutch Shell became dissatisfied with that company or lost power. Minister of Colonies de Graaff "an undoubted servant of the Royal Dutch" in the State Department's eyes, (114) encountered political difficulties; in 1922, Phillips reported that de Graaff had "become so unpopular and unsympathetic in Dutch circles (excepting of course the Royal Dutch)" that his reappointment as Colonial Minister was doubtful. (115) Several years later, Royal Dutch Shell's connections with the Netherlands government suffered another blow. In 1925, Ambassador Tobin reported that, although the new Prime Minister, Colijn, had once been a director of Royal Dutch Shell, Colijn had left that firm after "a falling out" and was now unfriendly to Royal Dutch concerns. (116)

Because of its political connections and strong networks in Holland and the East Indies, Standard Oil of New Jersey was better informed about developments in the oil situation than any other American source. After 1923, Jersey Standard invariably knew more about the situation in the East Indies than officials in Washington. The State Department files on East Indian oil
after 1923 are largely memoranda noting what the Department had learned from various representatives of Jersey Standard. When the State Department needed information or maps of the Netherlands East Indies, it was Standard Oil of New Jersey that supplied the necessary materials. (117) State Department officials in the 1920's recognized the importance of Jersey Standard's work in the Netherlands. Just before the granting of concessions to NKPM, Ambassador Tobin concluded that Jersey Standard's persistence and tactics had played a large role in the Dutch decision. (118)

Jersey Standard's careful and persistent work was in marked contrast to the efforts of other American companies. At one time or another, Standard Oil of California, Sinclair Consolidated Oil, the Pure Oil Company, Gulf Oil, and the Texas Company all sought concessions in the Netherlands East Indies. None of these firms persisted, however, in their claims to the Netherlands government. Representatives of Sinclair Oil travelled to the Netherlands in 1920, but failed to impress Dutch officials with their seriousness and soon withdrew from negotiations. (119) Ambassador Phillips criticized Sinclair's actions as an illustration of

the difficulty of the task of American diplomatic officers in matters of this kind when the representatives of American business concerned fail at the last moment to take advantage of the favorable situation which has been created for them through the efforts of the American government. (120)

The Pure Oil Company also expressed interest in East Indian oil in 1922. When negotiations bogged down, however, the
Pure Company withdrew after less than a year. (121) In 1930, Gulf Oil formed a Dutch subsidiary, Gulf Petroleum Maatschappij and sought concessions in the Netherlands East Indies. (122) Less than two years later, however, Gulf abandoned its attempts without receiving any concessions. (123)

Standard Oil of California showed a slightly longer attention span. In late 1922, Francis Loomis of Standard of California arrived in The Hague to explore the possibility of securing concessions in the East Indies. (124) But Standard of California never established permanent offices in the Netherlands and on at least one occasion officially withdrew from the pursuit of concessions. (125) Although Standard of California exhibited intermittent interest in the East Indies throughout the 1920's and early 1930's, the company did not form a subsidiary incorporated under Dutch laws, a necessary precondition for receiving any concessions, until 1930. (126) Standard of California, in contrast with Jersey Standard, depended upon the State Department for information on oil developments in the East Indies. (127) In addition, Standard of California invested relatively little in East Indian oil. In 1929, Loomis reported that Standard of California had invested a total of $75,000 in the Netherlands East Indies; four years later that total had climbed to $200,000. (128) Standard of California’s total investment represented about one tenth of what Jersey Standard invested annually.

There is also some evidence of a private understanding reached between Jersey Standard and Royal Dutch Shell in the late
In 1924, Ambassador Tobin reported that Standard Oil of New Jersey and the Royal Dutch Shell group seemed to have achieved a rapprochement. (129) Jersey Standard’s F.J.E. Horstmann confirmed this. "Of late, our relations with the Royal Dutch have been very cordial and there have been frequent meetings between the representatives of the two companies." (130) NKPM’s success in the Netherlands East Indies must be viewed in the context of international oil agreements. The early 1920’s had seen fierce competition and price wars between Jersey Standard and Royal Dutch Shell; by the end of the decade, both companies realized the advantages of cooperation. Simultaneous with NKPM’s successes in the Netherlands East Indies, Jersey Standard and Royal Dutch Shell reached worldwide agreements. In July 1928, the "Red Line Agreement" on Middle East oil was signed. This agreement "represented a milestone in the development of cooperative relationships between Jersey and Royal Dutch-Shell." Six weeks later, in mid-September 1928, Walter Teagle of Jersey Standard and Sir Henri Deterding of Royal Dutch Shell negotiated the "Achancarry Agreement" which divided world markets between Jersey, Shell, and the Anglo-Persian Oil Company. For the major international oil companies, the late 1920’s marked the beginning of an unprecedented era of cooperation. (131)

The shift in Dutch policy after 1928 was not solely due to the efforts of Jersey Standard, however. The Netherlands government had several reasons of its own for altering its policy.
During the 1920’s, Royal Dutch Shell grew increasingly unpopular in the Netherlands and its colonies. In 1921, the American consul in Batavia reported that Royal Dutch Shell was "cordially disliked by almost everyone in Netherlands India... not connected with it." (132) The Dutch press offered similar statements; during the deliberations on the Djambi concessions, many editorials deplored the excessive influence of Royal Dutch Shell on the Netherlands government. The Nieuwe Rotterdamsche Courant worried in October 1921 that Royal Dutch Shell had more influence in the East Indies than the Ministry of Colonies. (133)

After receiving the Djambi concessions, Royal Dutch Shell spurred further popular resentment when the company delayed development of these lands. Instead of carrying out work in the East Indian fields, Royal Dutch Shell expanded its operations elsewhere in the world and demanded significantly reduced taxes on oil exported from the East Indies. (134) In response, the Netherlands government suspended the oil export tax in the spring of 1923. (135) A year later, a revised oil export tax was passed in accordance with Royal Dutch Shell’s wishes. (136) Although Royal Dutch Shell succeeded in changing the oil export tax, the episode triggered another barrage of criticism against the company’s influence.

Even officials in the Colonial Ministry attacked Royal Dutch Shell’s privileged position. On several occasions during the 1920s, J.H.H. Wamelinck, a subordinate officer of the Netherlands Colonial Department, published articles hostile to Royal
Dutch Shell. Wamelinck attacked the company's virtual monopoly in the East Indies, accused Royal Dutch Shell of being controlled by British interests, and called for the Open Door in the East Indies. (137)

The Netherlands government viewed the arrival of Jersey Standard as a counter-balance against strong British interests in Royal Dutch Shell. The Royal Dutch Shell group was created in 1907 when the previously independent Royal Dutch Company merged with Shell, a British oil firm. The resulting agreement created a company in which Royal Dutch held 60% of the stock with the remaining 40% going to Shell. (138) Despite the apparent preponderance of Dutch interests in Royal Dutch Shell, it was widely believed British interests actually controlled the company. Henry Starrett, the American Consul in Batavia reported that the local office of Royal Dutch Shell took no action without prior approval of the London office. Royal Dutch Shell’s Amsterdam office, however, received only monthly reports of developments in the East Indies. (139) Some Americans went so far as to call Royal Dutch Shell a mere pawn of the British. (140) While that represents an extreme view, American leaders generally assumed that British interests controlled the Royal Dutch Shell alliance. (141)

Fear of strong British influence on Royal Dutch Shell was also present in the Netherlands. Many Dutch officials believed that the company’s monopoly on East Indian oil threatened Dutch neutrality in the event of Anglo-American hostilities. The Nieuwe
Rotterdamsche Courant, a leading independent newspaper of the day, warned that the exclusion of American interests from the Djambi concessions, "irretrievably binds those fields to the Royal Dutch Shell group to the practical exclusion of American interests." This development, according to the Courant, imperiled Dutch neutrality in the event of an Anglo-American conflict. (142)

There is also some evidence that the Dutch government hoped to secure greater American military interest in the Netherlands East Indies by admitting American oil firms. In 1926, the Governor General of the East Indies, de Graeff, informed Ambassador Tobin of his hope that increased American commercial involvement in the colony would result in a greater willingness to protect the Indies against aggression. It is clear that the Netherlands saw Japan as the principal threat to the status quo in the East Indies, although de Graeff did not say so explicitly.

Dutch fears of Japanese encroachment into Southeast Asia began as early as World War I. (143) In the 1920’s, the Netherlands believed "if American and British interests are largely represented in the Indies, their respective governments... will be anxious to protect them and will be correspondingly concerned in the maintenance of the status quo." (144)

Another motivation for the change in oil policy was Royal Dutch Shell's slow exploitation of its East Indian concessions. Even after receiving the Djambi concession, Royal Dutch Shell made slow progress. In November 1921, C.O. Spamer, the U.S.
Consul in Medan, Sumatra, reported that the Bataafsche Petroleum Matschappij (BPM), Royal Dutch Shell's subsidiary in the East Indies, had not yet begun work in the Djambi fields. Spamer expected BPM to begin work during the following year. (145) Two years later, however, the situation had changed only slightly. In 1924, the U.S. Consul at Batavia, Charles Hoover, reported that BPM had made little progress in the Djambi exploitation, primarily because the company was not trying very hard. (146) At The Hague, Ambassador Richard Tobin offered an explanation for BPM's sluggishness. Royal Dutch Shell, confident of its monopoly on East Indian oil, was drawing on its holdings elsewhere in the world.

