

TAMÁS MAGYARICS

THE /RE/CREATION OF THE RELATIONS BETWEEN THE US AND THE SUCCESSOR STATES IN CENTRAL EUROPE AFTER THE FIRST WORLD WAR

World War I and its consequences created an almost completely new situation in Central Europe and in the positions of the U.S.. In the place of the multinational Austro-Hungarian Monarchy there emerged a number of small states which were, without exception, in a poor economic situation. Moreover, during and immediately after the war, substantial war and relief debts were contracted by all the Central European countries with the exception of Hungary which, however, became burdened with reparation payments.

With the exception of industrial Bohemia, Central European countries could be characterized as agrarian economies. In this situation they faced a dilemma: they could concentrate either on raising a backward agriculture to modern standards or on building an industry "from scratch." The American agriculture was in a constant crisis throughout the 1920s because of overproduction and U.S. would not welcome the appearance of cheap Central European agricultural products at the world market. On the other hand, the superiority of the American manufactured goods was unquestionable and was not endangered by the Central European competition.

In reality, much of the American hopes did not materialize. The characteristic feature of the postwar European economy was the deterioration of foreign trade. With reference to the countries in Central Europe,

they did not engage in cooperation in commercial policies but chose economic isolation by adopting high tariffs.¹ As compared to the pre-World War I years, the most striking phenomenon in the 1920s was the increase of the amount of English and American capital invested in Central Europe. In addition to foreign capital, the countries in the area were dependent on agricultural product (Austria and Chechoslovakia), on industrial raw materials (Hungary and Poland); while in the south Yugoslavia and Rumania were dependent on foreign capital to a large extent. In general, in the Central European countries "foreign capital had a 50 % or 70 % share in financing the economy during the postwar years."²

These countries formed a link in the chain of international financial relations. Their place in the investment and credit system arose out of the redistribution of territory, spheres of interest, and economic forces after the war. The shift of interest towards them was also connected with the loss of the Russian market after 1917. Moreover, both the Wilson and the Harding administrations believed that German investments seized by the Allies in Europe as well as the preferential trading agreements they had imposed upon the weaker nations were among the means of repayment for their wartime expenses. The region was taken into account in the American thinking only as an economic entity, France was left alone here to settle the political questions, while the U. S. and Great Britain resorted mainly to the indirect means of influencing the proceedings in Central Europe.

The reason why the U.S. was not able to carry out her political goals in the area stemmed from the discrepancy between her direct interest in establishment of stable economic conditions in Central Europe and the inadequate means the country was willing to use. The subsequent American administrations in this period do not seem to have had any coherent plan for

¹ As Iván T. Berend and György Ránki have pointed out, the postwar tariffs put into effect in the 1920s in Central Europe differed from the prewar ones in "two main respects: a great increase in the number of items taxed ... and much higher duties." Berend and Ránki, *East Central Europe in the 19th and 20th Centuries* (Budapest: Akadémiai, 1977) 90.

² This question is discussed in details by Berend, Iván T. and Ránki, György, *Economic Development in East-Central Europe in the 19th and 20th Centuries* (New York and London: Columbia UP, 1974) 149.

the policies to be pursued in the area. The following short case-studies are supposed to show the lack of comprehensive plans and the Americans' almost exclusive reliance on economic means to achieve their—rather limited—goals in Central Europe.

AUSTRIA

Despite the expressed indifference by the State Department toward Austria,³ the U.S. could not ignore the events taking place in the greatly diminished country. Though the successor states were politically independent from Austria, the country remained the key to the area in numerous fields. A number of banks, firms, companies, etc. had their headquarters in Vienna and foreign capital—mostly German—also tended to prefer indirect contacts with the different parts of the former Austro-Hungarian Monarchy. After the First World War, the American capital followed this pattern partly because it took hold of positions owned formerly by German capital.

The formal post-war American—Austrian relations were established by a treaty signed on August 24, 1921. Articles I. and II made Austria acknowledge “all the rights, privileges, indemnities, reparations or advantages” specified in the Joint Resolution of the Congress of the U.S. on July 2, 1921, including “all the rights and advantages stipulated for the benefit of the U.S. in the Treaty of St. Germain-en-Laye” in spite of the fact that the U.S. had not ratified that Treaty.⁴ In addition to it, the U.S. included in the treaty with Austria that the country would not “be bound by any action taken by the League of Nations or by the Council or by the Assembly thereof, unless the U.S. shall expressly give its assent to such action.”⁵

³ (Secretary of State) Colby in a dispatch on November 26, 1920: “... Neither Austria nor the European powers should count on assistance from this Government in solving Austria's difficulties...”, *Papers Relating to the Foreign Affairs of the U.S.* (Washington, D.C.: Government Printing Office, 1935) Vol. 1, 293, 863/48/173: Telegram.

⁴ Treaty of August 24, 1921, Article 1. *Papers*, 1921, Vol 1, 276.

⁵ *Ibid.*, Article II.

