



Utrecht University

OF POWER AND INFLUENCE

HENRY DETERDING, ROYAL DUTCH SHELL'S UNOFFICIAL
DIPLOMAT

(1912-1922)

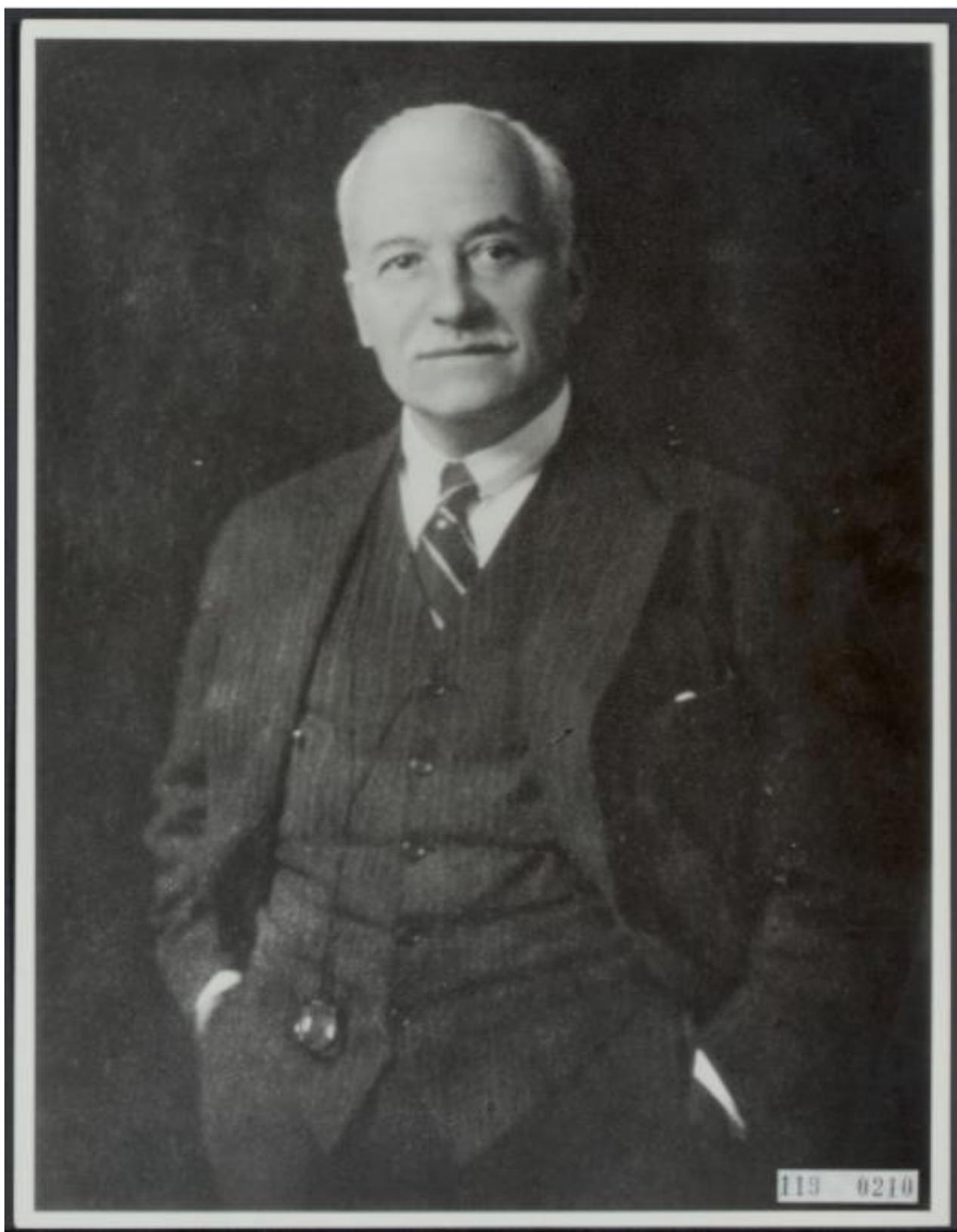
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MA THESIS: INTERNATIONAL RELATIONS IN HISTORICAL PERSPECTIVE

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Sir Henry Deterding¹

¹ Nationaal Archief, The Hague (hereafter NL-HaNa), 'Photo Collection Henry Deterding', catalogue number: 2.24.10.02, inventory number: 119-0210. (Date unknown)

To Nicolaas Jacobus Snaas, the Schagen-Oil Man

Abstract

This thesis aims to analyse the role of Henry Deterding, the director-general of Royal Dutch Shell (RDS), as an unofficial ‘diplomat’ and non-state actor during two events in which the interests of RDS and that of the Dutch government collided. It tries to indicate as to what extent Deterding was able to exert power and influence vis-à-vis the Dutch government’s decision-makers in order to guard the business interests of the company. By analysing the contextual factors that led Deterding to decide to embark upon a campaign to influence the Dutch government’s decision-makers, and by focusing on the goals, modus operandi and interactions between Deterding and those decision-makers, this thesis provides answers to the *raison d’être* behind his corporate lobby and its effects. It provides insights as to *why* Deterding did this, *how* he operated and *what* effects it produced in relation to the decision-making process.

The methodology of New Diplomatic History (NDH) has been absolutely vital in this respect. As NDH specifically aims to reveal, interpret and analyse the roles of private, non-state actors, this thesis has based its research on primary sources of private and business archives in particular, instead of traditionally studied government archives. To this end, the archives of Royal Dutch Shell and the HDC archives at the Vrije Universiteit (VU) provided unique and fascinating insights. Moreover, this research is positioned within the academic debate concerning power relations between nation states and multinational corporations (MNC). As this thesis focuses on an early-twentieth century captain of industry, it provides insights into the role of an MNC during a hitherto neglected period of study within academia, which primarily focuses on MNCs and their relations with national governments *after* 1945.

In addition, Deterding’s initiated private schemes of interest representation through unofficial diplomacy and lobbying campaigns will further indicate that diplomacy ought to be considered a fluid activity, one that is not merely to the disposal state actors, but also to *unofficial*, non-state entities. This thesis therefore also provides insights into the general nature of diplomacy, which, in our ever-globalising world is set to be increasingly used by a range of different actors other than national governments alone.

Keywords: Power, Influence, Henry Deterding, Royal Dutch Shell, New Diplomatic History, Unofficial Diplomacy, Lobbyism, Non-State Actors

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Abbreviations

ASPC	Anglo-Saxon Petroleum Company
BPM	Bataafsche Petroleum Maatschappij
FRUS	Foreign Relations of the United States of America Archives
FDI	Foreign Direct Investment
HDC	Historisch Documentatiecentrum voor het Nederlands Protestantisme (1800-heden)
IR	International Relations
JV	Joint Venture
M&A	Merger & Acquisition
MNC	Multinational Corporation
NDH	New Diplomatic History
NIAM	Nederlansch-Indische Aardolie Maatschappij
RDS	Royal Dutch Shell / The Group
SHA	Shell Hague Archives
SO	Standard Oil
USA	United States of America
VU	Vrije Universiteit
WRR	Wetenschappelijke Raad voor het Regeringsbeleid (The Scientific Council for Government Policy)

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Introduction

On June 4th, 1914, two men entered the sumptuous British Foreign Office building on King Charles Street in London. They were heading to a meeting with Charles Hardinge, the acting permanent undersecretary of state. It proved to be a somewhat unusual afternoon tea. “Sir Marcus Samuel and M. Deterding (Royal Dutch) would like interview with Sir E. Grey [Secretary of State] to discuss suggestion that Great Britain shd. Guarantee Dutch islands (D.-Borneo, Sumatra, etc.), against which Dutch govt. fear aggression from Japan. Dutch would in return give G.B. first claim, after their own needs are satisfied, on oil in those islands, worked by Royal Dutch in alliance with Shell.”, Hardinge reported.² He was astounded and suggested they meet with his assistant, Sir Eyre Crowe. Having met the two gentlemen, Sir Crowe wrote: “Sir E. Grey will doubtless consult with the Prime Min. on this proposal, which is one of the strangest, which I have seen during our 40 years of service. Amateur diplomatists are not, as a rule, trustworthy”.³ The character of this meeting and the subsequent response by civil servants at the British Foreign Office lies at the very core of this thesis. The fact that a private, non-state actor – acting without the consent or direction of a national government – was able to propose to a foreign government to partially take up the defence of another states’ colonial territory, calls into question our traditional understanding of global power relations shaped by national governments alone. Clearly, world politics had become crowded by a new and different set of actors.