So long as [Royal Dutch Shell's monopoly in the East Indies] continues and the company is extracting (largely from American sources) all the oil they need, it may quite suit their purpose to leave the Dutch colonial field undeveloped. (147)

These stalling tactics did not go unnoticed. By late 1924, many officials in the East Indies were angered at Royal Dutch Shell's failure to develop the colony's richest oil fields. (148) As time passed, Dutch dissatisfaction mounted. In 1926, several members of the Volksraad in the Netherlands East Indies publicly complained about Royal Dutch Shell's slow progress in the Djambi fields. (149)

An examination of the production figures for Netherlands East Indian oil reveals that these suspicions were well justified. Between 1913 and 1928, a boom time in international oil markets, exports of petroleum from the Netherlands East Indies
increased very slowly. In 1913, the Indies exported 113 million guilders worth of oil; by 1928, that figure had only risen to 144 million guilders. (150) (61 p.363) Between 1921 and 1924, the Royal Dutch Shell group’s crude oil production in the Netherlands East Indies rose from 2,295,538 metric tons to 2,819,917 metric tons. During the same four year period, however, Royal Dutch Shell’s total world production jumped from 6,450,933 metric tons to 13,388,110. (151) Thus, Royal Dutch Shell’s world total rose almost three times as quickly as its production in the Netherlands East Indies. During the years that Royal Dutch Shell had a monopoly on East Indian oil, the relative value of the Dutch colony’s oil imports actually declined. In 1913 oil exports accounted for 16.9% of all exports from the Netherlands East Indies. By 1928, the last year before Standard entered the field, oil had fallen to only 9.1% of East Indian imports. (152)

The numbers strongly support the contention that Royal Dutch Shell kept its oil production in the East Indies to a minimum, choosing instead to draw on holdings elsewhere in the world. The stalling tactics, however, were contrary to the wishes of the Netherlands government. The Colonial Ministry planned to use oil revenues to fund social programs in the Netherlands East Indies. During the discussion of the Djambi concessions in the States General in 1920 and 1921, several deputies of the Second House urged a rapid settlement so that the government could begin to enjoy the new revenues generated by the oil industry. (153) In the mid-1920’s, the Dutch government embarked on a sweeping
program to improve the standard of living of the native population in the Indies. (154) To finance projects in education, sanitation, and road construction, the government relied in part on revenues from oil exploitation. Royal Dutch Shell's slow development of the Djambi concessions therefore retarded the Colonial Government's social programs. Some observers have argued that royalties paid by oil companies were the key to advances eventually made in native living conditions during the 1920's and 1930's. (155)

Contemporary Dutch observers were also aware of the potential value of American investment. In 1921, an editorial in Het Nieuws Van Der Dag, a Batavia newspaper, questioned the wisdom of excluding American oil interests from the Djambi concessions.

Whether the Government has acted wisely by yielding to the will of the Royal Dutch still remains to be seen. The consumer certainly does not profit by it. The resources of the Standard would no doubt have meant an influx of American capital which here would have found profitable investment. (156)

Dutch colonial officials were also aware of the importance of American investment. In 1922, the Director of Finance of the Colonial Government wrote, "we can hardly expect America to continue to loan us money unless American interests receive sympathetic and substantial encouragements in this country." (157) One year earlier, the Guaranty Trust Company of New York extended a $100 million loan to the Netherlands East Indies. The State Department, however, refused to link consideration of
future loans with concessions for American oil firms in the East Indies. (158)

The entrance of NKPM into the East Indian oil fields also provided direct social benefits for the population. The concession agreements required the oil companies to employ sizeable numbers of natives. Thus, American companies were compelled to train Indonesians for skilled positions in oil exploration, engineering, and bookkeeping. (159) NKPM's work in the East Indies also resulted in improved cold storage facilities for meat and produce; additional hospital beds; primary schooling for the children of employees in both Malay and Dutch; better housing, sanitation, and laundry facilities; new roads and bridges; and the introduction of telephone service to many regions. (160)

Thus, the Dutch government had important reasons of its own for granting concessions to NKPM. The growing unpopularity of Royal Dutch Shell in the Netherlands, concern for the strategic ramifications of excessive British influence on the company, and need for revenues from oil sales all combined to make the entrance of NKPM into the East Indies attractive to the Dutch government. These factors, coupled with Standard Oil of New Jersey's persistence and careful cultivation of political support in the Netherlands, offer sufficient reason to discard the prevailing view that American oil diplomacy won an important victory in the East Indies. Even after 1928, the Open Door was never really achieved. Other American oil firms were unable to repeat Jersey Standard's success. The State Department's argu-
ments were weak. Not only did the Dutch prove unreceptive to Washington’s Open Door appeals, but American retaliation against Royal Dutch Shell in the United States also had little impact.

Regardless of effectiveness, the 1920’s marked a new highpoint of United States involvement in Southeast Asia. Before World War I, America’s primary interest in the region was as a market for U.S. exports. During the 1920’s, American merchants continued to find buyers for their goods in Southeast Asia, but a new concern dwarfed the importance of these sales. For the first time, the United States recognized the significance of imports from Southeast Asia. Earlier trade had dealt largely in luxury goods; now, however, American interest centered on oil, the lifeblood of modern industry. American interests in the region remained primarily economic, but oil’s economic importance represented only part of its value to the United States. Oil’s role in U.S. defense also factored in American thinking, especially in the early 1920’s. By the end of the decade, however, the discovery of new oil reserves in the United States reduced these security concerns.

As American interests in Southeast Asia increased, government involvement also rose. Before 1918, United States businessmen pursued their goals in Southeast Asia with little State Department support. After the end of the war, however, Washington actively promoted American business interests in the region. As a result, the State Department took bolder positions. Actions like the declaration of the Netherlands as a “non-reciprocating”
nation would never have happened in earlier times. Although Washington’s efforts at oil diplomacy were ineffective, they did represent an unprecedented U.S. concern for the region.

Conditions in Southeast Asia itself had relatively little impact on American policy decisions. The impetus for both Washington’s new oil diplomacy and that activism’s eventual decline lay in America itself. Southeast Asia became important only when the United States began to fear that its domestic oil reserves were exhausted. The panic passed after Americans found new oil fields at home in the mid-1920’s. When the oil crisis no longer threatened in the immediate future, State Department efforts waned. While the discovery of new oil deposits in the United States temporarily alleviated the problem, it was obviously not an enduring solution. At some point in the future, America would once again need to search abroad for new oil reserves. The State Department’s abandonment of aggressive oil diplomacy as soon as the crisis passed revealed lack of foresight and long range planning. This failure to look beyond the immediate dilemma would continue to plague American involvement in Southeast Asia in the future.

The 1920’s was an important decade for American policy in Southeast Asia. For the first time, the U.S. government took an active role in the region. The treatment of American oil companies in the Netherlands East Indies was the central issue of the decade. The State Department’s decision to base its case on the rhetoric of the Open Door revealed that economic objectives
remained America's principal interest in Southeast Asia. At least briefly, however, the role of East Indian oil in American defense had also been considered.
NOTES


17. Eckes. *The United States and the Global Struggle for*


41. F.D. Asche to State. November 2, 1920. RG59, 856d.6363/22.


44. Jewell to State. October 7, 1920. RG 59, 856d.6363/23


47. State to American Consul in Rotterdam. January 26, 1920. RG 59, 856d.6363/--


51. "Holland-American Oil Friction." Literary Digest. 70, 3 (July 16, 1921) p.17.


54. William Mansfiedl to State. March 1, 1921. RG 59, 856d.6363/39.


56. Starrett to State. June 29, 1921. RG 59, 856d.6363/139, pp.5-6.
65. Phillips to State. October 8, 1920. RG 59, 856d.6363/16;
   State to Secretary of the Interior. October 16, 1920. RG 59, 856d.6363/16.
   Phillips to State. October 20, 1920. RG 59, 856d.6363/19;
68. Phillips to State. April 2, 1921. FRUS, 1921 Vol. II, p.534;
   Phillips to State. April 29, 1921. FRUS, 1921 Vol. II, p.540;
   Phillips to State. May 4, 1921. RG 59, 856d.6363/94.
69. Fanning, Leonard M. American Oil Operations Abroad. New
70. U.S. Congress, Senate; Special Committee Investigating
71. ibid., p.23.


80. State to Tobin. May 21, 1924. RG 59, 856d.6363/318.

81. Memorandum PTC to ANY. November 28, 1924. RG 59, 856d.6363/369.

82. Loomis to State. December 9, 1932. RG 59, 856d.6363/646.

83. Memorandum. December 12, 1932. RG 59, 856d.6363/647.

84. Loomis to State. July 13, 1933. RG 59, 856d.6363/669, pp. 3-4.


86. Swenson to State. February 25, 1933. RG 59, 856d.6363/657, p. 4.

87. Swenson to State. February 6, 1934. RG 59, 856d.6363/686, p. 2; Emmet to State. November 16, 1934. RG 59, 856d.6363/713, p. 6.


91. Hoover to State. April 26, 1923. RG 59, 856d.6363/259, p.3.

92. Krasner. Defending the National Interest. pp.113-114;


100. Beaton. Enterprise in Oil. p.265.


110. Tobin to State. October 20, 1927. RG 59, 856d.6363/490.
111. Sussdorff to State. August 7, 1922. RG 59, 856d.6363/208, p.2.

112. Tobin to State. September 24, 1925. RG 59, 856d.6363/397, p.2.


116. Tobin to State. September 24, 1925. RG 59, 856d.6363/397.


118. Tobin to State. October 29, 1927. RG 59, 856d.6363/493.


121. Sussdorff to State. May 4, 1922. RG 59, 856d.6363/192.


123. MacDonald (Batavia) to State. April 11, 1932. RG 59, 856d.6363.


125. Hoover to State. May 14, 1925. RG 59, 856d.6363/384.

126. Memorandum (Swenson). September 27, 1933. RG 59, 856d.6363/679.


128. Tobin to State. April 29, 1929. RG 59, 856d.6363/575; Loomis to State. July 13, 1933. RG 59, 856d.6363/669.
Wamelinck soon faded from prominence and was not mentioned again in the State Department records until 1932. In July of that year, he wrote to President Herbert Hoover and requested $20,000 in compensation for his work on behalf of American oil interests in the East Indies in the 1920's. Wamelinck was apparently referring to his anti-Royal Dutch Shell articles. His letter to Hoover was transferred to the State Department which decided not to reply. (RG 59, 856d.6363/630) Two years later, however, Wamelinck again requested $20,000 from the United States. His November 1934 letter to the State Department claimed that in 1921, Caldwell Johnson, then the American Commercial Attache at The Hague, had promised Wamelinck "golden mointains" (sic). The letter rambled on for several pages, including such wisdoms as "there are more things in heaven and earth Excellency, than are dreamt of in American philosophy," before concluding with a veiled threat. "I hope that Your Excellency has a clear remembrance of the Dutch, that they always take reprisals." (RG 59, 856d.6363/712)


139. Starrett to State. July 20, 1921. RG 59, 856d.6363/140, pp.2-3.


144. Tobin to State. October 16, 1926. RG 59, 856d.6363/452, p.3.


147. Tobin to State. February 7, 1924. RG 59, 856d.6363/304, p.7.


149. Hoover to State. February 2, 1926. RG 59, 856d.6363


156. Starrett to State. June 13, 1921. RG 59, 856d.6363/134.
157. Starrett to State. April 25, 1922. RG 59, 856d.6363/193, p.3.

158. Phillips to State. April 18, 1921. RG 59, 856d.6363/74.


CHAPTER THREE

The Rise of Military and Security Concerns.