Nevertheless, the Americans had to move in unison with the European powers and had to abandon the “they hired the money, didn’t they?”— approach to the financial troubles of Europe when Austria went bankrupt. It was, among other nations, the U.S. that took the initiative in suspending the claims against Austria,⁶ which resulted in the protocols of Geneva in October 1922. It placed the finances of Austria under the control of the League of Nations; Austria was freed from any reparation payments until 1942.⁷

Next year the Americans took a step further. Secretary of State Hughes indicated to the American Minister in Austria on July 19, 1923 that the U.S. was “prepared to negotiate with the Austrian Government a general treaty of amity, commerce and consular rights,”⁸ which offer was promptly accepted by the Austrians.⁹ The proposed treaty, unlike that of August 24, 1921, embodied “no attempt whatever to attain ... undue advantages over a friendly state...” according to Hughes¹⁰ and the most-favored-nation clause, or, as it should more aptly be named the “equally-favored (or not)-clause”, was incorporated in the Draft Treaty of Friendship, Commerce and Consular Rights between the U.S. and Austria.¹¹ Later, as a result of negotiations taken place between June 25 and July 4 in 1925 between the two countries, an Informal Agreement for Continuation of Reciprocal Most-Favored-Nation Treatment in Customs Matters was reached.¹²

⁶ See *Papers*, 1922, Vol. 1, 613—621.

⁷ “... be it resolved by the Senate and House of Representatives of the U.S.A. in Congress assembled That the Secretary of the Treasury is hereby authorized to extend, for a period not to exceed twenty-five years, the time for payment of the principal and interest of the debt incurred by Austria ...”, April 6, 1922 (S.J. Res. 160), Pub. Res. No. 46, *Statutes of the United States of America* (Second Session of the 67th Congress), 1921—1922, Washington: Government Printing Office, 1922, Public Laws, 491—2.

⁸ Hughes to Washburn on July 19, 1923. *Papers*, 1923, Vol. 1, 398, 711.632/7a: Telegram.

⁹ Washburn indicated on July 23 that the Austrian “Foreign Office is prepared immediately to negotiate ...”, *Papers*, 1923, Vol. 1, 398, 711.632/8: Telegram.

¹⁰ 711.632/8a, No. 579, Washington, August 3, 1923. *Papers*, 1923, Vol. 1. 399.

¹¹ Article VII. See the Draft Treaty in *Papers*, 1923, Vol. 1, 400—413.

¹² *Papers*, 1925, Vol. 1, 516—17.

As regards diplomacy, 1922 saw two other agreements between Austria and the U.S. One of them revived the Extradition Convention of July 3, 1856,¹³ while the other—in the form of a Presidential Proclamation —acknowledged copyright benefits to Austria for works published therein since August 1, 1914 and not in the U.S.¹⁴ Lastly, an agreement was concluded between the U.S. and Austria—and Hungary—for the establishment of a claims commission, signed on November 26, 1924.¹⁵

The U.S. diplomatic service in Vienna consisted of four persons: A. H. Washburn in the capacity of Minister Plenipotentiary was supported by First and Second Secretaries, and by Lt. Col. Harry N. Coates, the Military Attaché.¹⁶ As for the economic relations between the two countries, they were unofficial in most cases but the State Department cleared all private enterprises so that they would fit into the general pattern and goals of the American foreign policy. The American capital was new in the field and it preferred to take actions in cooperation with other foreign capitals, most preferably with the British one. Thus, in the course of 1922 and 1923 J. Schroeder and Co. of London acquired an interest in Boden-Credit-Anstalt, later—when the bank issued a million new shares—the British company increased its share by purchasing half on them in conjunction with J. P. Morgan and Co. of New York. American banks and investors held stocks in Lower Austria Discount Co. of Vienna, “controlling fully or in part through stock ownership 64 important industries and banks”, including Skoda Works of Pilsen and Alpines Montan Co.¹⁷ Americans also owned “external

¹³ *Papers*, 1922, Vol. 1, 621—22.

¹⁴ Max 25, 1922.

¹⁵ *Papers*, 1924, Vol. 1, 142—54.

¹⁶ The First Secretary was H.F. Arthur Schoenfeld, the Second Secretary was Warden McK. Wilson. *Register of the Department of State* (Washington, D.C.: Government Printing Office, 1924) 36.

¹⁷ Robert W. Dunn, *American Foreign Investments* (New York: B.W. Huebsch and the Viking Press, 1926) 140.

securities of the Mercurbank”¹⁸, Tyrol Hydro-Electric Co. and Lower Austrian Hydro-Electric Co.¹⁹ Among the American companies the most active in the field were General Electric, having leverage on utilities, Standard Oil, American Radiator Co. and film companies, such as Fox, were present in Austria, too. The most important Austrian bank, Credit-Anstalt, was not devoid of American influence either: New York International Acceptance Bank, together with Anglo-International Bank were Credit-Anstalt’s major stockholders.²⁰ U.S. Automotive Equipment Co., engaged in marketing automotive parts and accessories through out Europe, had also its headquarters in Vienna. However, in sum, the American capital played only a minor role in the economic life of Austria. The most important partners of Austria remained Great Britain, France, and Germany.²¹ The Republican administrations did not do more than was necessary to establish more or less normal relations with Austria, no matter how important a role this country could have played as a key to Central Europe.