Undoubtedly, the socio-economic background of particular Deterding (1866-1939) greatly benefitted the extent of his mobility and reach of influence among decision-making bodies. Born in Amsterdam on April 19th, 1866 as the son of a merchant sea captain, Henry Wilhelm August Deterding was destined to follow in his father’s footsteps. Yet Deterding would not end up commanding a merchant vessel on the high seas. Instead, life’s inscrutable pathways led him to rule one of the world’s largest multinational corporations (MNC) for nearly three decades. As director-general of Royal Dutch Shell (RDS) since 1907, Deterding was able to manoeuvre freely and unrestrained by formal international conventions of interstate relations as a private, non-state actor to harbour and promote corporate interests abroad. As a captain of industry, Deterding had to his disposal several important individuals serving as his interlocutors between the private sector and governments. His network with

² Rijksgeschiedkundige Publicatiën, (digitale versie) Bescheiden betreffende de buitenlandse politiek van Nederland 1848-1919: derde periode 1899-1919. Zesde Deel. Buitenlandse Bronnen 1899-1914. No. 219, Report of the Permanent Under Secretary of State of the Foreign Office Hardinge about a meeting with Sir Marcus Samuel and H. Deterding, 4 June 1914. (Den Haag 1968) Now online accessible at Huygens Institute for the History of the Netherlands (Huygens ING)

<http://resources.huygens.knaw.nl/retroboeken/bupo/#source=14&page=1&accessor=toc>

³ Rijksgeschiedkundige Publicatiën, Bescheiden betreffende de buitenlandse politiek van Nederland 1848-1919: derde periode 1899-1919. Zesde Deel. Buitenlandse Bronnen 1899-1914. No. 220, Report by Sir Eyre Crowe Covering Memorandum of Statement made by Sir M. Samuel and Sir R. Macleod, 9 June 1914. Online accessible at Huygens ING:

<http://resources.huygens.knaw.nl/retroboeken/bupo/#source=14&page=1&accessor=toc>

influential individuals was key to further the business interests. The Dutch former Minister of War, Hendrikus Colijn (1869-1944), and the world renowned and influential Armenian oil man, Calouste Sarkis Gulbenkian (1869-1955) were two highly important figures to Deterding. The relationship with these men offered Deterding the necessary tools to penetrate the formal intergovernmental structures of power and decision-making.

The story of Deterding as head of RDS between the years 1912 and 1922 touches the very core of the debate within academia concerning power relations. Naturally, power relations are shaped by interactions between multiple entities that harbour the means necessary to exert power and influence in order to further their respective interests. The art of diplomacy and lobbying form the tools to represent, influence and maximise these interests vis-à-vis decision-making bodies within a political system.⁴ What seemed to be prerogative tools belonging to national governments alone as the traditional holders of power, have in fact become increasingly available to non-state actors over the years, especially to those actors controlling valuable economic sources such as MNCs.* The activities of such grand economic forces in society are bound to affect government policies through means of influencing policy outcomes such as diplomacy and lobbying.⁵

Although ample studies have been conducted that studied the transnational nature of non-state actors such as business-leaders of MNCs and their degree of power exercise, in almost all cases, they are limited to include only MNCs active in the post-world war II period.⁶ It is indeed true that the world after 1945 has become increasingly more crowded by non-state actors. Yet the world prior to the second world war did not merely consist of national governments alone, but was instead widely inhabited by non-state actors. Research into the interactions and power relations between early twentieth century MNCs and national governments has been relatively scarce so far.⁷ This may lead to an unbalanced conception of interactions within International Relations (IR). An analysis of Deterding's unofficial

⁴ William R. Kerr, William F. Lincoln and Prachi Mishra, 'The Dynamics of Firm Lobbying', *American Economic Journal: Economic Policy* Vol. 6, No. 4 (November 2014). 343-379, 344.

*In particular oil and gas companies. For the interdependence between early-twentieth century oil and gas companies and national governments, see: Marian Kent, *Oil and Empire: British Policy and Mesopotamian Oil, 1900-1920* (London 1976); Daniel Yergin, *The Prize. The Epic Quest for Oil, Money & Power* (New York 2009)

⁵ Maureen Berman and Joseph Johnson, *Unofficial Diplomats* (New York: Columbia University Press, 1977) 22.

⁶ Most significant authors on the subject tend to focus solely on the role of MNCs in international relations after 1945. See: Walther Zimmerli, Klaus Richter, Markus Holzinger (eds), *Corporate Ethics and Corporate Governance* (Heidelberg 2007); Robert Gilpin, The Politics of Transnational Economic Relations, *International Organization* Vol. 25, No. 3 (Summer 1971). 398-419; Robert Gilpin, *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment* (New York 1975); Paul Doremus, et al, *The Myth of the Global Corporation* (Princeton: Princeton University Press 1998); Stephen Krasner, *Defending the National Interest* (Princeton: Princeton University Press 1978)

⁷ For works on the origins of MNCs see: James A. Field, 'Transnationalism and the New Tribe', *International Organization* Vol. 25, No. 3 (Summer 1971) 353-372.; Geoffrey G. Jones, 'Nationality and Multinationals in Historical Perspective, Working Paper 06-052, (Harvard Business School, 2005) 2-31.; A.A. Lazarus, 'Multinational Corporations', In *International Encyclopedia of the Social & Behavioral Sciences*, ed. Neil J. Smelser and Paul B. Baltes, (Amsterdam: Elsevier 2001). Note, these authors only briefly touch upon the general historical origins of the concept of MNCs and do not provide detailed analyses of MNCs and their roles in relations to national governments.

‘diplomatic’ and lobbying role may therefore not only reveal to what extent a non-state actor can be able to exert power, and influence government decision-makers, it may also constitute a humble invitation to reconsider the research scope on the role that MNCs play in power relations in IR. This is precisely where the relevance of this thesis lies. In addition, by analysing an early twentieth century non-state actor, whose sheer transnational networks and styles of behaviour enabled him to define and influence decision-making processes, this thesis provides insights into the fluid nature of ‘diplomacy’. It will indicate that diplomatic state-based norms, as they are currently recognised by the population at large, were and are in fact characterised by fluctuations and shifts over longer periods of time due to the interactions and interconnectedness of state and non-state actors. This thesis therefore aims to indicate that diplomacy is a fluid activity that has always been more diverse in scope, and exposed by external, unofficial networks and channels of communication. As such, it ties closely into a strategic report published in 2010 by the Dutch Scientific Council for government Policy (WRR). In it, the authors stipulate the importance for the Dutch government “to be aware of and acknowledge that we live in a hybrid world. [...] Officials need to adopt an approach that links up to the network society populated not only by state actors, but also by non-state actors.”⁸ Although the report marked the first steps in an effort to redefine Dutch foreign policy, it seems the WRR’s advice would have been as relevant to Dutch government policy- and decision-makers from the 1920s as it was to their colleagues in the future. The hybrid and globalised world, as recognised in the WRR report, existed well before 2010. In fact, one may argue that oil companies and its leaders (Deterding) were agents of power and influence standing at the forefront and origins of a significantly interconnected hybrid world driven by oil-powered technological developments. Analysing Deterding as a non-state actor may therefore reveal the origins of developments currently recognised as ‘new’ in shifts of power relations as acknowledged by the WRR report.

This thesis aims to show why and how. Its objectives are two-fold. First, to shed new light on the interactions of power relations between an early twentieth century non-state actor and a national government; and second, to contribute to the academic debate on how ‘power’ is distributed within relations between public and private sectors. The relevance of this thesis’ contribution therefore lies in its topic, that of the unofficial ‘diplomacy’ and lobby-campaign initiated by a non-state actor. By analysing this, this thesis uncovers a largely neglected layer of power relations defined by relations between state and non-state interactions and their respective agency in IR.

At the basis of this debate lie questions of: ‘what is power in the world system? [...] and who has it?’⁹ The concept of *power* itself within IR has been extensively framed and formulated one way or

⁸ Ben Knapen et al, *Attached to the world: On the Anchoring and Strategy of Dutch Foreign Policy* (Amsterdam: Amsterdam University Press, 2011) 11.