The threat of Japanese expansion onto the Asian mainland triggered another important shift in American Southeast Asian policy in the late 1930's. The objectives of American diplomacy moved from primarily economic considerations towards a new concern for military matters. This change in United States policy was not as abrupt or dramatic as the one of 1918-1920. While the beginnings of American oil diplomacy in 1919 were apparent even to contemporary observers, the shift in objectives in the 1930's was relatively subtle and elusive. The new policy that emerged in the 1930's was nothing radically new. It simply changed the priorities of the earlier period.

It is difficult to pinpoint an exact beginning to this new stage in American policy. This is due in part to the considerable overlap in the objectives of the twenties and thirties. It would be wrong to say that American policy had no security concerns in the 1920's and no economic ones a decade later. The change was far more subtle than that. It represented a shift in the relative importance of economic and security concerns, rather than the pursuit of any fundamentally new objective. The turning point was further obscured by the fact that in the early 1930's there was very little American policy towards Southeast Asia at all. Owing to the Great Depression, the United
States simply paid little attention to developments in the region. Ultimately, however, it is not crucial to affix a precise cut-off date. The new security-conscious policy was certainly in evidence by 1937. To quibble over whether military and security concerns began to supplant the earlier focus on economic objectives in 1932 or 1934 lends little light to the subject. Although the shift in policy is hard to define precisely, its longterm implications for American policy proved very important.

Southeast Asia's raw materials remained America's primary interest in the region in the 1930's. The reasons for these resources' importance, however, changed dramatically. The United States moved away from its earlier rhetorical emphasis on the Open Door; Southeast Asian raw materials' value to the American economy was now downplayed. Instead, the U.S. stressed the importance of these raw materials to global security and American defense interests. Before the 1930's, oil, rubber, and tin in the Netherlands East Indies were viewed as ingredients necessary for the insured prosperity of the American economy. In the late 1930's, however, the region's products had taken on a far more significant role. In 1921, Secretary of State Hughes had called the East Indies suppliers of resources "indispensable to the life and prosperity" of the United States; (1) twenty years later, however, the Dutch colony had become the "arsenal of strategic raw materials for the democracies", in the words of a State Department memorandum. (2)

The policy that emerged in the 1930's emphasized South-
east Asia's importance to American national security; military considerations rose to new prominence in U.S. thinking. Although military and security concerns had been present in earlier American involvement in the region, they had never before played such a central role. In the 1920's, United States involvement in Southeast Asia had centered on the Open Door. The official arguments for American interest in the oil fields of the Netherlands East Indies were based on the principle of equal economic opportunity. American economic interests in the region were stressed above all other considerations.

It would be wrong, however, to suggest that strategic concerns had not been present before the 1930's and that after that time economic considerations played no role in American decision-making. The strategic value of oil and other natural resources had, of course, been an integral part of the upsurge in American interest in Southeast Asia in the 1920's. Indeed, the value of oil to the United States military was one of the principal motives behind the newly assertive oil diplomacy after World War One. Military considerations never played the dominant role in the 1920's, however. American diplomatic appeals were phrased in terms of economic reciprocity.

Just as the new emphasis on military concerns had origins in the policies of the 1920's, the overriding economic interests of the 1920's continued to influence United States policy in the 1930's. Where oil had once dominated the stage, rubber became the center of American attention in the 1930's. Military and security
concerns held sway in the 1930's, but concern for the Open Door remained an active element in American policy.

This chapter examines the gradual shift from economic to security concerns. First, the continuities in American policy are outlined. This portion of the chapter focuses on the U.S. response to the international rubber cartel formed during the 1930's. The next section examines the rise of military and security concerns, and the reasons for that development. The chapter concludes with a summary of American involvement in Southeast Asia as of the eve of Pearl Harbor.

Although important changes occurred during the 1930's, United States policy did not undergo a complete transformation. Traditional economic objectives continued to play an important role in American involvement in Southeast Asia. Rubber replaced oil as America's principal economic interest in the region. (3) By the late 1920's, access to foreign oil had lost its grip on the attention of the United States government.

Several factors account for this decline in American concern for Southeast Asian oil. First, the discovery of new oil fields within the United States relieved earlier fears that American oil reserves faced imminent depletion. Estimated crude oil reserves nearly doubled between 1918 and 1929. Discoveries of new oil fields in Louisiana, Arkansas, Oklahoma, Texas, and California spurred a boom in American oil production. Total U.S. crude oil production jumped from 355,928,000 barrels in 1918 to 1,007,323,000 barrels in 1929, a sixty-five percent increase.

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During that same period, crude production in California, Oklahoma, and Texas more than tripled. (4) Growth in domestic production continued to outpace increasing American oil consumption. (5) By the late 1920's, the oil scare that had electrified Americans ten years earlier seemed unimportant.

Given abundant domestic oil production, it is not surprising that American diplomatic efforts on behalf of oil companies declined sharply. The State Department's refusal to recognize that American oil companies continued to face discrimination in the Netherlands East Indies in the 1930's emphasized this loss of interest. Flushed with the great triumph of Jersey Standard's 1928 concessions in the Indies, United States diplomats simply ignored further calls to action. In the State Department's opinion the case was closed; American companies had been granted equal opportunity in the Dutch colony. After 1928, Washington extended little aid to American oil companies in the Netherlands East Indies, despite evidence of continued discrimination.

The experiences of Francis Loomis of Standard Oil of California furnish the best example. During the 1930's, Loomis repeatedly informed the State Department of Dutch discrimination against his company. Memoranda of conversations with Loomis in the State Department records indicate that Loomis was quite forceful in his pleas for assistance, losing his temper on more than one occasion. Despite Loomis' efforts and statements from Dutch colonial officials that strongly supported his contentions, the State Department consistently refused to take action. (6)
1932, Laurits Swenson, United States Ambassador at The Hague, advised that the State Department not interpret the Dutch decision to deny concessions to California Standard as a violation of reciprocity. Swenson urged that the matter not even be mentioned to the Netherlands government as that would "only cause irritation." (7)

As oil declined in importance, foreign rubber supplies achieved a new significance for Americans. Because the North American climate effectively prevents rubber cultivation, the United States had always depended on imported rubber. The great bulk of the world's rubber was grown in Southeast Asia. In 1922, three-quarters of world rubber production came from Malaya and the Dutch East Indies. (8) The East Indies alone accounted for 37% of world rubber production in 1938. (9) Thus, American concern for rubber supplies quite naturally focused on Southeast Asia. While foreign rubber had always been important to the United States, it acquired a new significance in the 1920's and 1930's. American demand for rubber rose dramatically during the 1920's. As was the case with oil, the proliferation of automobiles was a key factor in increased consumption. Even in the 1920's, United States demand for foreign rubber was increasing. Events of the early 1930's provided a catalyst for even greater American awareness of foreign rubber.

The formation of the International Rubber Regulation Committee (I.R.R.C.) in 1933 forced the United States to confront the international rubber situation. The I.R.R.C. was a cartel
representing British, French, and Dutch rubber producers. The I.R.R.C.'s primary objective was to boost world rubber prices which had plummeted during the late 1920's. (10) Attempts at regulation of world rubber production were not new. In 1921, British rubber producers had agreed to a similar scheme, the "Stevenson Plan", which sought to raise rubber prices by establishing production quotas. The Stevenson Plan was initiated and directed by the British government, Winston Churchill, then in the British Colonial Office, was especially vocal in his support of the scheme. Initially, world rubber prices rose sharply in response to production quotas and a stiff increase in Malaya's rubber export duties. By 1925, prices had reached a peak of $1.25 per pound. (11) The United States, with its rapidly growing demand for rubber, felt this price jump sharply. (12)

The United States responded to the price hikes with protests to the British government. Secretary of Commerce Herbert Hoover declared that the Stevenson Plan was in restraint of international trade. (13) In addition to official proclamations of disapproval, the Commerce Department encouraged domestic rubber conservation and promoted rubber production in non-British territories. (14) The Stevenson Plan ultimately failed, however, due to the non-participation of rubber growers in the Netherlands East Indies. As world rubber prices rose, East Indian rubber production expanded to flood the international markets and prices fell to disastrously low levels. By 1928, world rubber prices had been driven back down to seventeen cents per pound. (15) In the
face of this failure, the Stevenson Plan was abandoned in 1928.

The expansion of East Indian rubber production should not be attributed to the United States policy of promoting non-British rubber sources. The Dutch growers were simply responding to the economic opportunity presented them by inflated world rubber prices. In the end, American programs had little impact on the eventual collapse of the Stevenson Plan. (16)

After the failure of the Stevenson Plan in 1928, world rubber prices remained at disastrously low levels. (17) The international depression sharply reduced demand for rubber, but production did not decline. In response, rubber producers banded together in a new attempt to control production and stabilize prices. The I.R.R.C., formed in 1933, was far more sweeping than its predecessor. Unlike the Stevenson Plan, the I.R.R.C had no formal connection with any government; it was an organization of private business interests. In addition to British growers, the new cartel included Dutch rubber planters as well. Thus, the scope of the I.R.R.C. removed one of the principal causes for the Stevenson Plan's failure. As a further guarantor of success, the I.R.R.C. included French rubber interests in Indochina, although that colony's rubber production was negligible at the time. The participation of Indochina in the I.R.R.C. insured that Indochina would not expand its rubber plantations. (18) In this respect, the I.R.R.C. succeeded; Indochinese rubber production remained undeveloped throughout the 1930's. (19)

Official U.S. response to the I.R.R.C. was late and
ineffective. Perhaps due to the fact that the I.R.R.C. was a private organization, the American government's opposition was even less forceful than it had been to the Stevenson plan. (20) Despite the fact that negotiations to form a rubber cartel had begun at least three years earlier, the State Department took no action until only a few weeks before the I.R.R.C. agreement was finally signed in December 1933. (21) Even at that late date, the State Department limited its involvement to polite requests to be kept informed of any developments. Acting Secretary of State William Phillips' instruction to the American ambassador at The Hague just before the I.R.R.C. agreement was finalized, was typically restrained.

