N. Y. STANDARD OIL DECLARES WAR UPON DUTCH SHELL GROUP

Defending Deal With Soviets, It Defiantly Asserts It Won't Change Policy.

FIGHT TO FINISH LOOMS

Conflict Already on in India and Is Expected to Spread to Other World Markets.

BAD FAITH IS CHARGED

Standard Says Royal Dutch Group Itself Sought a Monopoly of Russia's Output.

The Standard Oil Company of New York broke a long silence in the controversy over the purchase of Russian oil products by issuing yesterday what amounts to an open declaration of war against the powerful Royal Dutch-Shell group of Europe. The Standard of New York's statement, issued by order of its Board of Directors, seems to bring to a head a fight that had been smoldering for months, and which American oil interests believe will not be ended until there has been a decisive contest for the oil markets of the world.

The New York company defends its trade relations with the Soviet Government as "a purely business proposition" and announces that it will not be "swerved in any manner from its clearly conceived policy by such desperate and destructive measures as are being followed in India and threatened in other parts of the world." The Royal Dutch and affiliated companies are vigorously attacked for their price-cutting tactics in India. The price warfare in India, the statement says, will cost the Royal Dutch and associates $12,750,000 a year and the Standard of New York $4,000,000 a year.

This is the first time since the dispute between the Standard of New York and the Royal Dutch developed that the former company has publicly explained its position.

Appeal to Public Opinion Seen.

The fact that the statement was issued in violation of a custom which the company has for years imposed upon itself suggested to oil executives with whom it was discussed that the Standard of New York is preparing to make an appeal to public opinion to justify its dealings with the Soviets. Sir Henri Deterding, Managing Director of the Royal Dutch, for some months has been publicly attacking the New York company. He has accused it of purchasing "stolen oil" and has indicated his intention of invading the markets which have been more or less controlled by the Standard of New York.

The Standard of New York in its statement charges that before it entered into an arrangement with the Russians for the purchase of oil the Royal Dutch sought "to obtain from the Soviet Government a monopoly for the sale of Russian petroleum products for a term of years, these negotiations having been carried on continuously from May to December, 1926." It is also charged that the Royal Dutch "had, indeed, purchased some 200,000 tons of Soviet Russian oil as far back as 1922." The Standard of New York says that subsequently it participated with the Royal Dutch in making additional purchases.

That the Standard of New York and the Royal Dutch were involved in a price-cutting war in India has been known for some time. The Standard of New York, which has confined its business in India heretofore to the marketing of fuel oil and kerosene, arranged recently to begin marketing gasoline in India.

Wants a Protective Tariff.

The Burmah Oil Company, which has friendly relations with the Royal Dutch, applied last week to the Indian Government for a protective tariff against the importation of Russian oil. This move, it was assumed here, was directed against the Standard of New York, which apparently has been preparing to increase the importation of Russian oil to India. Oil officials said last night they believed this step by the Burmah company, which apparent-

Continued on Page Eleven.

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N. Y. STANDARD OIL FIGHTS DUTCH SHELL

Continued from Page 1, Column 3.

ly is favorably regarded by the Indian Government, was the real inspiration of the Standard of New York's statement.

Richard Airey, who is the representative in New York of Sir Henri Deterding, said last night that he could not discuss the Standard of New York's statement until he had studied it. He indicated that some statement might be issued tomorrow on behalf of Sir Henri, who is now in London. Mr. Airey said he did not know what inspired the Standard of New York's statement.

Teagle's Trip to Russia Recalled.

Walter C. Teagle, President of the Standard Oil Company of New Jersey, who last Summer expressed agreement with Sir Henri in the dispute over Russian oil, could not be reached last night. Mr. Teagle made a trip to Europe in the Summer for the reported purpose of trying to make peace between the Standard of New York and the Royal Dutch. He is on friendly terms with Sir Henri.

The fact that the Standard of New Jersey, in which the Rockefeller interests are influential, chose at that time to ally itself with the Royal Dutch in opposition to its friendly associate, the Standard of New York, excited much comment. The Rockefeller family has a large interest in the Standard of New York and in the Vacuum Oil Company, which is also a large purchaser of Russian oil.