⁹ Susan Strange, ‘Big Business and the State’, *Millennium-Journal of International Studies* Vol. 20, No. 2 (1991) 245-250, 245.

the other since the times of Thucydides.¹⁰ Little scholarly agreement, however, has been achieved since. Yet in order to provide the necessary benchmark for analysis, this thesis has opted for the most widely used definition of power as brought forward by Robert Dahl.¹¹ Dahl conceptualises power in terms of ‘A has power over B to the extent that [A] can get B to do something that B would not otherwise do.’¹² For a long time, the dominant thought was that power and the exercise of power lay in the hands of national governments alone; the keepers of national sovereignty. As the world witnessed the ramifications of globalisation, however, scholars began to conceive the idea that more actors other than national governments were able to exercise power in the world.¹³ This sparked a debate within IR as to what actors under which circumstances may hold and exercise power in the world system.

Chapter I will later outline the schools of thought within this debate extensively and in depth; but concisely put, there exist three different strands of thought within this debate, of which two are diametrically opposed to one another, while the third is positioned in between. The first is known as the state-centric theory with Raymond Vernon and Robert Gilpin as its most prominent scholars.¹⁴ During the 1970s and 1980s, the idea emerged that within the power playing field of IR, many more actors other than merely national governments were active. Scholars argued the importance of including non-state actors such as multinational corporations (MNC) and their impact on international affairs and political decision-making into the study of IR. Although recognising the importance of non-state actors in world politics, that generation of scholars regarded the power to influence and impact national governance of this particular type of actors only second to that of national governments. To them, the latter remained the sole true actor able to exercise power in the global system.

Second, at the other end of the spectrum, there is the transnational capitalist theory which emerged around the late 1980s and 1990s. Scholars such as William Robinson, Stephen Gill and Claire Cutler theorised power beyond the national government as they witnessed an emergence of a transnational industrial elite with significant organisational capacity and capital. The emphasis here lies on the relative autonomy of those actors as opposed to national governments. The mobility and action of the latter is constrained when compared to that of the former. Robinson was keen on quoting Adam Smith on this: “A merchant, it has been said very properly, is not necessarily a citizen of any particular country. [...] It is in great measure indifferent to him from what place he carries on his trade”.¹⁵ This type of actor therefore hovers somewhat above national governments.

¹⁰ David Baldwin, *Power and International Relations* (Chapter 9 177-191) In Walter Carlsnaes, Thomas Risse and Beth A. Simmons *Handbook of International Relations* (London 2002)

¹¹ Robert Dahl, ‘The Concept of Power’, *Behavioral Science* Vol. 2, No. 3 (July 1957) 201-215.

¹² *Ibidem*, 202-203.

¹³ Joseph S. Nye, Jr. and Robert O. Keohane, ‘Transnational Relations and World Politics. An Introduction’, *International Organization* Vol. 25, No.3 (Summer 1971) 329-349, 343.

¹⁴ Raymond Vernon, *Sovereignty At Bay. The Multinational Spread of U.S. Enterprises* (New York 1971); Robert Gilpin, The Politics of Transnational Economic Relations, *International Organization* Vol. 25, No. 3 (Summer 1971). 398-419.

¹⁵ William Robinson, *A Theory of Global Capitalism. Production, Class, and State in a Transnational World* (Baltimore: The Johns Hopkins University Press 2004) 33.

Yet both strands of thought tend to study the power of MNCs and transnational actors as one dominating the other. The third perspective, however, does not perceive the relatively predetermined distribution of power as *either-or*, but more as *both-and*. This perspective shall be called the juxtaposed theory, of which Milan Babic, Jan Fichtner and Eelke Heemskerk are its recent initiators.¹⁶ This group of scholars aimed to bridge the earlier mentioned two theories. In the attempt, they juxtaposed MNCs as actors of power to the position of that of the national government. This is not to say that they consider these being permanently on equal footing. The juxtaposed perspective is dynamic and allows for the two actors to constantly change their power relations to each other; depending on the context and situation.

The juxtaposed view is an academic response to the inability of scholars to bring forward satisfying answers to questions about the role and power that MNCs play and hold in world politics. In their work, they refer to the late Susan Strange, a former leading scholar of IR who already called for a reconsideration of the role of MNCs in the study of IR in the early 1990s. Strange broadened the concept of power. She argued that ‘it is only when you think of *power* in terms of *the ability to create or destroy, not order but wealth, and to influence the elements of justice and freedom* as part of the value-composition of the whole system, that it becomes obvious that *big business plays a central, not a peripheral role*’.¹⁷ It was this premise that brought about the juxtaposed perspective as a way to systematically analyse the role of MNCs in power relations. With that broadening, the type of actors capable of holding and exercising power extended with it. This thesis has therefore opted for the juxtaposed theory for it allows to genuinely consider MNCs as actors of power. It thus logically follows that Deterding ought to be considered a non-state actor capable of holding and exercising power through private schemes of ‘unofficial’ diplomacy and lobbying to indirectly create or destroy wealth and to influence laws and regulations in the countries RDS was operational.

Yet before making too bold a statement, it requires applying first and foremost the right methodological approach to qualify these premises. Therefore, a recently developed methodological approach of New Diplomatic History (NDH) has been used to reveal, interpret and analyse the roles of private, non-state actors.¹⁸ NDH offers the necessary tool to uncover the interactions between and modus operandi (e.g. information-gathering, negotiation and communication)¹⁹ of non-state actors and national governments within the larger parameters of power relations. NDH is the result of the coming together of several different academic disciplines in an attempt to broaden and expand our understanding of primarily diplomacy as a power tool of representation and negotiation of interests. In this respect, the act of lobbying – more or less a face of the same coin as diplomacy - rises to the surface

¹⁶ Milan Babic, Jan Fichter and Eelke Heemskerk, ‘States Versus Corporations: Rethinking the Power of Business in International Politics’, *The International Spectator* Vol 52, No. 4 (November 2017)

¹⁷ Susan Strange, ‘Big Business and the State’, *Millennium-Journal of International Studies* Vol. 20, No. 2 (1991) 245-250, 245. (my italics)

¹⁸ Giles Scott-Smith, ‘Private Diplomacy, Making the Citizen Visible’, *New Global Studies* Vol. 8, No. 1 (2014)

¹⁹ Giles Scott-Smith, Scott-Smith, ‘Editorial’, *Diplomatica* Vol. 1, No 1 (April 2019) 1-144, 3.

as well, as it is a similar act of representation of interest and exercising influence.²⁰ Absolutely key to NDH is including the *unofficial sphere* – the sphere of action outside of formal state-driven diplomacy – into the study of IR in an attempt to reassess ‘the role and identities of those involved in the diplomatic realm’. On the one hand there is the formal diplomat – an individual that formally represents a national government and its interests. While on the other there is the unofficial, or *private ‘diplomat’*, who fulfils a role like that of a formal diplomat, but who does not function as a tool of power of a national government. Private, non-state actors are thus conceptualised under ‘unofficial diplomacy’.²¹ NDH therefore rejects the ‘orthodox dualism that privileges the state over the non-state’.²² This rejection of predetermining the power relations between the national government and non-state actors ties well into the juxtaposed theory about considering the role of MNCs next to national governments in global power relations.

NDH therefore reveals the multi-layered character of power relations. A mere focus on ‘what one clerk said to another’²³ would portray a one-dimensional representation of the reality of power play in IR, and thus bypass the study of non-state actors. Key to NDH is therefore analysing non-government archives to include the non-state actors into the equation. As NDH is more interested in analysing the art, or process of the practice of ‘diplomacy’ rather than focusing on the actual outcomes of it, an in-depth historical analysis is required of Deterding’s *modus operandi*, which reveals how he went to work.²⁴ A careful selection of two case studies in which Deterding had to act and exert influence and power to safe and further his business interests, provide insight into Deterding’s role as a non-state actor and unofficial ‘diplomat’ and lobbyist. A historical analysis of his *modus operandi* within both case studies enables us to determine as to what extent Deterding was able to exert power and influence as a non-state actor in relation to a national government. As such, this thesis’ research question is:

To what extent has Henry Deterding as a non-state actor been able to exert ‘power’ vis-à-vis the Dutch government in the decision-making processes concerning the Jambi-concessions (1912-1922) and the imposition of a colonial export tax on petroleum products (1919-1922) in the Dutch East Indies?