Kindly inform [the Netherlands Government] that the American Government has a very great interest in any plan that may be worked out since the United States is by far the greatest consumer of rubber. Please ask for any further information that may be available as to the plans. (22)

The State Department took no firm stand on the matter. Thus, it is hardly surprising that the State Department accomplished very little for American rubber consumers. (23)

After the creation of the I.R.R.C., State Department activity gradually increased. By late 1934, American diplomats requested the inclusion of consumer interests in the I.R.R.C. In addition, the State Department asked the I.R.R.C. to establish a maximum price level. (24) The United States sought the assistance of both the Dutch and British governments in achieving this end. The Netherlands proved relatively helpful; government officials
used their influence to urge the Dutch members of the I.R.R.C. to honor American requests. The British government, however, offered no such assistance. (25) The I.R.R.C. offered to create an advisory committee of three non-voting consumer representatives. Secretary of State Hull rejected this offer as insufficient. (26)

Eventually, however, a compromise agreement on consumer representation in the I.R.R.C. was reached. This agreement, however, was not adequate to insure America ample rubber supplies at a reasonable price. In 1936, the United States was still attempting to persuade the I.R.R.C. to expand world rubber production. The State Department funneled its protests through the Consumer Panel of the I.R.R.C., rather than attempting direct government action. (27) These protests proved ineffective, however, (28) and in early 1937, the State Department entered negotiations with the I.R.R.C. directly. American diplomats again worked in cooperation with Dutch officials. (29) These efforts proved successful; in 1937 the I.R.R.C. agreed to raise the rubber production quota. (30)

There are several reasons for the mild American response to the I.R.R.C. First, rubber production quotas were implemented only gradually. Thus, the United States did not feel the impact of the I.R.R.C. until several years after its creation. World rubber prices did not increase appreciably until 1936 - three years after the establishment of the I.R.R.C. (31) This strategy of gradual change lulled American rubber consumers into a false sense of security. (32) State Department action increased marked-
ly as the impact of the I.R.R.C. was felt in 1936. Second, U.S. military planners were largely unaware of the vulnerability of America's crude rubber supply. (33) Despite America's near total dependence on Southeast Asian rubber, the creation of the I.R.-R.C. did not trouble the War Department's Planning Branch. (34)

Domestic considerations also restrained State Department actions. Strong isolationist sentiment forced the State Department to respond cautiously. (35) Those government officials that did speak publicly of rubber's importance to American industrial and defense needs faced a nation "dead set against anything that smacked of war, militarism, and foreign involvements." (36) The catastrophe of the Great Depression also weakened the U.S. response to the I.R.R.C. The Roosevelt administration avoided promoting controversial foreign policies which might endanger smooth passage of domestic legislation. (37) American concentration on the threat of domestic chaos prevented "the formation of any suitable policy with regard to the I.R.R.C. in 1934 and 1935." (38) The Depression also made Washington more sympathetic to protectionist measures. The U.S. had given tacit approval to production and marketing controls at the World Economic Conference of 1933. In addition, America itself had adopted production quotas (on wheat and silver among other commodities) in an effort to revive the economy. (39)

There are several important parallels between the American response to the I.R.R.C. in the 1930's and U.S. oil diplomacy of the 1920's. On the most obvious level, both policies served
economic goals. While American planners were aware of the strategic value of oil and rubber to the United States, it was never more than a secondary concern. The State Department emphasized the peacetime economic importance of the two commodities. The U.S. did not claim that its efforts on behalf of American oil and rubber interests in Southeast Asia represented a defense of national security. Instead, the State Department based its arguments on the ideal of equal economic opportunity. U.S. oil diplomacy and opposition to the international rubber cartel stemmed from the same source: a belief in unrestricted international trade. In the 1920's, Dutch oil policy violated the principle of the Open Door. American oil diplomacy was a clear cut defense of equal access. In the case of rubber, however, the United States faced a different problem. In American eyes, the I.R.R.C. constituted unfair cooperation between rubber producers, an obvious violation of the free market. The cartel's actions resulted in inflated world rubber prices which harmed American consumer interests. Thus, in the cases of both oil and rubber, the United States protested obstacles to free trade. Although the specific violations of the free market involved were different in each case, the fundamental argument was the same. The United States opposed agreements that discriminated against the interests of American producers and consumers.

American opposition to the I.R.R.C. also exhibited clear tactical similarities with the oil diplomacy of the 1920's. In both instances, the U.S. was slow to start and progressed very
cautiously. In 1920, the State Department made no representations to the Dutch government until a bill granting the Djambi concessions to Royal Dutch Shell was already before the Estates General. In the early 1930’s, Washington remained silent during the long negotiations to establish an international rubber cartel. Even after the I.R.R.C.’s formation, the State Department took no firm position for several years, until price increases shocked Washington into action. Had the U.S. intervened sooner, its efforts in both cases could well have proved more effective. The State Department’s involvement remained hesitant; the United States was reluctant to act decisively. The American willingness to seek private settlements of both the oil and rubber issues exhibited this tendency. U.S. diplomats were content to remain in the background and let private American interests attempt to reach an agreement. During the Djambi negotiations in 1920, Ambassador Phillips accepted the Dutch offer of private negotiations between Royal Dutch Shell and American oil firms. This preference for private action, with tacit government support, as opposed to direct diplomatic representations was also discernible during the rubber controversy. After largely ignoring the I.R.-R.C. for the first years of its existence, the State Department first opted to pursue a solution through private channels. Only after that strategy had failed did American diplomats themselves step in. The similarity of the U.S. approach to the problems of oil in the 1920’s and rubber in the 1930’s is hardly surprising; to a large extent, the same State Department officials were
involved in both cases.

It would be wrong, however, to focus only on the continuity of American interest in Southeast Asian raw materials. While a clear progression exists from oil to rubber, it represents only part of the picture. There were other, new concerns that shaped U.S. policy beginning in the 1930's. Increasingly, American diplomats focused on military and strategic concerns. The importance of the colonies of Southeast Asia to American security was no longer limited to their production of vital raw materials. Instead, the region assumed a new importance in American military planning.

By the mid-1930's, developments in Europe and Japan compelled the United States to closely heed the situation in Southeast Asia. The possibility of Japanese expansion into the region had been long considered. Officials in the Netherlands Foreign Ministry had already discussed the possibility in the early 1920's. American concern for a Japanese advance into the Netherlands East Indies dated back at least to 1933, when both Secretary of State Cordell Hull and Joseph Grew, the American Ambassador to Japan, warned of the possibility of Japan seizing the Dutch colony. (40)

American concern for the military situation in Southeast Asia increased rapidly following the outbreak of the Sino-Japanese War in 1937. (41) Japan's rise implied a threat to the status quo in Southeast Asia. Many Americans saw the move onto the Asian mainland as just the first step in a farther reaching
plan of Japanese expansion. These views were not unwarranted; many contemporary Japanese leaders saw the war in China in just such terms. In their eyes, Japan's success in China would depend upon control over French Indochina. This, in turn, would necessitate Japanese influence in Thailand. The "logical capstone" of this expansion would be Japanese control of the Netherlands East Indies. (42)

The prospect of a Japanese controlled Southeast Asia greatly troubled American leaders. The Netherlands East Indies remained the focus of U.S. concern. As noted earlier, the greater abundance of natural resources in the East Indies made them more significant than the other territories of Southeast Asia. (43) In addition, the Indies were situated to control important Pacific shipping lanes. Japanese seizure of the Netherlands East Indies would threaten the United States by shutting off supplies of vital raw materials, endangering American military bases in the Philippines, impeding communications with the Far and Middle East, and slowing American aid to China. (44)

Although United States Southeast Asian policy focused on the Netherlands East Indies, the new emphasis on military concerns increased U.S. interest in French Indochina as well. Whereas Indochina had been neither an important market for American goods nor a major supplier of vital raw materials, the rise of Japanese militarism in the 1930's made the French colony an important strategic concern. Some State Department officials emphasized the natural resources of Indochina, but such matters
were hardly the chief American concern. (45) Geographically, the French colony was situated to serve as a possible staging ground for advances into both Singapore and the Netherlands East Indies. (46) Although Indochina still held little intrinsic value for the United States, it occupied an increasingly prominent position within the context of American-Japanese relations as a whole. (47) French Indochina's new importance illustrates the change in American objectives well. In the 1920's, when American concerns were primarily economic, the French colony received scant attention. With the rise of Japan in the 1930's, however, the United States broadened its perspective to include Indochina, too.

Events in Asia explain the increase in American security interests only partially; equally important were developments in Europe. The rise of Nazi Germany and Fascist Italy underscored the importance of Southeast Asia to the United States. American policy in Southeast Asia was heavily influenced by the European situation. As a European war became increasingly likely, diplomats realized anew the importance of Southeast Asian resources to the Western powers. The Netherlands East Indies, French Indochina, and British holdings in Malaya and Singapore were essential to the continued strength of Western Europe. Thus, as the United States moved into an alliance with Britain and France against fascist Germany and Italy, American leaders saw the necessity of protecting European interests in Southeast Asia.

In effect, a long chain of interests was created. The continued strength of Western Europe (especially Great Britain)
against the Nazi menace was crucial to the continued viability of American international objectives, both economic and ideological. Great Britain, in turn, depended upon supplies from its colonies and the Netherlands East Indies. Indirectly then, British access to Southeast Asia became a priority for American planners. The final link in the chain was that the security of the East Indies and Malaya depended upon continued French control of Indochina, for if the Japanese were to occupy the French colony, they would be poised for an attack on the rest of Southeast Asia. Thus, American interest in protecting Indochina was ultimately due to concern for British security. (48) Japan had to be stopped "before it hindered the war effort against Germany by slicing across Great Britain's lifelines to the Orient." (49) Four days before the attack on Pearl Harbor, a State Department memorandum summarized American interests.