CZECHOSLOVAKIA

Though the Czechs expressed their gratitude to the U.S. for the relief activity directed by Herbert Hoover in the post-war years²², they hastened to make it clear that what they wanted was an independent Czecho-

¹⁸ Hallgarten and Co. and E.F. Hutton and Co. of New York had a share in the bank’s stocks of about ten per cent in 1923. Teichova, Alice and Cottrell, P.L. eds., *International Business and Central Europe, 1918—1939* (New York: St. Martin’s Press, 1983) 338.

¹⁹ Dunn, *op. cit.*, 140.

²⁰ See Teichova and Cottrell, *op. cit.*, 91.

²¹ *Ibid.*, 140.

²² “The memory of the generous activity of the U.S.A. will always be preserved in the history of the young Czechoslovakian State with gratitude for the help given to the Republic, under the guidance of Mr. Hoover, by supplying it on credit with grain, flour, and fats to the value of 51 million dollars.” Alois Rasin, *Financial Policy of Czechoslovakia during the First Years of Its History* (Oxford: Clarendon Press, 1923) 64.

slovakia—both politically and economically.²³ The circumstances were quite favorable for them to carry out their ideas. The country was in many respects the best-equipped one of all the Central European nations. She inherited a large part of the industry of the Monarchy, “including 90 % of the linen industry, 85 % of the silk, hemp, jute and glass industries, and 80 % of the cotton industry.”²⁴ From 1924 on, a recovery set in which proved to be more stable than that in most of the countries in the area. Among its causes we may detect the fact that this recovery was not so closely connected with foreign loans as in, for instance, Austria. However, the total Czech indebtedness to the U.S. was \$ 91,879,671.03 in the early 1920s, i.e. Czechoslovakia ranked seventh in the list of the European countries as regards indebtedness to the U.S.²⁵ This huge amount of debt made it necessary for the Czechs to appoint a commission to negotiate a general refunding of the indebtedness of Czechoslovakia to the U.S.²⁶, and, in consequence of the quite rigid American interpretation of the separation of economic and political goals in the case of the Central European countries, objection was raised by the State Department to private loans to Czechoslovakia pending settlement of Czech debts to the U.S. in 1925.²⁷ The problem was created by the same reasons that would ultimately contribute to the depression at the end of the decade. In 1920 the Czech imports from the U.S. totaled 4,111 million Czech crowns, while the exports were as low as 544 million. By 1921 the gap between the two sides had even

²³ Benes said that “the Czechs had fought not for political freedom—for this they had enjoyed to a certain extent even before the war—but for their economic independence ...”, quoted in Frederick Hertz, *The Economic Problem of the Danubian States* (London: Victor Gollancz, 1947) 65.

²⁴ C. A. Macartney and A. W. Palmer, *Independent Eastern Europe* (London: Macmillan and Co., 1960) 156—7.

²⁵ The data are taken from Samuel Flagg Bemis, *The United States as a World Power. A Diplomatic History, 1900—1950* (New York: Henry Hold and Co., 1950) 236.

²⁶ *Papers*, 1923, Vol. 1, 876—80.

²⁷ *Papers*, 1925, Vol. 2, 39—45.

grown wider: the corresponding figures that year were 4,547 and 711.²⁸ As regards private enterprise, the pattern was more or less the same as in the other countries. One form of introducing American capital was to acquire a certain amount of shares of different banks. Thus International Acceptance Bank of New York purchased stocks in Bohemian Discount Bank and Society of Credit in 1920 and Kleinwort and Sons followed suit in 1923.²⁹

As in Poland, Rumania, and Hungary, Standard Oil of New Jersey was especially active in Czechoslovakia from among the American oil companies. Here they cooperated with Vacuum Oil Company.³⁰ Moreover, International Standard Company had also two affiliated companies in the country. On balance, however, the American economic presence was not very significant, nor was her political one. The American diplomatic corps in Prague was organized along the line seen in Vienna.

Washington proposed to negotiate a general treaty of "amity, commerce, and consular rights" with the Chechoslovakian Government in 1923, as well as with the other countries of the area, so this move should not be treated as a special favor to Czechoslovakia.³¹ Besides it, there was an exchange of notes between the two countries in connection with the most-favored-treatment in customs matters (October 29, 1923)³², which was prolonged next year.³³ An extradition treaty signed on July 2, 1925 completed the, rather meager, diplomatic record of the U.S. and Czechoslovakia during the first half of the 1920s.³⁴

²⁸ The data are taken from Josef Gruber, ed. *Czechoslovakia* (New York: The Macmillan Comp., 1924) 121—2.