Central to this question lie the two case studies that played out in the Dutch East Indies and caused a great deal of friction between the Dutch government and RDS. The first issue revolved around the troubled negotiations concerning colonial concessions to exploit recently discovered oil fields in

²⁰ SciencesPo Centre For European Studies and Comparative Politics. Lobbying and Diplomacy in/of the EU: Two Faces of the Same Coin? Workshop (May 2017) Accessible at: <https://www.sciencespo.fr/centre-etudes-europeennes/en/node/13540>

²¹ Maureen Berman and Joseph Johnson, *Unofficial Diplomats* (New York: Columbia University Press, 1977) 5

²² Giles Scott-Smith, ‘Private Diplomacy, Making the Citizen Visible’, *New Global Studies* Vol. 8, No. 1 (2014) 6.

²³ *Idem.*

²⁴ Kenneth Weisbrode, “The Task Ahead”, September 20, 2012, <http://newdiplomatichistory.org/the-task-ahead/>.

Sumatra; the Jambi oil fields. The second issue ran parallel to the first and dealt with harsh disagreement about an export tax on petroleum products. Both issues were concluded by late 1922, with an evident victory for Deterding and RDS. Yet what led to this victory? What steps did Deterding undertake to overcome perceived government obstacles to private business in the Dutch colony? And what did the power relations between public and private entities look like?

In order to answer these questions and the main research question, it is important to analyse the role Deterding played during both issues. To this end, combining NDH with the juxtaposed theory is key as their respective focus allows for the uncovering of Deterding's *modus operandi* and *interactions* with the Dutch government. The following two sub-questions subsequently embody the application of both the methodology and theory on the two selected case studies, and provide an indication as to what extent this particular non-state actor was able to exert power vis-à-vis the Dutch government. First, what were the *contextual factors* that led Deterding to decide to embark upon a 'diplomatic' lobbying campaign to influence the Dutch government policy-makers? What were his strategic goals? Second, what was Deterding's *modus operandi in relation to* the Dutch government's policy-makers? Understanding *this interaction* between Deterding and the Dutch government is crucial, for the relations between an MNC and a national government as juxtaposed actors constitute networks that reveal their respective patterns of action and strategy. Framing these is vital as it allows for an indication as to what extent which actor was able to exert 'power' over which. Taking into account the contextual factors are key in this respect as these largely determine the changeability of the distribution of power among the juxtaposed actors. These factors may range from the nature of the interests and the international dimensions, to the type of individuals and their networks involved. The two issues as described above offer the ideal case studies to indicate how a private enterprise and a national government were entangled in a competition for power and a struggle of interest maximisation.

The historiography on the two case studies is relatively meagre and has hitherto limited itself to the more state-centred theory. This has led to a somewhat one-dimensional portrayal of the history on the subject, thereby neglecting the multi-layered reality of the interactions between state and non-state actors. A truly detailed account of unofficial 'diplomatic' lobbying activities of Deterding and his interlocutors with regards to the two case studies is therefore inadequate. This is not to say that the historiography has not considered the relations between RDS and the Dutch government during both issues, on the contrary. Bob de Graaff, for instance, has offered a detailed work on the Jambi-concessions and the relations between the government and the private sector in the colony. In it, however, he remains somewhat descriptive rather than analytical and has unfortunately neglected the issues surrounding the colonial export tax on petroleum products.²⁵ This indicates how focused De Graaff has been on writing the history from the state-centred vision rather than from a business

²⁵ Bob de Graaff, *Kalm temidden van de woeste golven. Het ministerie van Koloniën en zijn taakomgeving 1912-1240* (Den Haag, 1997)

perspective. The latter is by nature undoubtedly far more concerned with government taxes on profits than public entities are. Despite this, even the famed and voluminous work on the history of RDS by Carel Gerretson has limited itself to the Jambi-concessions, for reasons unknown. The more recently updated official history of the company by Jan Luiten van Zanden does include the export tax, but by nature of the book limits itself to giving only a very short description of both episodes of the company's long and impressive history. As with De Graaff and Gerretson, Van Zanden also refrains from giving a detailed and in-depth account of the underlying processes of the unofficial 'diplomatic' lobbying campaigns that were set up by Deterding. Little or no attention has been paid to the latent processes and practices of the negotiations, lobbies and power plays that steered and influenced the outcomes of both issues.

Those who have included a description of Deterding's lobbying activities have limited themselves to contribute only a handful of pages on the Jambi-concessions and the colonial export tax. Herman Langeveld's biography of Colijn for instance, does acknowledge the role Deterding and Colijn played during the negotiations and provides a detailed account of the legislative procedure in both the House of Representatives and the Senate, but does so primarily within a state-centred framework.²⁶ Paul Hendrix' biography of Deterding comes closest to provide a detailed account of Deterding's role during both cases. Hendrix' work offers an intriguing insight into the life of Deterding and his management of RDS, and thereby offers a truly more business-oriented historical perspective on both cases. Moreover, Hendrix shows Deterding's network activities, but then refrains from offering an in-depth analysis, and in some cases fails to provide the necessary source reference. This approach limits our understanding of what went on *behind* the state-centred scenery wherein Hendrix and Langeveld place Deterding's role. Both authors remain on the 'surface', so to speak, of the analysis of both cases. Although both authors thus incorporate Deterding's and Colijn's unofficial roles, both cases receive only little attention and with only minor insights into the 'unofficial' *processes* and *practices* which this thesis will indicate, were more encompassing than Langeveld and Hendrix have shown. It is these *processes* and *practices* of negotiations, interest representations, diplomacy and lobbies which this thesis aims to uncover. As such, this research' contributions are two-fold. First, the analysis of an early twentieth-century non-state actor contributes to the academic debate concerning power relations within which MNCs are considered juxtaposed actors. Second, supported by a rich variety of distinctive historical evidence and primary sources granted by unique access to the archives RDS, this thesis, albeit humbly, contributes to our understanding of the underlying processes and practices of *unofficial* diplomatic lobbying activities. This reveals a multi-layered conception of two historical case studies that have hitherto been largely studied from a traditional, one-dimensional state-centred, government-to-government perspective.

²⁶ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 234.

The first chapter will grant ample opportunity to set out the methodological operationalisation and theoretical framework. The second chapter will subsequently proceed with a necessary contextualisation of Deterding's goals and the contextual factors that pushed him in setting up a lobby campaign to influence the Dutch government's decision-making process. The final, third chapter will engage in an in-depth analysis of each of the identified sub-cases with a specific focus on the modus operandi of Deterding and his two key interlocutors to reveal his role as a private, non-state, unofficial 'diplomatic' lobbying actor. The conclusion will offer the opportunity to determine to what extent Deterding was able to exert power and influence vis-à-vis the Dutch government during both cases.

Chapter I

Theoretical Framework and Methodological Operationalisation

A historical analysis of Deterding aims to provide insights into the role that private, non-state actors can play in power relations, diplomacy and lobbying. Vital to this analysis are four key concepts of IR that require the necessary attention. Concepts such as ‘power’, ‘relations’, ‘diplomacy’ and ‘lobbying’ are central to our understanding of the multi-layered character of IR. Once the concepts are clarified, the distinct type of actors involved in them will appear with it. This ultimately enables this particular study to tell something about those actors’ role in world politics. The four concepts are defined as follows:

Power: A’s ability to get B to do something that B would not otherwise do, including A’s ability to create or destroy, not order but wealth, and to influence the elements of justice and freedom as part of the value-composition of the whole system.²⁷

Relations: the interconnectedness of globalised power relations in which national governments and MNCs are embedded as actors.²⁸

Diplomacy: any action, setting, or phenomenon that represents the interests, status, actions or behaviour of an [actor] vis-à-vis another. The actor concerned must act in a way that represents, conditions, or determines the collective interrelationship of actors between and across multiple territories. The gathering of information, communication and negotiation must remain the basic activities of that actor.²⁹

Lobbying: any action to include forms of direct communication undertaken by the company with [a national government] in the form of comment letters, formal and informal meetings and conversations with members of the government.³⁰

The concepts above are themes distilled from the historiographical debate concerning power relations and play central roles within the historical analysis of Deterding’s role as a non-state actor. In order to provide insights into that role, this chapter will dive into the relevant theoretical concepts deemed important to understand the role of private actors and their power in world politics. The framework that

²⁷ Robert Dahl, ‘The Concept of Power’, *Behavioral Science* Vol. 2, No. 3 (July 1957) 201-215, 203; Susan Strange, ‘Big Business and the State’, *Millennium-Journal of International Studies* Vol. 20, No. 2 (1991) 245-250, 245.