The Standard of New Jersey owns a 51 per cent. interest in the Nobel Company, a Russian oil unit that was nationalized along with the rest of the Russian petroleum industry after the Soviets took charge of the Government. The Standard of New Jersey had no substantial interests in Russia prior to the nationalization of the industry. The Royal Dutch had considerable holdings in Russia, it is understood. The Standard of New Jersey, through its ownership of control of the Nobel Company, has a claim against the Soviet Government.

Standard Explains Its Stand.

The statement issued by the Standard of New York follows:

Standard Oil Company of New York has until now refrained from making any public comment upon the attacks directed against it by Sir Henri Deterding, Chairman of the Royal Dutch-Shell Company, on account of the purchases of Russian oil. These attacks have now assumed such a character, however, that it is considered by Standard Oil Company of New York that the public should have the facts.

Standard Oil Company of New York had made purchases of Russian oil in conjunction with several other companies, including the Royal Dutch-Shell interests, for several years prior to 1926. In that year Sir Henri Deterding came to the conclusion that his companies would buy no more Russian oil. Standard Oil Company of New York was asked to refrain from further purchases, but saw no sound reason to comply with this suggestion.

The long distance between the United States and India makes the cost of transport of oil from this country to the Indian markets a substantial item. If, therefore, Russian oil could be supplied to the Indian markets at a fair price, there was an obvious economy in shipping such oil from Black Sea ports by saving at least 5,000 miles of distance. As the Royal Dutch had large production in Rumania, it was in position to be fairly independent of supplies of Russian oil, whereas unless Standard Oil Company of New York was assured of products on a favorable basis in its Southeastern European markets and Asia Minor it would be involved in heavy losses.

State Department's Policy Cited.

But before proceeding with additional purchases of Russian oil, Standard Oil Company of New York again reviewed the situation in the light of American policy. On July 7, 1920, Secretary of State Hughes had announced that it would be proper for American business men, at their own risk, to trade with Russia. The formal announcement of the State Department read:

"The restrictions which have heretofore stood in the way of trade and communication with Soviet Russia were today removed by action of the Department of State. Such of these restrictions, however, as pertained to the shipment of materials susceptible of immediate use for war purposes, will, for the present at least, be maintained."

There were no reservations in the statement other than the statement that trading with Russia would be at the trader's risk. There was no suggestion by the State Department that trading with Russia was in any respect improper, and no subsequent modification has been made in State Department policy.

Contracts were made in 1926 for the purchase of a substantial amount of Russian petroleum over a period of years; Standard Oil Company of New York considers these contracts to be upon a favorable basis.

It would appear that the views of Standard Oil Company of New York—i.e., that the problem of buying and selling Russian oil is a purely business proposition—are not only in accord with American policy but are also supported by the policy of the British Government, whose political relations with the Soviet are the same as those of the United States.

England's Stand Set Forth.

The marketing of Russian petroleum in England is done by the Russian Oil Products Co., Ltd., known to be a Soviet-owned institution. On Aug. 26, 1927, after the break between England and Russia, the British Government (through the Home Office), issued a statement, the main part of which was as follows:

"In view of certain inaccurate and misleading statements which have appeared in the press with reference to his decision requiring two of the directors of Messrs. The Russian Oil Products to leave the country, the Home Secretary wishes to make it plain that his decision involves no new departure in the policy of His Majesty's Government. As has been stated frequently, the Government desires to place no obstacle in the way of trade between this country and Russia so long only as those conducting the trade do not indulge in propaganda or conduct contrary to the interests of this country. It is not the policy of the Government to terminate the activities of any Soviet trading organization which is engaged in trade to the benefit of this country and is not otherwise harmful."

Ofifcial figures indicate that while the importation of Russian gasoline into the United Kingdom for 1927 has fallen off as compared with 1926, importations of kerosene into the United Kinkdom were actually greater in 1927 than for the preceding year. Indeed, in 1927, England imported twice as much Rusisan kerosene as in 1925. The actual figures as reported by the British Custom House were as follows:

Imports of Russian Oil Into the United Kingdom.

(Expressed in Imperial gallons.)