²⁹ Teichova and Cottrell, *op. cit.*, 339.

³⁰ The Czechoslovakian State owned 51 % of the shares and Standard Oil 49 % in exploiting the oil in Slovakia. Rasin, *op. cit.*, 106.

³¹ *Papers*, 1923, Vol. 1, 866.

³² *Papers*, 1924, Vol. 1, 615—17.

³³ *Papers*, 1925, Vol. 2, 32—38.

³⁴ *Papers*, 1925, Vol. 2, 38—42.

HUNGARY

Hungary was the country in Central Europe, besides Austria, that was technically speaking at war with the U.S. until 1921. As a matter of fact, the two countries were sometimes still treated as one by U.S. officials, which fact may be attributed to ignorance, or indifference, or negligence, or a combination of the three.³⁵ Hungary was not quite satisfied with the draft of a treaty between the U.S. and Hungary putting an end to the hostilities officially. The Hungarian government did not go as far as the Bulgarians, who refused to sign a treaty securing all the advantages of the Versailles Treaty system for the Americans without their accepting any obligations stipulated by it. As the American commissioner in Budapest—Ulysses Grant-Smith—reported to Hughes on July 27, 1921, Count Miklós Bánffy proposed to draft a resolution accepting full stipulation of peace resolution and acknowledging all privileges, rights, and interests of the U.S. and its nationals “with the circumstantial dispositions concerning those rights et cetera as stipulated in the Treaty of France”. The Commissioner advised the Secretary of State to decline any kind of reservation. Hughes himself strongly opposed it and in his answer to the telegram received the previous day, he authorized Grant-Smith to warn the Hungarians that “the continuance of negotiations would be prejudiced” in case of any further Hungarian insistence on reservation.³⁶ The Hungarian government quickly fell in line with the American demand and the National Assembly unanimously passed the resolution stating that the “Hungarian National Assembly herewith accepts in full and without reservation the contents of the peace resolution of the U.S. Senate and House of Representatives dated July 1st, 1921, and approved by the President of the U.S., July 1nd, 1921, as far as

³⁵ The Commissioner at Budapest notified the Under Secretary of State on April 16, 1921 that “... In the press telegrams relative to the possibility of a state of peace being declared by the U.S. with the countries of Central Europe, Hungary has not, thus far, been specifically mentioned—only Germany and Austria. I presume of course that Austria is used generically to include Hungary ...”, *Papers*, 1921, Vol. 2, 249, 711.64119/42.

³⁶ 711.64119/2: Telegram. *Papers*, 1921, Vol. 2, 252.

they refer to Hungary.”³⁷ The treaty, establishing friendly relations between the two countries was signed on August 29, 1921,³⁸ but entered into force only on December 17, 1921, after being ratified by President Harding and the Hungarian government.

The course of diplomatic relations between Hungary and the U.S. afterwards followed the pattern of those between the U.S. and the other Central European nations with some minor misunderstandings like the one in 1922 when the Hungarians were willing to accept the letter accrediting Grant-Smith as Chargé d’Affaires only provisionally because it referred to the “Republic of Hungary” instead to the “Kingdom of Hungary”.³⁹ Thus, in due course, the Extradition Convention of July 3, 1856 and the Copyright Convention of January 30, 1912 were revived in 1922.⁴⁰ The next minor clash happened in 1924—this time about the reparation payments and the relief bonds. The Hungarian Minister at Washington, Count László Széchényi asked the American government to suspend the priority provisions of the relief bonds during the period of amortization of the reconstruction loan to be given to Hungary, viz. twenty years.⁴¹ Hughes notified the Hungarian Chargé at Washington D.C., Pelényi, that “this Government ... would not waive in favor of the proposed (international) reconstruction loan the priority enjoyed by the relief bonds which it holds, unless satisfied that its relief bond would at all times be entitled to priority over reparation payments in accordance with the original agreement under which relief advances were made to Hungary ...”⁴² However, the U.S. ultimately gave its consent that the priority of the relief bonds be subordinated to the new international loan. On May 23, 1924 the House of Representatives approved and authorized the settlement of the indebtedness

³⁷ August 12, 1921. 711.64119: Telegram, *ibid.*, 253.

³⁸ *Ibid.*, 249—262.

³⁹ See the 123 sm 61/185: Telegram, *ibid.*, 261.

⁴⁰ *Papers*, 1922, Vol. 2, 577—78.

⁴¹ 864.51/222, Széchényi’ Aide mémoire to Hughes on January 2, 1924. *Papers*, 1924, Vol. 2, 325.