²⁸ Milan Babić, Jan Fichter and Eelke Heemskerk, ‘States Versus Corporations: Rethinking the Power of Business in International Politics’, *The International Spectator* Vol 52, No. 4 (November 2017) 30.

²⁹ Giles Scott-Smith, Scott-Smith, ‘Editorial’, *Diplomatica* Vol. 1, No 1 (April 2019) 1-144, 3.

³⁰ George Georgiou and Clare B. Roberts, ‘Corporate lobbying in the UK: an analysis of attitudes towards the ASB’s 1995 deferred taxation proposals’, *The British Accounting Review* Vol. 36, No. 4 (December 2004) 441-453, 446.

subsequently ensues offers several basic premises of power relations wherein and upon which Deterding's role ought to be regarded. Once the framework is explained within the grander scheme of the historiographical debate, an explanation follows about the methodological approach which will be applied onto Deterding and his role in the two historical case studies.

II Theoretical Framework: The Interplay of Power in World Politics

The debate about power relations in world politics forms the essential bedrock upon which this thesis is built. This same question has consumed academics and scholars for decades now, yet with little to no real consensus. Although much is written on the concept of power in IR, it goes beyond the scope of this particular research to provide a full and in-depth outline of all that has appeared on the subject. Instead, a careful selection has been made to include the most relevant academic literature on the debate of power relations. This debate has produced several schools of thought within the study of IR, of which each particular school grants the endowment and level of power to a different set of actors in the world.

Since the early 1970s, a generation of scholars tried to deepen and broaden our understanding of power relations beyond the traditional focus on the national government; which, by virtue of the Westphalian model, was long considered the only relevant source and executor of power. Joseph Nye and Robert Keohane had set the agenda in 1971 for scholars of IR to include actors other than governments into the power equation of world politics.³¹ In fact, 'a good deal of intersocietal intercourse, with significant political importance, takes place without government control', they argued.³² Both scholars were pioneers in the research field of IR to include non-state actors into our thinking of how power is distributed in the world. Broadening the study of IR to include non-state actors, such as MNCs and their 'contacts, coalitions, and interactions across state boundaries that are not controlled by the central foreign policy organs of governments,' provides a more holistic understanding of global power relations.³³

The State-Centric Theory

The 1970s saw more attempts by scholars to deepen this understanding. Raymond Vernon and Robert Gilpin, for instance, engaged in further research on the specific role of MNCs in IR. Due to the effects of globalisation; significant advances in communication and information technologies; a measured increase in foreign direct investments (FDI) and the transnationalisation of production, Vernon inferred a growing importance of MNCs as forces of power in international affairs.³⁴ Like Nye and Keohane, he suggested to change our views of an until then, rigid, one-dimensional understanding of nation-state

³¹ Joseph S. Nye, Jr. and Robert O. Keohane, 'Transnational Relations and World Politics. An Introduction', *International Organization* Vol. 25, No.3 (Summer 1971) 329-349.

³² *Ibidem*, 330.

³³ *Ibidem*, 331.

³⁴ Milan Babic, Jan Fichter and Eelke Heemskerk, 'States Versus Corporations: Rethinking the Power of Business in International Politics', *The International Spectator* Vol 52, No. 4 (November 2017) 23.

sovereignty in world politics. Vernon even went as far to significantly downplay the importance of the nation-state vis-à-vis the MNC in the case of North America. MNCs 'sit uncomfortably in the structure of long-established political and social institutions. They sprawl across national boundaries, linking the assets and activities of different national jurisdictions with an intimacy that seems to threaten the concept of the nation as an integral unit.'³⁵ As it were, Vernon saw two symbiotic realms of power appearing, each capable of strengthening and weakening the other.

Several years after the publication of Vernon's landmark study, Robert Gilpin readjusted Vernon's vision on the ever-increasing power of MNCs. Indeed, although 'multinational enterprises exude an aura of strength and flexibility'³⁶ compared to the constrained nature of the national government and ought to be regarded as important actors in studying global power relations, MNCs exist first and foremost 'as a transnational actor today because it *reflects perceived national interests*'.³⁷ Gilpin's argument reflects that of several other scholars of IR about the instrumentality of the MNC to the national government.³⁸ Gilpin explicitly emphasises the idea that the technological and economic developments that stood at the basis of most MNCs in enabling the exercise of power were made possible 'because the U.S. – sometimes with the cooperation of other nations and sometimes over their opposition – had created the necessary political framework'.³⁹ As such, the MNC may be regarded as the by-product of the technological and economic developments harnessed within the political framework of the national government. Gilpin thus brought nuance to the two systems or realms containing the national government and the MNC as proposed by Vernon by *bringing back the national government* as the sole important actor in studying global power relations. In conclusion, sovereign states thus remained the main actors in a redefined, overall concept of world politics where multinational corporations do exert a certain degree of influence, albeit subordinate to that of national government power.

Transnational Capitalist Theory

As the effects of globalization were becoming increasingly visible during the 1980s and 1990s, a new class of scholars emphasised the growing size and dominance of MNCs in world politics. With a significant increase of FDI stocks, cross-border mergers and acquisitions (M&A), and the formation of a new transnational elite group advocating ideas of 'new constitutionalism', the so-called transnational capitalist view began to hold sway. Scholars like William Robinson, Stephen Gill and Claire Cutler for instance all emphasised the importance of the MNCs in the world and even theorised that importance

³⁵ Raymond Vernon, *Sovereignty At Bay. The Multinational Spread of U.S. Enterprises* (New York 1971) 5.

³⁶ *Ibidem*, 4.

³⁷ Robert Gilpin, 'The Political Economy of the Multinational Corporation: Three Contrasting Perspectives', *American Political Science Review* Vol. 70, No. 1 (March 1976) 184-191, 190.

³⁸ Leo Panitch and Sam Gindin, *The Making of Global Capitalism. The Political Economy of American Empire* (New York 2012) 147.

³⁹ Robert Gilpin, 'The Political Economy of the Multinational Corporation: Three Contrasting Perspectives', *American Political Science Review* Vol. 70, No. 1 (March 1976) 184-191, 190.

beyond the national government. At the basis lies the premise that the dynamism and high mobility of capital and organisational capacity of MNCs had arguably changed power relations to such an extent that national governments were no longer the only relevant actors of power within world politics; especially after the break-up of the Bretton Woods system in 1971.⁴⁰ In fact, as Robinson pointed out, non-state actors such as MNCs increasingly sought to liberalise corporate activities ‘from the institutional constraints of the nation-state system.’⁴¹

‘Transnational regulation’ is a net effect of this quest for liberalisation – often described as ‘new constitutionalism’. The advancement of new constitutionalism – in the sense of promoting a free and single unified capitalist global system - by a global industrial elite was aimed at developing ‘greater uniformity and standardization in the codes and rules of the global market – away from national government constraints.’⁴² Through the establishment of transnational regulation, MNCs ‘developed mechanisms to assume a growing number of functions traditionally associated with the national government.’⁴³ The transnational capitalist theory thus brought forward the idea that the epicentres of power have thus moved out into the transnational sphere, where ‘national regulations and controls are suspended or at least limited.’⁴⁴

Juxtaposed Theory

Reflecting on the state of research on global power relations in IR in 2009, Keohane stated that still too little attention is drawn to ‘the role of actors other than states’.⁴⁵ Although the abovementioned theories assessed the role of non-state actors, it appeared that MNCs were still not systematically scrutinised or considered a vital part of analyses of power relations. In 1991, Susan Strange already called for MNCs to be fully integrated into the study of IR and to consider MNCs as simply another aspect of world politics instead of analysing them incidentally. This is not to say that MNCs have not been taken seriously in the academic literature; on the contrary, as we have seen from the two previously mentioned schools of thought. But neither of these two considers MNCs as juxtaposed actors in the world system. They rather ‘study corporate and state power as one predominating over the other’.⁴⁶ This hampers a sound analysis of MNCs as each theory predetermines the power relations of and between national

⁴⁰ William I. Robinson, ‘Social Theory and Globalization: The Rise of a Transnational State’, *Theory and Society* Vol. 30, No. 2 (April 2001) 157-200, 176.

⁴¹ William Robinson, *A Theory of Global Capitalism. Production, Class, and State in a Transnational World* (Baltimore: The Johns Hopkins University Press 2004) 111.

⁴² *Ibidem*, 114.

⁴³ *Ibidem*, 118.