Because of its strategic geographical position and the possession of raw materials (such as rubber, tin, and petroleum) vital to the defense efforts of the United States, and the war efforts of the Allies, [Southeast Asia] holds a major position in deliberations on the ominous crisis in the Orient. (50)

The American task in the late 1930's and early 1940's, then, was to block Japanese moves to the South and insure the status quo in Southeast Asia. Inadequate military strength greatly hampered the U.S. pursuit of its new strategic interests in Southeast Asia. The United States Navy was simply not prepared to take a strong position in the Pacific. The cause of this weakness was rooted in the naval disarmament agreements signed in Washing-
ton in 1923. After the signing of these agreements, large scale naval action in the Pacific was beyond American resources. (51) The "Europe-first" strategy - the decision to place American interests in Europe above all others - which was adopted well before the United States actually entered the war, further reduced American military options in the Pacific. (52)

American leaders, military and civilian alike, were well aware that the United States was not strong enough to enforce its policies militarily in Southeast Asia. U.S. military weakness was the crucial limiting factor in pre-war diplomacy. America had to base its entire policy on the realization that if war came to Southeast Asia in the late 1930s, the United States would be unable to take effective action. (53) In the absence of sufficient naval strength, American opposition to Japanese expansion took on a moralistic tone. Lacking the strength to stop Japan outright, the United States based its opposition on the decaying treaty structure of the 1920's and the hope that international public condemnation of Japanese aggression would deter further advances. (54)

Above all else, American policy in Asia sought to avoid conflict; the U.S. strategy was based on buying time. No actions should be taken that would impel Japan towards war. While the State Department worked to stall the Japanese advance, military leaders sought to rebuild American strength. (55) The process, however, was a slow one, retarded further by domestic political considerations. The findings of the Nye Commission were fresh in
the minds of the American public; fear that an arms race would lead to another war made many reluctant to increase military expenditures. President Franklin Roosevelt told his son Elliott, "We’re appeasing Japan in order to gain the time we have to have to build a first rate navy, a first rate army." (56)

At first, the United States strengthened its military position in Asia by redeploying the forces at its disposal. In May 1940, the US moved its Pacific Fleet from the Pacific coast of the United States to Hawaii to allow more freedom of action against Japan. Although the impact of this move was probably minimal, it represented the major prewar military decision concerning American policy towards the Netherlands East Indies. In early 1940, the Chief of Naval Operations, Admiral Stark cabled Admiral Richardson, Commander of the Pacific Fleet, "Why are you in the Hawaiian Area? Answer: You are there because of the deterrent effect which it is thought your presence may have on the Japs going into the East Indies." (57) Air power also emerged as an attractive, relatively inexpensive means of shoring up American defenses in Asia. Military planners envisioned a squadron of airplanes in the Philippines not only as a means of defending those islands, but also as a threat to Japan itself. (58) Many officials in Washington assumed that Japan would quickly back down in the face of such a threat. Secretary of War Henry Stimson believed that "clear language and bold actions" would force the Japanese to realize the dangers of conflict with the United States. (59) In 1940, however, the United States was
not prepared to take a firm stance. American leaders had not yet determined how the U.S. would respond to a Japanese advance. As Stark bluntly told Richardson in May, "Suppose the Japs do go into the East Indies? What are we going to do about it? My answer to that is, I don’t know and I think there is nobody on God’s green earth who can tell you." (60)

Events of 1939-1940 made the situation more acute. In February 1939, Japan occupied the island of Hainan. One month later, Tokyo claimed sovereignty over the Spratly Islands. Both of these moves hinted at further expansion into Southeast Asia. (61) The rapid German victories in Europe in early 1940 disrupted the balance of power in Asia. With France and the Netherlands defeated and Great Britain struggling for survival, the colonial powers could no longer adequately defend their Asian possessions. The chances of Japanese expansion had increased. (62) In September 1940, the Japanese entered northern Indochina. (63) One week later, Japan, Germany, and Italy signed the Tripartite Pact. Although the alliance ultimately served little purpose, it provided further impetus for American concern about the Asian situation. (64)

The United States responded with increased economic pressures against Japan. American leaders had long considered trade sanctions and embargoes on oil, steel and other commodities central to the Japanese war effort. The most important of these measures was an embargo on sales of American oil to Japan. Secretary of State Hull was reluctant to enact such measures,
however, because Japan might respond to any embargoes by seizing control of the resource rich colonies of Southeast Asia.

The idea of an oil embargo originated with American oil executives looking for a negotiating tool against the creation of an oil monopoly in Manchukuo in 1934. They suggested the hint of an embargo as a psychological bargaining tool in negotiations with the Japanese. At the time, the idea found little favor in Washington. (65) Serious consideration of an oil embargo re-emerged, however, in 1939. In July of that year, the United States informed Japan that the Treaty of Commerce and Navigation signed in 1911 would be terminated in six months. (66) In December, Washington announced an embargo on sales of high grade aviation gasoline. (67) This embargo and more extensive ones on steel scrap, lead, and a wide range of petroleum products announced in June and July of 1940 had relatively little impact on Japan’s ability to procure these materials. The embargo defined aviation fuel so strictly that Japan simply switched to purchasing gasoline with a slightly lower octane level that was still perfectly usable. Japan continued to purchase aviation fuel in large quantities from the United States. American leaders were aware that the definition of aviation fuel in the act allowed Japan to buy as much gasoline as it needed. Hull repeatedly blocked efforts by other officials, American and British, to close the loopholes in the embargo, fearing that a more forceful stance might provoke a Japanese attack on the Netherlands East Indies. (68) Thus, the early American embargoes were essentially
symbolic, serving only to alert Japan and the American public as to the U.S. position.

Threatened with the loss of American oil, Japan sought to build closer economic ties with the Netherlands East Indies. During the summer of 1940, oil executives met with Japanese representatives to negotiate a trade agreement. Initially, Japan demanded annual sales of 1,000,000 tons of crude oil. For East Indian oil producers, this was a staggering figure; it represented nearly double the existing trade volume. As negotiations continued, Japan raised its demands even further; in September of 1940 they requested 3,150,000 tons annually - three times the initial demand. (69) Ultimately, a compromise of 1,849,500 tons was reached. Japan accepted this lower figure because available shipping was insufficient to carry larger quantities from the East Indies to Japan. As it was, even the compromise figure was too much for Japanese tanker capabilities. During the first nine months of the agreement, Japan was able to only half of the promised amount. (70)

Negotiations between Japan and the United States continued throughout 1941. Tensions now centered on Japanese involvement in China and the Tripartite Pact. The United States pushed Japan to pull back on both fronts. The issue of access to resources in the Netherlands East Indies was not a direct concern. Both sides wanted to preserve free trade with the Indies for as long as possible. Both countries joined in tenuous support of the status quo. (71) The Netherlands East Indies were impor-
tant only insofar as American economic sanctions designed to persuade the Japanese to change their stance on China pushed Japan towards the seizure of the Dutch colony. (72)

On July 14 1941, the United States, having broken Japan's diplomatic code, intercepted a telegram from Japanese military officials in Canton to Tokyo. "After the occupation of French Indo-China, next on our schedule is... the Netherlands Indies." (73) On the twenty-first, Japanese troops moved into southern Indochina. Washington's worst fears were confirmed. Four days later the United States responded with stiffer embargoes and froze Japanese assets in America. (74) In Washington, advocates of a hard line against Japan, like Stimson, Morgenthau, Ickes, and the State Department's Stanley Hornbeck gained strength. American leaders despaired of reaching an agreement with Japan and adopted an increasingly inflexible position, confident that Japan would back down in the face of firm resistance. In August 1941, Roosevelt rejected Japanese Prime Minister Konoye's offer of a summit meeting. The President acted on the advice of Hornbeck, who warned that acceptance of the offer would be construed as evidence of American weakness. (75)

The tougher stance did not reflect any change in the American military position in the Pacific. The Navy was still too weak to effectively oppose Japanese advances into Southeast Asia. The United States had begun ferrying heavy bombers to the Philippines in July, 1941. American leaders greeted the move enthusiastically. In the words of Secretary of War Henry Stimson,
"From being impotent to influence events in that area, we suddenly find ourselves vested with the possibility of great effective power." (76) Such enthusiasm, however, was unwarranted. While progress had been made, U.S. forces in the Philippines remained inadequate; more time was needed. American planners believed that by mid-December 1941 American air and submarine forces in the Philippines would become a viable threat to Japanese operations south of Formosa. By March 1942, the US envisioned a force in the Philippines sufficient to deter Japanese expansion into areas South and West of the Philippines. (77) General Marshall declared in November of 1941, that the most essential thing now, from the United States viewpoint, is to gain time. Considerable Navy and Army reinforcements have been rushed to the Philippines but the desirable strength has not yet been reached. (78) But by November, the United States had already abandoned attempts to reach a compromise with Japan. After General Tojo became Prime Minister in October 1941, meaningful negotiations ceased. (79) Although Japan’s decision for war was resolute by the fall of 1941, it is somewhat puzzling that Washington abandoned diplomatic efforts when a few more months of stalling might have given the United States sufficient military force to oppose Japan. (80) On December 7, Japan’s attack on Pearl Harbor stunned the world. Hours later, the U.S. Air Force in the Philippines was destroyed by a second Japanese attack as it sat on the ground at Clark Field. A month later, the long expected invasion of the Netherlands East Indies began; by March of 1942,
Japan controlled Southeast Asia.

The outbreak of war in the Pacific triggered a radical transformation in U.S. policy in Southeast Asia. Overnight, the concerns that had shaped previous American diplomacy became irrelevant. The attempt to uphold the status quo had failed. The United States now concentrated all of its energies on defeating the Japanese. Larger questions were subsumed to the immediate goal of winning the war. An OSS report on Indochina in 1942 stated that

our mission in this area is a military one. It is to get the Japs out. We do not have to untangle the complicated problems created by the war, including the split between the pro-Vichy and anti-Vichy French, or to decide who is to hold Indochina after the war. (81)

All non-military considerations were abandoned until after the war.

The years leading up to World War II were confusing ones for U.S. policy in Southeast Asia. For the first time, American interests in the region expanded beyond the economic sphere to encompass military and strategic objectives as well. The increased commitment to Southeast Asia resulted in bolder U.S. policy in the region. In the 1920's, the tools of American diplomacy had been limited to the notion of the Open Door and the threat of retaliation against Royal Dutch Shell in the United States. In the State Department's eyes, American interests in Southeast Asia did not justify stronger action. By the 1930's, however, American concern for Southeast Asia had expanded far enough that the United States both enacted sweeping embargoes.
against Japan and fortified military bases in the Philippines in hopes of stopping Japanese expansion. No one could doubt that by 1941 Southeast Asia was more important to the United States than ever before, but the region's new significance was not matched with greater clarity of thinking. The scale of American involvement had expanded, but the assumptions underlying U.S. policy remained unchanged.

Events outside of Southeast Asia continued to shape American policy. America's heightened concern for the region was due to events elsewhere in the world. It was not until Western Europe was threatened that the United States realized the military significance of Southeast Asia. The American interest in the region was a product of the view that European economic and military security, particularly that of Great Britain, depended on continued trade with the colonies of Southeast Asia. Developments in Europe and Japan, not Southeast Asia, accounted for the area's new strategic and military value. Thus, the United States continued to view Southeast Asia merely as a passive object of its policy, rather than an important concern in the actual decision-making process. U.S. involvement in Southeast Asia was viewed in terms of its effect upon developments in Japan and Europe; the impact of American decisions on Southeast Asia itself was given little consideration.