⁴² February 16, 1924. 864.51/222, *ibid.*, 326.

of Hungary to the U.S. be funded into bonds in the value of \$1,939,000. Within the period between 1921 and 1925 there was one more treaty to be signed on June 24, 1925, that of Friendship, Commerce and Consular Rights.⁴³

Actually, American private banks also took part in financing the reconstruction loan given to Hungary in July 1924. Baring Bros. and Co., Rotschild and Sons, J.H.⁴⁴ Schroeder and Co. issued bonds in the nominal value of £ 7,902,700, while Speyer and Co. of New York offered bonds for £ 2,276,801. As the total amounted to £14,386,583, it was obvious that the major fiscal agents were the Americans.⁴⁵ The interest taken in Hungary's economic life by the American banks did not stop here. In April 1925 J.H. Schroeder and Co. of London formed a syndicate to purchase a large block of shares of the Hungarian Commercial Bank of Pest. The U.S. and Foreign Securities Corporation and J.H. Schroeder Banking Corp. also participated in the deal.⁴⁶

As usual, the oil industry of Hungary also attracted the American firms. Standard Oil of New Jersey and Wortlington Pump and Machinery Co. had subsidiaries and branches in the country. In general, chiefly in the new branches of industry did American companies have direct and/or indirect interests. Thus, the bulk of the newly issued stocks of one of the most important factories of the Hungarian electro-technical industry, Ganz Works was bought by General Electrics; and the telephone factory section of Hungarian Egyesült Izzólámpa és Villamossági Rt. was made independent and developed with American capital under the name of Standard Villamossági Rt.⁴⁷ As for Ganz Works, it even penetrated into the American market with galvanometers devised by Ottó Bláthy. Another great beneficiary of the American capital was Rimamurány Ironworks. It alone re-

⁴³ (H.R. 8905), (Public, No. 128), *Statutes*, 1924, Public Laws, 136.

⁴⁴ *Papers*, 1925, Vol. 2, 341—357.

⁴⁵ The figures are taken from V. N. Bandera, *Foreign Capital as an Instrument of National Economic Policy* (The Hague: Martinus Nijhoff 1964) 27.

⁴⁶ Cf. Dunn, *op. cit.*, 152.

⁴⁷ Berend and Ránki, *Economic Development*, 234—5.

ceived three million dollars by several American firms with Liessman and Co. being the most important contributor.⁴⁸

In accordance with the general tendency of American firms to prefer new industries, it is worth mentioning that Eastman Kodak Co. played an active role in the Hungarian film industry through its European subsidiary.⁴⁹ Nevertheless, the problem was that "among the European countries only the Balkan states displayed a higher percentage of the population engaged in agriculture (80 %) than did Hungary (55.7 % in 1920)".⁵⁰ The distribution of the foreign capital was everything but useful and logical. Of the sums received "50 % went into federal and communal investments, made without reference to productivity in a technical sense, and 40 % went to agriculture, where a large proportion was absorbed simply in the division of property rights."⁵¹

RUMANIA

Rumania was the country in East-Central Europe, with which the U.S. had most of the problems even within the limited scope of their relations in the 1920s. The sources of troubles stemmed from the fact that the relationships between the two countries were almost exclusively based on one aspect of economic life, and it was oil producing. In 1929, the ten top-ranking oil producing countries in the world were the U.S., Venezuela, the U.S.S.R., Mexico, Iran, the Dutch East Indies, Rumania, Columbia, Peru, and Argentina. The U.S. oil-producers were present in each of these countries with the exceptions of the Soviet Union and Iran. It is obvious from the list, the only country in Europe, besides the Soviet Union, was

⁴⁸ Cf. *ibid.*, 225 and Dunn, *op. cit.*, 151—2.

⁴⁹ Frank A. Southard, Jr., *American Industry in Europe* (Boston and New York: Houghton Mifflin Comp., 1931) 145.

⁵⁰ Iván T. Berend and György Ránki, *Hungary. A Century of Economic Development* (New York: David and Charles: Newton Abbott, Barnes and Noble Books, 1974) 150.

⁵¹ Howard S. Ellis, *Exchange Control in Central Europe* (Cambridge, Mass.: Harvard UP, 1941) 74.

Rumania, which possessed a significant quantity of the “black gold”. The U.S. oil companies, especially Standard Oil of New Jersey, were not able to make large profits in Europe, with the possible exception of Rumania. It is therefore understandable why Standard Oil tried to preserve its positions here tooth and nail. In addition to the direct profit interests of the company, the U.S. was also greatly interested in Rumanian oil because of strategic considerations. It became clear that this kind of energy was going to be crucial in a number of areas, including the military and the navy; so the question was turned into one of national security by the Republican administrations. However, the Americans had to deal with one of the most nationalistic governments of the region. Rumanian nationalism did not restrict itself to the political side but incorporated the economic one, as well. As F. Hertz put it: “They (the three Bratianu brothers and the Liberal Party) aimed at the complete exclusion of foreign capital so necessary for Rumania and proclaimed the slogan: ‘By ourselves alone!’”⁵² Nevertheless, the slogan should not be taken at face value, either. The Rumanian government raised a loan in the value of \$ 175 million in 1922. The subscribers were mostly Anglo-American financial sources. One of its effects was that “the depreciation of the leu was slightly slowed down.”⁵³ Later, Rumania again tried to get loans—in the fall of 1922—but this time the American government, strictly applying the words of the State Department press release of March 1922, rejected supporting the request because the Rumanian war debts were still unsettled. “Rumania adjusted its war debt three years later, and subsequently obtained the desired loan”, wrote J.W. Angell.⁵⁴ However, hostile feelings were cherished on both sides as the subsequent crisis with Standard Oil proved it beyond dispute.