	Year 1925.	Year 1926.	Jan.1,'27 to Dec.7,'27.
Motor spirits	33,485,014	55,110.88	239,981,539
Kerosene	15,771,605	35,444,044	34,137,540
Lubricat. oil.	4,588,733	4,963,336	6,754,377
Total	53,845,352	95,518,262	80,873,456

Says Rival Sought Monopoly.

Prior to the arrangement being made between Standard Oil Company of New York and the Russians, the Royal Dutch-Shell Company had been seeking to obtain from the Soviet Government a monopoly for the sale of Russian petroleum products for a term of years, these negotiations having been carried on continuously from May to December, 1926, inclusive. The Royal Dutch-Shell Company had, indeed, actually purchased some 200,000 tons of Soviet Russia oil as far back as 1922.

Standard Oil Company of New York had subsequently participated with the Royal Dutch-Shell Company in making additional purchases. When Sir Henri Deterding decided to make no more such purchases, and found that it was the purpose of Standard Oil Company of New York to go forward with the contracts it had made with the Russians, he issued a statement announcing his purpose to fight to the last ditch every effort of Standard Oil Company of New York to market Russian oil in India.

That the considerations dictating the policy of the Royal Dutch-Shell Company were of a purely business character rather than having to do with any other phase of the subject, and that the Royal Dutch-Shell interests were quite prepared to handle and sell Russian oil when, as if they could obtain that oil on terms satisfactory to themselves, is indicated by the fact that the Asiatic Petroleum Company, Ltd., a subsidiary of the Royal Dutch-Shell Company, imported the following quantities of Russian kerosene oil into India and Ceylon:

During 1923 over 8,460,000 imperial gallons.

During 1924 over 10,690,000 imperial gallons.

During 1925 over 4,730,000 imperial gallons.

Up to the end of 1927 Standard Oil Company of New York had imported into India a total of between 400,000 and 500,000 barrels, or 21,000,000 imperial gallons.

Tells of Threat to Cut Price.

On Sept. 19, 1927, the New York representative of the Asiatic Petroleum Company, Ltd., which is the Royal Dutch-Shell's subsidiary in India, handling also the products of the Burmah Oil Company, the Royal Dutch-Shell Burmah pool supplying about 70 per cent. of the oil used in India, notified Standard Oil Company of New York that the Royal Dutch-Shell interests would reduce prices on superior oil as soon as any more Russian oil arrived at Indian ports.

No one familiar with conditions in India would seriously suggest that the importation of Russian oil or other foreign oil into India constituted a menace to the Indian or Burmah oil industry.

That there was no surplus of Indian-produced oil to justify price cuts such as these is indicated in a pamphlet the Burmah Oil Company, Ltd., recently sent out, "with the compliments of the directors" of the company, in which it is said:

"Indigenous production of kerosene never was and is not now either potentially or actually sufficient to meet the Indian demand for the product."

True to their promise, the Royal Dutch-Shell interests, on the 23d of September, initiated the threatened reductions in India. An additional cut was made the following day. And a few days later the prices of all inferior grades of refined oil were reduced correspondingly.

On Nov. 4 last Royal Dutch-Shell agents were authorized to allow a "secret rebate" on sales and on Nov. 25 the company notified its agents that it would give an additional bonus for all increased deliveries of high-grade oil over the corresponding periods in 1926.

Price Reductions Still Continue.

This kind of competition still continues. The cut prices in all cases were initiated by the Royal Dutch-Shell interests. They were not justified by economic considerations. Standard Oil Company of New York has met certain earlier reductions in order to hold its market position, but its prices are today higher than those being charged by its competitors.

The significance of this price warfare will be realized when it is stated that this form of competition, if continued, will cost the Royal Dutch-Shell and Burmah Oil Companies approximately $12,750,000 a year and Standard Oil Company of New York approximately $4,000,000 a year.

This price-cutting was conceived and organized and initiated by the Royal Dutch-Shell interests. Standard Oil Company of New York has followed it only insofar as seemed absolutely necessary to protect its market position. At no time has this company deliberately undercut the prices of its competitors or offered secret or other rebates to undermine the position of its competitors.

Standard Oil Company of New York will continue to supply its markets effectively; it will carry out all contracts into which it has entered; and it will not be swerved in any manner from its clearly conceived policy by such desperate and destructive measures as are being followed in India, and threatened in other parts of the world.

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