In general, American policy makers did not develop a clear set of objectives in Southeast Asia. On the one hand, U.S. diplomats sometimes inflated the importance of the region. In
1944, Secretary of State Hull informed President Roosevelt that [Indochina and the East Indies] are sources of products essential to both our wartime and peacetime economy. They are potential markets for American exports. They lie athwart the southwestern approaches to the Pacific Ocean and have important bearing on our security and the security of the Philippines. Their economic and political stability will be an important factor in the maintenance of peace in Asia. (82)

At the same time that Washington proclaimed Southeast Asia's importance, however, there was little consideration of what the American role in the region should be. During the late 1930's, U.S. policy still combined "cloudy, expansive aspirations with limited tangible interests, restricted means, and small readiness for sacrifice." (83) The coming of World War II did not bring with it an improved understanding of the American role in Southeast Asia. After Pearl Harbor, long range considerations were completely subsumed by immediate military objectives. American strategy during the war rarely extended beyond the enemy's defeat. Thus, the United States had proclaimed an unprecedented interest in Southeast Asia, but had made no progress towards defining its policy in the region.
NOTES


7. Swenson to State. September 21, 1932. RG 59, 856d.6363/638, p.4.


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46. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." p.115.


52. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." pp.129-130.


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56. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." p. 119.

57. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." pp. 70-71.


60. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." pp. 71-72.


63. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." p. 198.


67. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." p. 54.


70. Anderson. The Standard-Vacuum Oil Company and United States


74. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." p.214.

75. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." pp. 206, 235-238.


77. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." p.259.

78. Wolthius. "United States Foreign Policy Towards the Netherlands Indies." p.264.


CHAPTER FOUR

The Question of Colonialism.

With the end of the Second World War in August of 1945, United States Southeast Asian policy entered a new era. The pragmatic military concerns which had dominated American energies and resources for nearly four years faded from the scene. In both Europe and Asia the enemy lay vanquished; but the war had extracted a brutal cost even from the victors, a price paid in devastated cities, ruined economies, and human carnage. Only the United States emerged relatively unscathed. Every region of the world offered American leaders opportunities and challenges. The United States was unquestionably the world’s greatest military and economic power in 1945; American prestige around the globe was at its peak. Could Washington use this unchallenged power to shape a world in its own image?

The American vision for the postwar world was a grand one. The United States hoped to usher in a new era founded on an integrated world order. Increasingly, US policy makers saw the entire world as a single, indivisible entity. In their eyes, the world could no longer be divided into spheres of influence and hostile strategic blocs; instead, lasting world peace depended on the creation of a unified, international order. The keystone of American universalism was the United Nations, long championed by Franklin Roosevelt and finally established in 1945. The American
perception of the world as an indivisible whole had important consequences for U.S. foreign policy. Washington explicitly recognized the connections binding policy in Europe, Asia, and the Americas. Decisions would no longer be made in a regional vacuum; instead, international developments often outweighed local concerns in determining the United States path. Now, even more than before, American policy in Southeast Asia would be shaped by events outside of the region.

At the center of the American vision was a unified international economic system based on free trade. In 1944, the Bretton Woods conference established two important organizations to further that goal. The World Bank provided capital for European reconstruction and development projects in emerging nations. The International Monetary Fund offered financing to correct trade deficits and stabilize troubled currencies. (1) American policy makers also worked to eliminate the preferential tariffs and other trade barriers that had plagued the world in the 1930's. The signing of the General Agreement on Tariffs and Trade (GATT) in 1947 marked the formal realization of this goal.

These financial programs were only one part of American aims. In addition, Washington sought to promote liberal democratic political institutions around the world. Like Wilson at Versailles, United States leaders again proclaimed the virtues of national self-determination and free elections. Agreements at Teheran, Yalta, and Potsdam pledged the Allies to free elections, at least in name. Although Truman and others continued to search
for ways of undercutting the Soviet position in Eastern Europe, the Yalta agreements essentially accepted Soviet predominance in the region. American calls for self-determination and free elections were not, however, limited to Eastern Europe. America’s goal of world democracy also clearly implied opposition to continued European colonial rule in Asia and Africa. Thus, decolonization became another central feature of the American postwar vision.

Before examining the situation American policy makers faced in Southeast Asia, it is worth noting one important change. In 1945, the United States had greater military power and willingness to use it overseas than at any previous time in its history. While this seems obvious, its consequences were important. For the first time, the United States possessed the military power to enforce its policy in Southeast Asia. Washington would no longer concern itself with inability to back up its words with action. The appeasement and stalling tactics that had characterized American relations with Japan in the 1930’s would no longer be necessary.

Most importantly, increased American strength lent a new importance to every decision. In earlier days, Washington’s Southeast Asian policies often had little consequence because the United States did not act upon these decisions. Now, however, America would at least consider using its economic and military force to achieve its objectives. This new propensity for action had important consequences. United States policy in Southeast
Asia had often been ill-defined and sporadically implemented. While this had been important in earlier years, it now took on a new significance. Lack of long range planning and clear objectives would be far more serious now that the United States was prepared to wield its power in the region.

United States Southeast Asian policy was at a great crossroads in 1945. The United States now had sufficient power to act upon its decisions. The issues of the past had become secondary considerations. Concern for unrestricted trade and American access to natural resources continued to play a role in American involvement in Southeast Asia; so, too, did the military and security concerns which arose in the 1930's. But these matters had lost their earlier importance. New issues, connected with larger considerations for the postwar international system, now occupied American thinking.

The most important of these new concerns in Southeast Asia was the fate of the European colonial empires. The question of colonialism also implied several lesser issues for American policy makers, including defining the United States position vis-à-vis the emerging nationalist movements in the region and responding to perceived communist threats. Much thought had been given to these matters before the end of the war. The postwar role of the colonial powers in Southeast Asia had been extensively discussed, but a firm policy was never adopted. The U.S. stance on the questions of colonialism and nationalism remained vague and contradictory in 1945.
Since the proclamation of the Atlantic Charter in 1941, decolonization had occupied a central place in United States war objectives. The Charter proclaimed that the U.S. and Great Britain would "respect the right of all peoples to choose the form of government under which they will live" and wished to see "sovereign rights and self government restored to those who have been forcibly denied them." (2) Once the war began, however, the American position became more complicated. On the one hand, officials in Washington were adamantly opposed to colonialism for a variety of moral and pragmatic reasons. On the other hand, however, the United States was allied with the very countries that would be hurt most by decolonization. Great Britain, France, and the Netherlands were understandably reluctant to part with their lucrative empires. Therefore, in the interests of smooth prosecution of the Allied war effort, firm decisions on the question of colonialism were avoided and postponed until after the war. (3).

United States leaders had many different reasons for adopting anti-colonial policies. Opposition to European colonial empires was rooted deep in the American past. The United States had been the first nation to throw off the yoke of European colonial rule. The ideals of liberal democracy and the noble words of the Declaration of Independence moved many Americans to oppose colonialism. More recently, Woodrow Wilson's Fourteen Points demonstrated a clearly anti-colonial position. Although Wilson had been largely discredited throughout the 1920's, his
ideas found renewed popularity during World War II.

The American involvement in the Philippines offers another striking example of the U.S. position on the colonial question. In 1898, after a "splendid little war" with Spain, American leaders were sharply divided on what to do with the Philippines. Ardent expansionists like Theodore Roosevelt, Henry Cabot Lodge, and Albert Beveridge called for American annexation. Many older Americans, like former presidents Grover Cleveland and Benjamin Harrison, Senator George Frisbie Hoar, and a strange mix of private citizens (including Mark Twain and Andrew Carnegie) opposed such a move as contrary to American democratic ideals. They argued that U.S. control of the Philippines would taint the nation's purity with the "greed and lust of empire". (4)

Anti-colonialist arguments were swamped in a patriotic fervor, however, and the Philippines became an American protectorate. The debate on the Philippines did not die, however. By the 1930's, plagued by domestic woes and assailed by fresh doubts about colonialism, the United States was ready to rid itself of the islands. The 1934 Tydings-McDuffie Act pledged Philippine independence in ten years. Nationalist leaders in other Asian colonies saw Tydings-McDuffie as a precedent for decolonization. The United States, long perceived as the friend and guardian of nationalist movements, gained even greater popularity among colonial subjects. During the war, the OSS reported that nationalists in both Indochina and the East Indies looked favorably upon the United States, largely due to its policy in the Philippines.
(5) The colonial powers also took note of Tydings-McDuffie; British, French, and Dutch officials expressed concern about the impact of Philippine independence on the nationalist movements within their colonies. (6)

By the 1940's, most Americans opposed colonialism for ideological, economic, and strategic reasons. Many U.S. leaders opposed the reestablishment of European colonial rule on essentially moral grounds. These men, like Vice President Henry Wallace, Under Secretary of State Sumner Welles, and younger Foreign Service officers like Raymond Kennedy, John Paton Davies, and Abbot Low Moffat thought continued imperialism contrary to American ideals of freedom and liberal democracy. (7) Many official proclamations of the war years eloquently expressed these beliefs. The most notable example was the Atlantic Charter. While the agreement set forth the shared objectives of the Anglo-American alliance in the Atlantic, President Roosevelt was soon pressed to clarify the scope of the Charter. In response, high American officials including Roosevelt and Secretary of State Cordell Hull, on several occasions explicitly stated that the Charter applied to the entire world and not just the European theater. (8) In 1941 Roosevelt told his son Elliott, "I can't believe that we can fight a war against fascist slavery and at the same time not work to free people all over the world from a colonial policy." (9) Under Secretary of State Sumner Welles was perhaps the most eloquent spokesman against colonialism. In early 1942, he told the press that American victory,
must bring in its train the liberation of all peoples. Discrimination between peoples because of their race, creed, or color must be abolished. The age of imperialism is ended. The right of a people to their freedom must be recognized, as the civilized world long since recognized the right of an individual to his personal freedom. (10)

But American anticolonialism had more tangible motives as well; the United States policy was a perfect blend of idealism and self-interest. (11) Decolonization offered obvious economic advantages to the United States. As the preferential economic ties which had bound the colonies to Europe dissolved, the United States, given its enormous postwar economic strength, was uniquely suited to move into the colonial markets. This possibility was especially attractive to Americans looking for new markets abroad as a guarantee against postwar recession. The former colonies would be able to absorb much of the American economy's surplus production. (12)