In Rumania the only American company operating was Standard Oil of New Jersey. In 1905 it organized the Romana-Americana, which, by 1928, had assets of more than 18 million dollars. Jersey Standard’s refineries here,

⁵² Hertz, *op. cit.*, 89.

⁵³ Berend and Ránki, *Economic Development*, 89.

⁵⁴ James W. Angell, *Financial Foreign Policy of the United States* (New York: Russell and Russell, 1965) 101.

and in Peru, Columbia, and the Dutch East Indies handled host-country crude-oil for foreign sale. Despite the relatively good record of these years, the period between 1921 and 1925 were lean years for the company in Rumania. Due to a decline in the share of domestic crude oil produced by Standard's subsidiary, Romana-Americana, from about 22 % in 1921 to 7 % in 1926, the company's profits dropped to a large extent. Standard Oil accounted for the loss for "discriminatory restrictions on foreign owned companies in Rumania."⁵⁵ The whole affair shed light on the American government's obsession to promote economic interests abroad. The American Minister at Bucharest, Peter A. Jay, after receiving information about a proposed new Rumanian Mining Law, raised several objections as regards it in his letter sent to Duca, the Rumanian Minister for Foreign Affairs.⁵⁶ The first and foremost American grievance was that the new law would have required foreign petroleum companies operating in Rumania to convert, within a period of five years, all their capital stock into nominative shares, 60 % of which should be owned and controlled by Rumanian citizens. Secondly, the new law would have required that the rights to oil producing properties already acquired by foreign companies should be submitted to the appropriate authorities for registration and validation. Nor was Standard Oil delaying with protestation and asking for protection from the State Department. They indicated that "the security of the investment of this Company in the Romana-Americana is threatened with confiscation"⁵⁷ and repeated the arguments Jay had put forward two months before. Nevertheless, the Rumanians did not seem to bother themselves very much about the acute American concern and they attempted to prevent a concerted American pressure on their legislators and cabinetmembers by rushing the mining bill through during the spring session instead of

⁵⁵ Harold F. Williamson, et. al. *The American Petroleum Industry* (Evanston: Northwestern UP, 1963) 520.

⁵⁶ The full diplomatic correspondence regarding protests by the U.S. against the unsatisfactory attitude of the Rumanian Government toward American petroleum and other interests is to be found in *Papers*, 1924, Vol. 2, 597—647.

⁵⁷ March 29, 1924.

discussing it during the fall session.⁵⁸ Actually, it was not only the Americans who were affected by the impending bill, but the British, the French, the Belgians, and the Dutch, too. Each of these countries formally protested at the Rumanian authorities at the beginning of June 1924—in vain. Jay once again tried to influence Duca maintaining in his letter dated June 6, 1924 that though they were not desirous of “intervening in matters of Rumanian domestic legislation”, it was necessary for him to point out “in a friendly spirit certain articles of the proposed law which seem to furnish grounds for just concern.”⁵⁹ The Rumanians remained adamant and emphasized once again that the proposed bill was not threatening the security of the foreign investments and the companies affected by the law would be compensated in due course. Parliament passed the mining bill at the end of June and only the King’s signature was needed for it to come into force.

Now, it turned out that it was not only about Standard Oil. “This law ... is only the latest of a series of measures which the Rumanian government has taken during the past two years tending to give the impression that Rumania is not willing to treat American interests as those interests might naturally expect to be treated by Rumanian authorities...”, lamented Hughes in his telegram sent to Jay on July 3, 1924.⁶⁰ The allusion to the “failure” of the Rumanians is that they had not given consideration to the claims of Baldwin Locomotive, International Harvester, and other companies. In fact, the American resentment—together with that of the British, French, Belgians, and the Dutch—manifested itself in more “effective” ways than in mere letters of protest. Three days after the Hughes-telegram, Jay reported from Bucharest with some relief that “the increasing weakness of its credits abroad, as indicated by the recent fall of exchange, seems to have impressed the Rumanian Government, and the Minister of Commerce has tried to allay the fears of the foreign oil interests by informing them that the Rumanian authorities will not be unreasonable in enforcing the mining laws

⁵⁸ *Papers*, 1924, Vol. 2, 604. 871.6363/163: Telegram on May 21, 1924 .

⁵⁹ See Jay’s 871.6363/163: Telegram to Hughes, *ibid.*, 605.