⁴⁴ Milan Babic, Jan Fichter and Eelke Heemskerk, ‘States Versus Corporations: Rethinking the Power of Business in International Politics’, *The International Spectator* Vol 52, No. 4 (November 2017) 28.

⁴⁵ Robert Keohane, ‘The old IPE and the New’, *Review of International Political Economy* Vol. 16, No. 1 (2009) 34-46, 34.

⁴⁶ Milan Babic, Jan Fichter and Eelke Heemskerk, ‘States Versus Corporations: Rethinking the Power of Business in International Politics’, *The International Spectator* Vol 52, No. 4 (November 2017) 29.

governments and MNCs. Rather, as a relatively new group of scholars argues, in order to better understand the often opaque character of IR, there is a need to juxtapose the two actors.

These scholars argue that phenomena in world politics are ‘never determined by either state or corporate power, but need to be examined as shaped by power relations between the two of them.’⁴⁷ At the core of their updated view on power relations lies the idea that MNCs, just as national governments, are *actors of power* in the Realist sense of the word.* They do not imply that the motives of engagement in world politics are identical for the two actors, but ‘that they are both driven by motives of interest enforcement and power extension.’⁴⁸ Derived from this realist perspective is the juxtaposed view of national governments and MNCs as two *equally relevant* actors within the study of IR. By analysing the two in this manner, their view *prevents predetermined analyses* of power relations. This branch of theory therefore underlines the dynamism of IR; where, depending on the *context and situation*, national governments on the one hand are sometimes able to dominate MNCs and on the other hand MNCs may from time to time prevail over national governments.⁴⁹ Clearly, to the juxtaposed perspective, the contextual factors matter a great deal as they influence the changeability of the distribution and exercise of power. Although the theory does not provide clear-cut answers as to what type of factors may lead to shifts in power exercise, it logically follows that the type of interests, actors and their respective agency constitute factors that largely determine the changeability of power. Moreover, as MNCs and national governments are juxtaposed actors embedded in the system of power relations, understanding the *interaction* between the two is crucial to tell something about the role of MNCs and their ability to exert power vis-à-vis a national government.

It is precisely the theoretical contribution of the juxtaposed view that provides for the necessary updated conceptualisation of power relations wherein Deterding’s role ought to be analysed. This particular theoretical framework, unlike that of the state-centred and transnational capitalist theories, provides for the most balanced and clear point of departure from where to analyse the multi-layered character of power relations. As it refrains from predetermining which actor in the juxtaposed equation holds power over whom, the juxtaposed perspective grants us the theoretical starting ground to truly consider MNCs as actors of power; whom, by sheer contextual and situational factors may occasionally dominate national governments. Analysing Deterding’s interaction with the Dutch government through

⁴⁷ Ibidem, 29.

* The authors adopt segments of the realists’ assumptions about the nature of international relations within which the nation state is the most important actor that is *driven by goals of power maximization*. See: Stefano Guzzini, *Realism in International Relations and International Political Economy. The Continuing Story of a Death Foretold*. (London 2002) 7; Note, however, that MNCs or other non-state actors are not included in the general conceptions of the Realist theory. The authors are aware of this, yet they juxtapose the agency of MNCs and their level of power and influence to that of nation states, the traditional holders and executors of power as conceptualised by the Realist theory. This allows the authors to systematically study MNCs and their level of power in international politics and perceive them as serious actors, like nation states.

⁴⁸ Milan Babic, Jan Fichter and Eelke Heemskerk, ‘States Versus Corporations: Rethinking the Power of Business in International Politics’, *The International Spectator* Vol 52, No. 4 (November 2017) 29.

⁴⁹ Ibidem, 30.

this particular theoretical lens therefore allows us to determine to what extent the former was able to exert power. It enables this study to contribute to the debate about power relations and thereby draws attention to the *changeability* of the distribution of power in world politics as a result of contextual and situational factors. This research may further offer new insights into what power relations looked like prior to WWII; during a time when national governments were considered the sole actors of power and when our modern concept of the MNC began to take shape. This thesis therefore broadens the scope of research to include a historical analysis of the early twentieth century power relations between the years 1912 and 1922. Yet how does one determine the role of a non-state actor and its exercise of power and influence?

1.11 Methodological Operationalisation

A novel branch of historical research – New Diplomatic History (NDH) - provides the necessary method to analyse the life and work of Deterding in terms of power relations. NDH enables researchers new ways to *reveal* and *interpret* such relations and provides insights into the role that private, non-state actors play in world politics. This branch of research is the result of the coming together of several different academic disciplines. Diplomatic history, as sub-field in the study of history, has always concerned itself with power relations among states. Yet since the 1970s diplomatic history as a field of study had steadily declined - primarily as the field was merely concerned with a too narrow view of diplomacy and power relations. As other disciplines within history, such as social, economic, post-colonial, transnational and global history,⁵⁰ began to provide evidence that the array of those involved in the processes of global power relations and diplomacy were far more numerical than previously thought, it became evident, also to historians, that although states have continued to shape world order, they did not constitute the only actors in shaping that order.

In fact, it was Joe Johnson and Maureen Berman who laid the groundwork for NDH and pointed out that ‘an increasing proportion of international interaction bypasses, complements, or supplements traditional bilateral procedures.’⁵¹ They dubbed the range of private actors’ actions in world affairs: ‘unofficial diplomacy’, referring explicitly to ‘individuals and groups who have contact with private citizens or government officials from other countries as well as with their own government’.⁵² These kinds of individuals are to be considered as ‘unofficial diplomats’ as opposed to ‘formal diplomats’. The distinction between the two is key to understanding how global power relations play out in reality. On the one hand, there is the *formal diplomat* – an individual that formally represents a national government and its interests. On the other, there is the *unofficial, or private ‘diplomat’*, who fulfils a

⁵⁰ Giles Scott-Smith, Scott-Smith, ‘Editorial’, *Diplomatica* Vol. 1, No 1 (April 2019) 1-144, 4.

⁵¹ Maureen Berman and Joseph Johnson, *Unofficial Diplomats* (New York: Columbia University Press, 1977) 3-5.

⁵² *Idem*.

role like that of a formal diplomat, but who does not function as a power tool by a national government. Kenneth Weisbrode, one of the early advocates behind NDH provided the following definition:

The history of diplomats focuses on people who perform diplomatic roles, which means anyone who imparts to himself or herself the role of intermediary for reasons beyond his or her own individual interests. They need not serve or represent states, although many do. They must, however, *serve a set of interests, a cause or collective unit above and beyond themselves*, and which in some way involves the crossing of borders and the inter-relationship of political entities.⁵³

In order to uncover the unofficial sphere wherein Deterding acted as a non-state actor, this research has based its analysis on three key elements of NDH. First, there is the spatial element. Including this element grants more importance to the role of non-state actors that are often bypassed in the traditional studies of official diplomatic relations. Second, the temporal element. Including the examination of a broader set of diplomatic actors such as non-state actors enlarges the otherwise standard periodisation of diplomatic activity revolving around purely high political developments. Third, the behavioural element. As NDH reconsiders the notion and nature of the diplomatic actor, it becomes clear that ‘diplomacy’ is increasingly more focused on the mobilizing powers of networks of private actors to promote their interests. Indeed, ‘once the frame of “diplomacy” is altered, so the kinds of actors who become visible change with it.’⁵⁴

Yet not all non-state actors can be considered unofficial diplomats. There are several *characteristics* that distinguish such unofficial diplomats from those that are not. First, these types of individuals are most often part of a cultural, political, or industrial elite. Simply put, ‘elites can gain access where others cannot’.⁵⁵ It goes without saying that Deterding, as an industrial aristocrat was considered to fit in with the elite of his days. The same goes for his interlocutors, Colijn and Gulbenkian. Second, these actors’ identity and more importantly, actions, point to the ‘dissolution of the official/unofficial distinction’ as the basic *modus operandi* of formal diplomats, being: information gathering, communication and negotiation are disposable to unofficial ‘diplomats’ as well.⁵⁶ Thus, a clear-cut distinction between formal and informal does not exist as we shall see in the case of Deterding’s, Colijn’s and Gulbenkian’s activities. Third, these types of actors are key representatives in their own right; not necessarily defined by their linkage with a national government or by the formal diplomatic corps. In the case of Deterding, being inextricably linked to the vastness and importance of

⁵³ Kenneth Weisbrode, “The Task Ahead”, September 20, 2012, <http://newdiplomachistory.org/the-task-ahead/> (my italics)

⁵⁴ Giles Scott-Smith, ‘Private Diplomacy, Making the Citizen Visible’, *New Global Studies* Vol. 8, No. 1 (2014) 3.