Other economic concerns also factored into American opposition to reinstatement of the colonial system. Secretary of State Cordell Hull's anti-colonialism stemmed mostly from his disapproval of trade restrictions. Hull was determined to create an open world economy in the post-war era. The colonial system, with the tight economic bonds created between metropolis and colony, represented a "glaring affront" to this vision of free trade. (13) The Imperial Preference System, a system of privileged trade agreements between members of the British Commonwealth, had incurred Hull's wrath throughout the 1930's. The war gave Hull the opportunity to sweep away the colonial system's
restrictive provisions. (14)

Some United States leaders based their opposition to colonialism on American strategic aspirations. The State Department's Asian experts, like Kennedy, Davies, and Moffat were concerned about the impact of renewed colonial rule on the American image abroad. They feared that an American failure to oppose colonialism would severely damage U.S. prestige and popularity in Asia. (15) President Roosevelt also worried that a failure to take positive steps to change the colonial system would lead to reduced American influence and commercial opportunities in the colonies. (16) Geopolitical strategic objectives also played a role in U.S. anticolonialism. Many Americans believed that postwar stability in Asia depended on the replacement of weak colonial governments with more reliable forms of rule. (17) Although policy makers disagreed as to whether the new system ought to take the form of international trusteeships or outright independence, American leaders generally believed that the establishment of independent nation states in Southeast Asia would enhance regional stability. (18)

The American commitment to decolonization was not without reservations, however. Despite a steady stream of bold public statements against colonialism, other concerns compelled the United States to compromise and weaken its stance. The most important of these counterweights was the opposition of the European colonial powers themselves. The governments of Great Britain, France, and the Netherlands opposed, to varying degrees,
the dismantling of their empires. Winston Churchill's famous statement that he had "not become the King's First Minister 'to preside over the liquidation of the British Empire" demonstrated European sentiment. (19) The colonial powers worked together to block American efforts at decolonization. (20)

The United States was extremely vulnerable to European opposition. American policy throughout the world depended on continued close ties with the European powers. Cordell Hull lamented that

we could not press... too far with regard to the Southwest Pacific in view of the fact that we were seeking the closest possible cooperation with them in Europe. We could not alienate them in the Orient and expect to work with them in Europe. (21)

U.S. need for European cooperation was obvious during the war, but the colonial powers were utterly dependent on American military assistance. Thus, neither side wished to press the other too hard for concessions on the colonial question. Instead, the issue was postponed until after the war.

At the end of the war, however, the United States continued to need a close alliance with Western Europe. A healthy international economy depended on European recovery and American planners already saw a strong and unified Europe as a bulwark against Soviet aspirations. (22) While Europe still desperately needed American aid in 1945, imminent military destruction no longer loomed on the horizon. Therefore, the colonial powers could take a more assertive position towards the United States after the war.

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The traditional European orientation of American foreign policy, which had become explicit with the Europe-first strategy during the war, also weakened American anti-colonialism. Officials in Washington focused their attention on a revitalized Europe; many of them saw the colonial empires as a necessary part of any rebuilding program. Depriving Britain, France, and the Netherlands of their colonial resources would retard European reconstruction. American policy, thus, consciously sacrificed its objectives in Southeast Asia to promote its European policy. (23)

The colonial question remained a divisive, potentially alliance-threatening issue.

European leaders, especially Charles De Gaulle, exploited this weakness skillfully. In 1945, De Gaulle told the American ambassador in Paris,

"If the public here comes to realize that you are against us in Indochina there will be terrific disappointment and nobody knows to what that will lead. We do not want to become Communist; we do not want to fall into the Russian orbit, but I hope that you do not push us into it." (24)

Some Americans shared such fears of communism. William J. Donovan of the OSS warned Roosevelt that, "It is not in our national interest to lead a crusade for colonial independence. Our interest in developing a balance to Russia should lead us in the opposite direction." (25) Fear of communist advances in Southeast Asia also became a justification for returning the colonies to their European overlords. Foreign Service officers in Indochina had warned of communist agitation on many occasions during the
1930's. As the chances for American-Soviet postwar cooperation worsened, these communist movements, even though they were indigenous and largely free of Soviet control, became a grave concern in Washington. (26)

Postwar United States plans for Southeast Asia reflected the conflicting goals of anticolonialism and European revitalization. Even those Americans in favor of decolonization consistently favored a gradual process towards independence. Many of the staunchest American opponents of colonialism still believed that the people of Southeast Asia were not ready for immediate independence. (27) At times, policy makers envisioned international trusteeships, overseen by the United Nations, for the former colonies. Such enlightened external control would guard against the risk of regional turmoil while guiding the new nations toward real autonomy. (28) Others wanted decolonization to progress along the lines of the Philippine model, with the colonies returned to their former rulers during a gradual independence process. On other occasions, however, Washington seemed ready to turn its back on the problem and allow the reestablishment of colonial rule. The American answer to the question of colonialism varied greatly among the colonies of Southeast Asia.

American concern for the Netherlands East Indies was relatively mild. The Dutch colonial administration had a reputation for enlightened, progressive government. Social programs throughout the 1920's and '30's had significantly improved living
conditions in the Indies. Dutch educational reforms and public health programs were frequently lauded. (29) As a result, American leaders, including President Roosevelt, were receptive to continued Dutch control of the Netherlands East Indies. (30) The Netherlands fostered this positive opinion by voluntarily introducing a plan for gradual Indonesian independence in 1941. The Dutch proposal, modified and reiterated throughout the war, was generally well received in the United States. (31) Roosevelt believed in the sincerity of Dutch intentions and informed Queen Wilhelmina in 1942 that the islands would be returned to the Dutch after the war. (32) Three years later, the State Department still anticipated the resumption of Dutch sovereignty in the Indies as soon as possible after the war ended. (33)

In French Indochina, however, the situation was markedly different. Where American leaders viewed the Dutch as enlightened colonists, the French were considered the worst offenders in the system. (34) Roosevelt in particular was adamantly opposed to restored French rule in Indochina.

France has had the country - thirty million inhabitants - for nearly one hundred years, and the people are worse off than they were at the beginning... France has milked it for one hundred years. The people of Indochina are entitled to something better than that. (35) Americans saw French capitulation to the Japanese in Indochina as another justification for severing the colonial relationship. (36)

Roosevelt proposed a postwar international trusteeship for Indochina. This idea originated during 1940 and 1941 when the
United States proposed a neutralized Indochina in which all nations, particularly Japan and the United States, would be guaranteed access to foodstuffs and raw materials. Japan rejected this offer of "international neutralization", but Roosevelt returned to the idea during the war. (37) The Indochinese trusteeship was closely linked with the President's vision of the United States, Great Britain, the Soviet Union, and China as the "four policemen" of the postwar world. In Roosevelt's plan, China and the United States would share responsibility for Southeast Asia. The continued inability of Chiang Kai-shek to solidify his control over China made the "four policemen" idea increasingly untenable. The proposal for a trusteeship in Indochina suffered as a direct result. (38) Despite such setbacks, Roosevelt apparently still favored some form of trusteeship for Indochina at the time of his death. (39)

American refusal to allow the Free French any role in wartime planning in the Indochina theater further showed the determination to exclude France from its former colonies. The United States repeatedly denied De Gaulle's requests for introducing French troops into Indochina. Great Britain, not surprisingly, supported French efforts to reclaim its colony. In 1944, Lord Mountbatten, Commander of the Southeast Asia Command prepared a mission using French troops in Indochina without informing his American allies. (40)

Ultimately, of course, the French did return to Indochina while the independent nation of Indonesia was established in the
former Netherlands East Indies in 1946. Since this was almost exactly the opposite of American intentions, it is worth examining why events transpired as they did. The most important reason was the American emphasis on European matters. Although American power in 1945 was tremendous, it remained finite. The reconstruction of Europe held absolute primacy in American eyes. This emphasis made the United States more vulnerable to pressures from the colonial powers. Indeed, the relative importance of France and the Netherlands to American plans in Europe was a key factor in the fate of their empires. Holland was never a prime concern of American postwar policy makers. It was a small nation and could offer relatively little resistance to the United States. French participation, on the other hand, was essential to a revitalized Western Europe. This gave De Gaulle and others tremendous leverage over the Americans; the French insisted that a strong, politically unified France would be impossible without a restored empire. Washington was relatively powerless against this argument.

There were many other factors involved. The relative strengths of the Indonesian and Vietnamese communist parties were a second important consideration. In American eyes, the nationalist movement in Indochina was closely linked to communism. This concern predated the war by more than ten years. In 1932, a special report to the State Department on the colony was entitled "The Bolshevik Menace in Indochina". (41) The Indonesian Communist Party (PKI), however, was far less prominent. While the PKI
had existed since 1920, it had not recovered its strength after being crushed following a failed uprising in 1926 and 1927. (42) The appeal of the most important Indonesian leaders, like Sukarno and Hatta, was based on nationalist considerations, rather than any ideological platform like Marxism. Therefore, the Indonesian nationalists did not appear as threatening to American interests as their Indochinese counterparts. The determination to stop communism is another reason for American toleration of renewed French control.

As noted earlier, Chiang Kai-shek’s failure to build a unified China was also a factor. With the crumbling of Chiang’s regime, the United States was left alone in Asia and was forced to turn to the European powers for support. (43) Thus, Washington’s stand against colonialism had to be tempered by the realization that without European cooperation, Americans “would wind up having to find solutions in Asia all alone, for they would have alienated their European allies while China could do no more than thrash about.” (44)

The relative strength of the Indonesian and Indochinese nationalist movements played an important role. For the most part, the Indonesian nationalists were better prepared than their counterparts in Indochina. Although the prewar Dutch administration had suppressed the Indonesian nationalists, political reforms in the 1920’s had introduced at least a minimal level of native participation in colonial government. (45) The Japanese occupation provided an important boost to Indonesian nationalism.
In an effort to win popular approval, the Japanese freed Sukarno and other imprisoned leaders and allowed native Indonesians enhanced political responsibility. The Japanese occupiers also established Bahasa Indonesia as the official national language. This decision facilitated the development of a unified nationalist front, alleviating earlier linguistic divisions within the movement. Japan also established PETA, a civilian defense corps which provided Indonesians with weapons and training. The experience gained in PETA proved invaluable in resisting Dutch forces after the war. (46)

During the war, OSS analysts were aware of the Indonesian nationalist movement's strength, and warned of the possible consequences of American aid to Dutch forces seeking to reimpose control. One OSS report from early in the war warned that "the United States would be extremely ill-advised to take any part in an attempt to restore the Dutch empire." (47) A report from 1945 expressed the same conclusion in evasive language.