⁶⁰ *Ibid.*, 608.

and has sought to comfort them in other ways ...”⁶¹ To be on the safe side, the Americans put some more pressure on the Rumanian government. Possibly by way of leaking to the opposition press, there appeared articles about Jay’s reported recall to Washington. The opposition press jumped at the occasion: it demanded the dismissal of the Bratianu-government and the termination of the policy pursued by it, including the nationalization campaign.⁶² Despite all these efforts, the King signed the bill on July 3 and the Minister of Industry and Commerce once again told the oil companies to rely on the “goodwill” of the Rumanian government and not to pay too much attention to the letter of the law.⁶³ What the Americans did not want to perceive was that the Rumanian government had got into a sort of trap: on the one hand, there was the international pressure to force them to leave the foreign interests intact, while on the other, had they backed out of their nationalization program, their own public would have been angered. In order to calm down the Americans—and to divert attention from the oil issue—the Rumanians signed the “long-delayed extradition treaty as an evidence of good will” at the end of July⁶⁴, and also agreed with Baldwin Locomotive Corporation and postponed the proposed lawsuit against it.⁶⁵ After all, the relations between the two states remained strained; the bulk of the diplomatic corespondence was about mutual grievances and protests.⁶⁶

Finally, we may consider the American Service stationed at Bucharest. While in other countries of the region there were at least four or five members at the legations, here—besides P.A. Jay—there was only Lawrence Dennis, in the rank of a Third Secretary and Lt. Col. Robert C. Foy as the Military Attaché in 1924 signalling the fact that Rumania—even among the relatively neglected East European countries—was not thought

⁶¹ *Ibid.*, 613—4. 871.6363/176: Telegram.

⁶² Cf. Jay’s 871.6363/181: Telegram to Hughes on July 13, 1924, *ibid.*, 616.

⁶³ Jay to Hughes on July 17, 1924. *ibid.*, 617. 871.6363/186: Telegram.

⁶⁴ On the diplomatic correspondence on the Treaty see *ibid.*, 664—74.

⁶⁵ Jay to Hughes on July 25, 1924. *ibid.*, 619. 871.6363/196: Telegram.

⁶⁶ For instance, see the Protests by the U.S. Against Rumanian Legislation Restraining American Creditors from Collecting Debts Owed in American Currency, *ibid.*, 648—663.

to be a very important one by the leaders of the American foreign affairs in the 1920s.⁶⁷

YUGOSLAVIA

While the U.S. did not have any special problems with the diplomatic recognition of the successor states in general, it did have some in the case of the Kingdom of the Serbs, Croats, and Slovenes.

The Kingdom was established in 1918. At first, the dominating ethnic group was that of the Serbs, later the state was reorganized on a strictly federal basis. However, there were some minority groups that took Woodrow Wilson's words about national self-determination too seriously and some that interpreted them too loosely. The Montenegrins belonged, for instance, to the former group causing some—but not too much—irritation to the State Department. The documents of the Termination of Official Relations Between the U.S. and the Kingdom of Montenegro take only a meagre space among the published documents on the American-Yugoslavian relations in 1921.⁶⁸

In a circular letter sent to the American Diplomatic and Consular Officers—the two services had not been integrated yet—the then Secretary of State, Bainbridge Colby informed the staffs that “... in view of the present status of Montenegro, this Government no longer considers it necessary to accord recognition to her diplomatic and consular officers ...”⁶⁹ It took quite a long time for the Royal Government of Montenegro—staying in Rome at that time—to protest at the State Department. The reason for the delay must have been American negligence to inform them in time. T. S. Plamenatz, the Montenegrin Prime Minister and Minister for Foreign Affairs pointed out that “no fact, either juridical or international” existed “on the strength of which the Government of the U.S. could break off diplomatic

⁶⁷ *Register*, 41.

⁶⁸ *Papers*, 1921, Vol. 2, 945—49.

⁶⁹ Washington, February 8, 1921. *Papers*, 1921, Vol.2, 947. 702.7311/36b, Serial No. 16.

relations with the Kingdom of Montenegro.”⁷⁰ Hughes answered on July 15, 1921—to the Italian Chargé, Sabetta. The core of his arguments was that the U.S. had had “no diplomatic or consular officers stationed in Montenegro” during the war and the American government did not deem it necessary to assign anybody there.⁷¹

The settling of this question favorable to the Kingdom of the Serbs, Croats, and Slovenes did not mean that the relations between the U.S. and the Kingdom lacked any disturbances. The major problems came from the loan-question. The Yugoslav loans raised until the end of 1924 were not too high—they approached only two billion dinars.⁷² In 1922, they obtained a larger amount from American banks.⁷³ The American Minister in the Kingdom promptly notified the State Department of the imminent deal between the Yugoslav Government and Blair and Co. of New York.⁷⁴ According to the original plan, the Yugoslavs were to have received \$ 100.000.000 at eight per cent. In the course of the negotiations, however, the amount was reduced considerably, to less than one-third of the amount proposed first. Hughes, in his telegram sent to the Chargé at Belgrade, Boal, asked him to find out “whether any part of the \$ 30.000.000 ... referred to by Legation ... will be used to pay off debts of Yugoslavia to foreign governments or to their nationals ...”⁷⁵ The answer must have been disappointing because two weeks later, on May 15, 1922, Hughes informed the Chargé that “... the banking firms mentioned in the Department’s telegram No. 13. (Blair and Co., Bertron, Griscom and Co., and Hallgarten and Co.) have been informed that in the absence of an understanding between the World War Foreign Debt Commission and the Government of

⁷⁰ *Ibid.*, 947, 702.7311/37.