⁵⁵ *Ibidem*, 5.

⁵⁶ Giles Scott-Smith, Scott-Smith, ‘Editorial’, *Diplomatica* Vol. 1, No 1 (April 2019) 1-144, 5.

the oil business to national governments, greatly benefitted his reach and reputation as a key representative of a non-governmental private enterprise. Fourth, and much in line with the first characteristic, emphasises the possibilities of the elites to influence decision-makers from the outside by using their international contacts.⁵⁷ Again, Deterding's connection to RDS enabled him to use a wide range of both international and national contacts (Gulbenkian and Colijn respectively) to pressure national decision-makers. Fifth, operating within the unique 'cracks' as it were, of formal, state-driven international affairs exposes non-state actors to significant personal risks – ranging from media ridicule to misinterpretation. Running these types of risks are inherent to their connection with the more formal, stated-driven politics and their closed-ranks mentality. This has become especially apparent when Deterding sought to meet Sir Edward Grey, or later on as we shall see when he initiated a foreign lobby to influence Dutch government decision-makers by using his international contacts. Last, most unofficial diplomats are consciously aware of the unique space they are capable of holding; juxtaposed to that of the formal state-driven officials and representatives.⁵⁸ Thereby indicating that they are indeed aware that they hold a certain amount of power to influence national decision-makers through means of interest representation as unofficial 'diplomats' and lobbyists. This has become evident in particular in the personal correspondence between Deterding and Colijn, wherein the former's lines of thought reveal this consciousness.

In addition, and closely tied to the characteristics, are the *goals and modus operandi* of private diplomats that are important to NDH in defining 'the diplomat'. The goals are largely understood in the sense that unofficial 'diplomats' must first and foremost: 'serve a set of interests, a cause or collective unit above and beyond themselves.'⁵⁹ Second, as part of their *modus operandi* must lie the basic practices of the official diplomat, thus requiring them to be engaged in: information gathering, communication and negotiation.⁶⁰ NDH thus include an often bypassed set of actors in the traditional studies of diplomatic relations and subsequently reveals a whole set of other actors capable of interest maximisation through representation.⁶¹ NDH thereby acknowledges the interaction between the formal and informal 'diplomats' 'without giving either priority' in terms of influence – as the juxtaposed perspective acknowledges also.

In order to provide insights into what extent Deterding was able to exert influence, it is required to determine *what* his role was, and *how* he subsequently fulfilled that role as a non-state actor. As Deterding acted in concerted effort with two of his key interlocutors, analysing their respective *modus operandi* becomes equally vital. Important here is to note that both Colijn and Gulbenkian acted on behalf of Deterding within the latter's broader private scheme of interest representation. Vital to be able

⁵⁷ Ibidem, 6.

⁵⁸ Idem.

⁵⁹ Kenneth Weisbrode, "The Task Ahead", September 20, 2012, <http://newdiplomatichistory.org/the-task-ahead/>

⁶⁰ Giles Scott-Smith, Scott-Smith, 'Editorial', *Diplomatica* Vol. 1, No 1 (April 2019) 1-144, 5.

⁶¹ Albertine Bloemendal, *Reframing the Diplomat: Ernst Van Der Beugel and the Cold War Atlantic Community* (Brill 2018) Doctoral Dissertation 13. (My italics)

to determine Deterding's exercise of 'power' have been a range of primary sources. Traditionally analysed government archives for source material would not have sufficed to uncover the role of a non-state actor within power relations. These types of sources do offer a good insight into the decision-making reasoning of policy-makers, but do not uncover the external 'forces' that influence these policy-makers.⁶² Therefore, this thesis has primarily consulted private archives as the approach is more on the transnational, non-state actor. These were vital to provide insights into: 1.) the contextual factors that pushed Deterding into action, 2.) his goals, 3.) his *modus operandi* and 4.) the interaction between him as head of RDS and the Dutch government as two juxtaposed actors of power. To begin with, the archives of RDS in the Hague have provided a unique opportunity to reconstruct Deterding's, and to a lesser extent Gulbenkian's, role, *modus operandi* and the rationale behind his actions. The personal archives of Colijn located in the Historisch Documentatiecentrum voor het Nederlands Protestantisme (1800-heden) HDC have offered a rich variety of primary sources of correspondence between Colijn and several key decision-makers. Moreover, both the online archives of the Dutch Parliament and of the US' State Department have provided a relatively small part to indicate the parliamentary processes and the foreign American lobby. The abundance of secondary literature on the subjects of diplomacy, lobbyism, power relations, geopolitics, the oil and gas industry and the biographies of the protagonists of this research have offered the necessary (theoretical) context wherein the historical analysis of Deterding's unofficial methods of interest representations takes centre stage.

⁶² Giles Scott-Smith, 'Private Diplomacy, Making the Citizen Visible', *New Global Studies* Vol. 8, No. 1 (2014) 2.

Chapter II

Colliding Interests

Oil and all its by-products truly had become an integral part of modern society after the First World War.⁶³ Deterding was quick to realise this. In a letter to one of his close friends, associates and fellow board members, Sir Hugo Loudon, of 23 November 1914, Deterding expressed his views for the future of the company:

You should not forget that the future must become a very good one. [...] More than ever, this war has demonstrated the enormous value of all petroleum products, both for the civil industry and war industry. [...] in addition, and this is no small factor, it will become apparent after the war that a great many young workers have been lost as result of the terrible devastation. [...] immediately after the war, hands will be needed to rebuild what has been destroyed. [...] An important factor is that almost all horses have been used in the war industry. But a horse is not replaced in a year, it takes five years, and how to fill this gap of horsepower? Besides, as people traditionally had the horse to its disposal, they forgot to think of mechanising the transport after the war [...] and because the average motorcars are now sold from around \$500 USD, people will soon decide to shift to mechanical power.⁶⁴

Indeed, Deterding was right, the future of the world would by and large be shaped by a societal dependence on oil. The shift to modernity was predominantly driven and shaped by the oil industry. This particular strand of private sector would rise to unprecedented heights of importance as oil and its by-products were inextricably linked to the great power competition among national governments to fuel their economies, militaries and navies.⁶⁵ Thus it was that oil and, more importantly, the producers of oil, had become key players on the stage of power relations. They were a distinct type of private entity and force to be reckoned with. By nature, their activities were bound to affect politicians and decision-makers around the world.

As the significance of oil had become an undisputed fact of the day, the global oil market had become a highly competitive one. Since the late nineteenth century, a number of oil companies had emerged that were able to supply the world with oil. In the process of search for oil, the Netherlands Indies, and in particular Borneo, was thought to contain large amounts of oil beneath its jungle surface. In late 1897 and early 1898 oil was struck there.⁶⁶ The quest and competition for ever new sources of

⁶³ Joost Jonker, Jan Luiten van Zanden, Stephen Howart and Keetje Sluyterman, *Geschiedenis van Koninklijke Shell: 1. Van Nieuwkomer tot marktleider, 1890-1939* (Amsterdam 2007) 163-165.

⁶⁴ Shell Hague Archive, (hereafter: SHA), 'Deterding Archive', catalogue number: 195, inventory number: 28 Deterding to Loudon, 23 November 1914.

⁶⁵ Daniel Yergin, *The Prize. The Epic Quest for Oil, Money & Power* (New York 2009) 139.

⁶⁶ *Ibidem*, 100.

oil between the American oil company, Standard Oil (SO) and RDS in particular largely coloured and characterised the global oil economy during and after the First World War, and well into the 1920s. The Netherlands-Indies, with its lucrative oil fields, became the political and economic competitive battleground where both corporate and national interests collided. In terms of corporate interests, RDS and SO were entangled in a bitter fight over the recently discovered Jambi oil fields. In addition, Shell's economic presence and interests in the Dutch colony were threatened when the Dutch government introduced legislation that specifically targeted the oil industry by taxing the exports of petroleum products. Both cases highlight a point in time of fierce competition between public and private interests.