The presence or absence of United States personnel [in the reconquest of the Netherlands East Indies] will then be given a certain interpretation by the local population and influence its future attitude towards the United States. (48)

Nationalist forces in Indochina had not progressed so far. The United States was relatively uninformed about the nationalist movement in Indochina. Although there was some cooperation between Allied forces, particularly the OSS, and the Viet Minh during the war, Americans were unsure of the strength and importance of these groups. (49) In the absence of information,
the United States seems to have underestimated the strength of the nationalist movement in Indochina.

The final explanation for the postwar settlement in Southeast Asia can be found in French and Dutch attitudes. De Gaulle's France was intensely committed to the restoration of the empire. As a consequence, the French were prepared to use force in suppressing any nationalist insurgents. In the Netherlands, however, opinion was divided. At the end of the war, the Dutch favored renewed control of the East Indies, but with greater autonomy and an enhanced position for the Indies within the Dutch empire. The Netherlands did not expect Indonesian resistance to their return. Wartime intelligence reports indicated that the population of the Indies retained considerable popular support for Netherlands rule. (50) The Dutch anticipated that the Indonesians would cooperate in the reestablishment of Dutch rule even if the return was not backed up with a large military force. (51) Thus, when Indonesians resisted the return of Dutch forces, the Netherlands government was taken by surprise; the Dutch were unprepared to wage a prolonged struggle for control of the islands.

American policy in Southeast Asia in 1945 was very different from what it had been just four years earlier. The scope of U.S. interests in the region had once again widened significantly. While the economic issues that had dominated the 1920's and the military and security considerations of the prewar years carried over after 1945, their importance was greatly
reduced. Larger ideological issues, especially colonialism and anticommunism, now shaped American policy in Southeast Asia. The importance of these two concerns was not limited to Southeast Asia; indeed, colonialism and anticommunism were at the center of American postwar policy deliberations throughout the world. By 1945, then, U.S. involvement in Southeast Asia was no longer determined by peripheral concerns; now, American activities in the region were shaped by the most important issues of the day.

Despite the widened scope of U.S. interests in Southeast Asia, events outside of the region continued to shape American policy. Washington’s commitment to decolonization had been explicit and heartfelt. There is no doubt that the prospect of renewed French rule in Indochina was repulsive to many State Department officials. At least some Americans genuinely envisioned greater democracy and freedom for the people of Southeast Asia. Ultimately, however, these goals were sacrificed to further U.S. objectives in Europe. The emphasis on postwar European recovery handcuffed American policy in Southeast Asia. Desire for cooperation in Europe prevented the United States from mounting effective opposition to the reimposition of French rule in Indochina.

The implications of this decision were far-reaching. American prestige in Southeast Asia was dealt a severe blow. Nationalist leaders had expected the United States to honor the intentions of the Atlantic Charter. In August 1945, Mohammed Hatta’s "Indonesian Aims and Ideals" stated that the Charter
carried "the solemn assurance of the Big Powers that they 'recognize the right of all peoples to live under a government of their own choice.'" (52) When the U.S. failed to follow through on this commitment, Hatta and nationalists throughout Southeast Asia felt betrayed.

The fact that the United States did not actively participate in either the French reconquest of Indochina or the unsuccessful Dutch attempt to return to the East Indies made little difference in the nationalists' eyes. Because America was indisputably the world's preeminent power, Washington's failure to oppose recolonization was tantamount to support of that effort. Nor can it be argued that State Department officials at the time were unaware of these facts. OSS reports from both Indochina and the East Indies had repeatedly cautioned that American support of the colonial powers would severely harm U.S. credibility in the region. The decision to abandon decolonization despite this knowledge revealed a continued lack of long range vision on the part of American policy makers.
NOTES


26. Waterman to State. October 2, 1930. RG 59, 851g.00/27, p.5; Dawson to State. April 12, 1932. RG 59, 851g.00B/20; Roberts to State. January 31, 1936. RG59, 851g.00/40, pp.29-37; RG 59, 851g.00P.R./1. p.41.


28. Emerson. RG 59, OSS R&A report 228, p.11.


33. Fifield. Americans in Southeast Asia. p.44.

34. McMahon. Colonialism and Cold War. p.64.


41. Dawson to State. April 12, 1932. RG 59, 851g.00B/20.


45. Sullivan. "The United States, the East Indies, and World War II." p.23


47. Emerson. RG 59, OSS R&A report 228, p.10.

48. "Problems Arising From a Sudden Liberation of the NEI." RG


51. RG 59, OSS R&A report 3229, p.2.

EPILOGUE

United States involvement in Southeast Asia changed dramatically during the first half of the twentieth century. The American presence was no longer limited to the activities of a few missionaries and spice traders. The U.S. economic involvement had grown extensively; exports to Southeast Asia had risen dramatically and both American oil and rubber companies owned large holdings in the region. World War II had given the United States a military awareness of Southeast Asia for the first time. Although the U.S. withdrew its forces following Japan's defeat, the American naval presence in Southeast Asia was still strongly felt. By 1945, the thorny issues of colonialism and anticommunism occupied American policy makers.

At first glance, it would appear that U.S. interests in Southeast Asia had undergone a complete transformation. American diplomacy started with a few, relatively minor, economic concerns. Gradually, these Open Door aspirations expanded to include security interests as well. But the process did not stop there. After World War II, American interests in Southeast Asia widened further to encompass broader foreign policy objectives as well. While the changes that took place between 1900 and 1945 were undeniably significant, they unfolded only very gradually.

The American commitment to Southeast Asia passed through several clear stages, but each was intimately connected with the
The expansion of U.S. interests never entailed a renunciation of earlier goals. When American diplomacy moved into a new era, its previous objectives were not abandoned. Instead, each era simply added one more concern to the interests that had already accumulated. The progression is clear. The United States first viewed Southeast Asia as a market for American exports. When oil diplomacy rose to prominence in the early 1920’s, the United States did not relinquish its interest in promoting exports to Southeast Asia; concern for equal access to raw materials was combined with previous objectives. Similarly, the rise of military and security concerns in the 1930’s did not mark the end of American economic interests in Southeast Asia. Economic goals continued to play an important role in U.S. policy. Even when the question of colonialism achieved center stage in 1945, more traditional American concerns persisted. Southeast Asian natural resources, in particular Indonesian oil, remained central to American interests even after World War II.

Oil diplomacy enjoyed a mini-resurgence in 1945 for essentially the same reasons that it had arisen following the First World War. Once again, the United States feared that its domestic oil reserves were dwindling. A new generation of State Department officials proclaimed the importance of oil to the American economy and national defense. Like their counterparts a quarter century earlier, they called for vigorous government support of American oil firms abroad. (1)

Thus, while American interests in Southeast Asia expanded
between 1900 and 1945, the process was a gradual one. Significant continuities linked U.S. policy in 1945 with that of previous eras. Because of the transformation's evolutionary pace, American diplomats never confronted a clear break with past U.S. policies. This meant that the underlying assumptions of American policy in Southeast Asia, established during the 1920's, went unchallenged in later years. The backdrop against which the United States formed its policies in Southeast Asia was still the same in 1945 as it had been twenty-five years earlier. The tremendous expansion of the objectives of American involvement in Southeast Asia between the wars was not combined with a broadening of the context within which policy decisions were made.

At the outset, American diplomacy in Southeast Asia included little concern for the impact of U.S. policy on the region itself. American involvement was limited to a few specific objectives, shaped by events outside of Southeast Asia. U.S. considerations rarely extended beyond the specific goals of the moment to encompass longterm interests in the area. The oil diplomacy of the 1920's marked the first instance of prolonged official U.S. involvement in Southeast Asia. Washington's oil policies were shaped by concerns and events within the United States. Rising demand for oil coupled with depletion of domestic reserves spurred the State Department into active support for American oil firms abroad. The Netherlands East Indies were important only insofar as they offered a solution to the domestic oil crisis. When that crisis passed, it was perfectly natural
that American oil diplomacy should wane, although the situation in the Indies remained unchanged. The rise of American oil diplomacy had involved little consideration of the situation in Southeast Asia. Nor had it looked beyond the immediate concern of Jersey Standard's success. Thus, it is not surprising that the eventual decline of oil diplomacy also included little concern for either events in the region or larger American interests. American diplomats of the 1920's should not be faulted for this narrow outlook. Given the restricted nature of American objectives, it was completely reasonable that the context in which policy decisions were made remained limited. The problem would come, however, when this decision making context failed to expand in the 1930's and '40's in conjunction with the enlargement of U.S. objectives in Southeast Asia.

In 1945, American policy decisions were still considered within the limited context of U.S. goals from the 1920's. While this narrow outlook had been adequate for the purposes of American oil diplomacy, it was not sufficient for the wider objectives of 1945. The United States could no longer afford to create its policies without reference to events within Southeast Asia and longterm American interests in the region. The expansion of American objectives entailed an increased significance for all U.S. policy decisions; the impact of these decisions on America and Southeast Asia alike had increased. In the 1920's, oil diplomacy had involved little commitment of American resources. The prime ingredient in the State Department's case, Open Door

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rhetoric, was both cheap and plentiful in Washington. In addition, U.S. oil diplomacy had little impact on Southeast Asia itself. It made no difference in the future of the Netherlands East Indies whether its oil reserves were developed by Royal Dutch Shell or Standard Oil of New Jersey.

By 1945, however, American policy decisions in Southeast Asia had attained far greater significance. The U.S. position on colonialism obviously had a profound impact on Southeast Asia. The American failure to oppose the reimposition of European rule thwarted the colonies' ambitions of independence. More importantly from the American perspective, Washington's ambiguous stance on the colonial question severely damaged long-term U.S. interests in Southeast Asia. America's retreat on the question of colonialism served its short-term interests in Europe. Washington's acquiescence to French imperial ambitions paved the way to smoother cooperation and faster reconstruction. But the resulting blow to American prestige in Southeast Asia had far more enduring consequences. Had the United States offered stronger resistance to the colonial powers in 1945, the chances for a postwar liberal democratic order in Southeast Asia would have been greatly improved. The impact of such a course of action on European recovery would have been minimal. Had the colonies of Southeast Asia been placed under international trusteeship in 1945, European reconstruction would not have been delayed significantly. The American decision not to force decolonization was rooted in assumptions inherited from past United States diplomacy in South-
east Asia. The narrow outlook of U.S. policy decisions, which had arisen during the oil diplomacy of the 1920's, would continue to shape American involvement in Southeast Asia long after 1945.
NOTES

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