⁷¹ *Ibid.*, 949, 124/73/a.

⁷² Berend and Ránki, *Economic Development*, 184.

⁷³ See the documents under the heading of Acquiescence by the Department of State in a Loan by American Bankers to the Kingdom of the Serbs, Croats and Slovenes. *Papers*, 1922, Vol. 2, 1002—1020.

⁷⁴ *Ibid.*, 1002. 8604.51/147: Telegram.

⁷⁵ *Ibid.*, 1002, 860 h.51/153: Telegram.

the Serbs ... with respect to the refunding and settlement of that Government's indebtedness to the U.S., the Department is not able to view with favor the proposed financing."⁷⁶

The banks affected in the deal acquiesced to the State Department's wish and it was the Yugoslavs who had to modify their earlier standpoint.

Hardly more than a week later, on May 23, the Chargé was already able to inform the State Department that "the Minister of Finance has stated in writing today that the Yugoslav Minister at Washington has been sent instruction to make proposals to the World War Foreign Debt Commission for the refunding and settlement of Yugoslavia's indebtedness to the U.S.; the Minister adds that the Government considers the settlement of this question of the greatest importance."⁷⁷ However much did the Yugoslav Government go out of its way to meet all the American demands, at last "only a 15 million loan was realized..."⁷⁸

Nevertheless, the problem of funding the debt was not solved. Next year Hughes informed the Minister in the Kingdom of the Serbs, Croats and Slovenes, H. Percival Dodge, to "impress upon appropriate officials of the Yugoslav Government the particular importance to Yugoslavia of refunding its obligation to the U.S. because such a step might favorably effect the credit of Yugoslavia in the U.S. and the market for its securities."⁷⁹ As the Yugoslav government did not do much in the desired direction from the Americans' point of view, the State Department kept vetoing its recurrent requests for loans at various American banks⁸⁰ and when the Yugoslavs were successful at raising loans, they were able to obtain only small amounts.⁸¹

⁷⁶ *Ibid.*, 1005, 860 h. 51/174a: Telegram.

⁷⁷ *Ibid.*, 1008, 860 h. 51/181: Telegram.

⁷⁸ Berend and Ránki, *Economic Development*, 226.

⁷⁹ *Papers*, 1925, Vol. 1, 180. 860 h. 51/262: Telegram.

⁸⁰ For instance, see Objections by the Department of State to Further Loans by American bankers to Yugoslavia Pending Settlement of Yugoslav Debts to the U.S. Government. *ibid.*, Vol. 2, 738—46.

⁸¹ 860 h. 51/539, Blair and Comp. Inc. to the Secretary of State on March 18, 1925: "Dear Sirs: We have about concluded arrangements to purchase \$ 3.000.000 six months 6 %

Though foreign capital could have been able to find favorable conditions for investment in Yugoslavia because of the natural resources, cheap labor, outlets for industrialization, "at least 77 % of the total population was engaged in agriculture, the proportion rising to as high as 90 % in the backward areas of Macedonia and Montenegro."⁸² The Americans did not grasp every opportunity here. They invested mostly in raw materials: in metal-mining and Vacuum Oil, together with Standard Oil of New Jersey, was also on the spot. The two American companies, in alliance with Shell, agreed to cooperate as to prices, marketing and quotas: in a word, they formed an efficient combination to eliminate domestic and foreign competition. Besides the oil companies, the Aluminium Co. of America was also active in Yugoslavia; it owned 95 % of the stocks of an important mining property in the country, Jadranski Bauxit Dionico Distro.⁸³

Finally, the U.S. diplomatic personnel at Belgrade was mirroring the modest American interest in the Kingdom;⁸⁴ the relations between the countries can best be described as lukewarm: no great issues and hardly any activity characterized them in the 1920s.

Treasury Gold Notes of the Government of the Kingdom of the Serbs, Croats and Slovenes, to be dated as of March 31, 1925 ... Will you kindly advise us at your early convenience if the State Department has any objection to our offering the above-mentioned Note issue ...", *ibid.*, 738.

⁸² Macartney and Plamer, *op. cit.*, 170.

⁸³ See Dunn, *op. cit.*, 159.

⁸⁴ H. Percival Dodge was Minister Plenipotentiary, Gordon Paddock was the First Secretary, W. Roswell Banker was in the rank of Third Secretary, while the Military Attaché was Maj. Martin C. Shallenberger. *Register*, 41.

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