This chapter will therefore provide an overview of the contextual factors that led to Deterding's decision to act and intervene in the Dutch government's decision-making process. Understanding the contextual factors within which RDS acted as juxtaposed actor to the Dutch government is vital before analysing the specific dynamics of interaction between the two as will be discussed later on in chapter III. The contextual factors were numerous and include the status quo of the global oil economy, competition between SO and RDS and the colliding private and public interests of the latter and the Dutch government respectively. They reflect Deterding's goals and motivations in the first place. Moreover, the contextual factors reveal that the Dutch government and Deterding were both driven by motives of interest enforcement and maximisation – a key characteristic as proposed by the juxtaposed perspective.

II. I The Global Oil Market and Competition

Around the turn of the century, the global oil market was characterised by fierce price-cutting between SO and Royal Dutch (*Koninklijke Nederlandse Petroleum Maatschappij*) – before the amalgamation with Shell. The competition with Standard runs like a red thread through the historical analysis of Deterding's. In his 1934 autobiography 'An International Oil Man', Deterding wrote that this 'Price-Cutting – a form of so-called "competition" which, I have always contended, is not competition at all'.⁶⁷ Reflecting on the early days of the oil trade, Deterding thought of it more as annihilation rather than competition. If a 'trader's only chance of survival – and a very remote chance – depends on just how low he can cut prices [...] You can't compete with a man, nor he with you, if all the while you are both bent on squeezing each other to death'. This was especially true for the Asian oil market; where Royal Dutch was mainly operating in those days.

This market was rich with producers and exporters; from Rothschild's Russian oil and Shell to several smaller local players and, more importantly, Standard.⁶⁸ Much to Deterding's chagrin, prices were fluctuating in this market despite the fact that demand and supply of oil remained balanced. Price-wise, the result was a steady race to the bottom. Amidst all of this, Standard had the luxury to sell its

⁶⁷ Sir Henry Deterding and Stanley Naylor, *An International Oilman* (London (1934) 45.

⁶⁸ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 87.

products below costs in the Asian oil market as they were market leaders in both America and Europe. It artificially balanced the demand and supply in America by exporting their surplus and selling it below costs in Asia.⁶⁹ Royal Dutch did not have this luxurious position.

In order to expand and secure the competitiveness of his company, Deterding – who led Royal Dutch since December 1900 – sought to establish a vertically integrated oil company. A company that was capable of ensuring continuity of supply to its customers by controlling exploration, production, refining, transporting and selling. ‘Quality and service are the only sure foundations on which competition can survive’ he wrote.⁷⁰ To achieve this, he envisaged a policy of ‘the straight line’, which, when ‘drawn between, let us say, the Oil-well and the kerosene lamp lighting the shack of a farmer in a forlorn inland village or between the Oil-well and the petrol-tank of your own motorcar’ could maintain continuity of supply.⁷¹ Expanding the business and forming a vertically integrated oil company enabled Deterding to significantly lessen the impact of price-cutting to his business and compete on a grander scale with Standard. To expand and secure the business’ competitiveness, Royal Dutch had to grow, move into new territories, keep Standard out of the Dutch East Indies’ oil fields and ensure fruitful cooperation with the colonial government of this oil-rich archipelago.

One of the first steps for Deterding was to seek a merger between Royal Dutch’s exploration and producing capabilities and know-how with that of the transport and marketing expertise of another significant player in the Asian oil market; Shell Transport and Trading Company. Established by Marcus Samuel in 1897, Shell had the tankers, storage facilities and trade contacts necessary for bringing the Dutch East Indies oil to consumers worldwide.⁷² By merging with Shell, Deterding sought to dispense ‘with the middleman and every other species of intermediary’.⁷³ After having succeeded in the amalgamation of the two companies, Royal Dutch/Shell Group was established in 1907. From that moment onward, this combination would simply be known as ‘the Group’. In this construction, the oil production and refining assets were brought under Bataafsche Petroleum Maatschappij (BPM), a Dutch company. The storage and transport part of the whole would rest under an English company, the Anglo-Saxon Petroleum Company (ASPC). As such, Royal Dutch and Shell became holding companies, with the former holding 60 percent and the latter the remaining 40 percent of the stock in both operating subsidiaries.⁷⁴ The amalgamation with Shell was a clear move by Deterding to expand the reach of his business. His next move was to hit Standard in its own territory. ‘*To America!*’ became the new slogan of the company in 1907.⁷⁵

II.II The Jambi-Concessions

⁶⁹ Ibidem, 98.

⁷⁰ Sir Henry Deterding and Stanley Naylor, *An International Oilman* (London (1934) 46.

⁷¹ Ibidem, 50.

⁷² Daniel Yergin, *The Prize. The Epic Quest for Oil, Money & Power* (New York 2009) 98.

⁷³ Sir Henry Deterding and Stanley Naylor, *An International Oilman* (London (1934) 50.

⁷⁴ Daniel Yergin, *The Prize. The Epic Quest for Oil, Money & Power* (New York 2009) 110.

⁷⁵ Ibidem, 112.

With the amalgamation of both companies, the global oil market would henceforth be dominated by two oil giants: Standard and the Group. Apart from the price-cutting that characterised the oil trade, both companies were in a continuous search for new sources of oil. This brought both giants to enter each other's backyards as it were. Standard was the first to move. In April 1912, Standard established a subsidiary company – the Dutch Colonial Petroleum Company (Nederlandsche Koloniale Petroleum Maatschappij) - in an effort to secure oil field concessions in the Netherlands-Indies.⁷⁶ Not long after, Royal Dutch, with its 'To America!'-campaign embarked on a journey to the United States (U.S.) and subsequently established a foothold there for the Group in 1912 with the establishment of a subsidiary: Roxana Petroleum.⁷⁷ As both were now active on each other's home ground, the competition fierced.

Standard's initial move to the Netherlands Indies in 1912 proved to be of great importance to the company. The end of the First World War marked the beginning of a period of 'fear of imminent depletion of oil resources' in the U.S. Predictions by the director of the U.S. Bureau of Mines in 1919 only aggravated these fears. "Within the next two to five years the oil fields in this country will reach their maximum production, and from that time on we will face an ever-increasing decline" he stated.⁷⁸ Against the backdrop of an ever-increasing rate of consumers – between 1914 and 1920 the amount of registered motor vehicles in the U.S. soared from 1.8 million to 9.2 million⁷⁹ - the estimates were that the known oil-fields operating in the U.S. would be depleted in less than thirty years.⁸⁰ Both the government and the oil industry were obsessed with finding alternative sources; including outside the U.S. Thus, it was that Standard's efforts to tap into the rich Jambi oil-fields in Sumatra - which seemed to be the most valuable of the archipelago - became ever more important.⁸¹ As the quest for oil now became a U.S. national security issue, State Department was glad to assist in obtaining the much-needed concessions.⁸²

Standard's move into the Netherlands Indies triggered Deterding into commencing a lobby campaign aimed at influencing the Dutch decision-makers with regards to the Jambi-concessions. An early effort by Deterding himself in 1912 to prevent the colonial government's approval of the legal statutes of Standard's subsidiary had failed.⁸³ Amidst the fierce price-cutting and competition, having Standard operating in the Group's 'territory' was the last thing Deterding needed. The first show-off between the two giants occurred in late 1912, when the colonial government opened up a public

⁷⁶ Bob de Graaff, *Kalm temidden van de woeste golven. Het ministerie van Koloniën en zijn taakomgeving 1912-1240* (Den Haag, 1997) 34.

⁷⁷ Daniel Yergin, *The Prize. The Epic Quest for Oil, Money & Power* (New York 2009) 112.

⁷⁸ Idem.

⁷⁹ Idem.

⁸⁰ Bob de Graaff, *Kalm temidden van de woeste golven. Het ministerie van Koloniën en zijn taakomgeving 1912-1240* (Den Haag, 1997) 463.

⁸¹ Idem.

⁸² Gerald D. Nash, *United States Oil Policy 1890-1964. Business and government in Twentieth Century America*. (Pittsburgh: University of Pittsburgh Press 1968) 61.

⁸³ Bob de Graaff, *Kalm temidden van de woeste golven. Het ministerie van Koloniën en zijn taakomgeving 1912-1240* (Den Haag, 1997) 457.

procurement for the Jambi oil-fields. It had divided the Jambi terrain in two parts; Jami I and Jambi II. Initially, the government envisaged to undertake the exploitation of the fields by itself, yet sufficient financial means were lacking. Moreover, sales from the fields were expected to bring insufficient revenues for the government to make the whole undertaking profitable. Therefore, oil companies wishing to obtain the Jambi-concessions had to declare what percentage of the profits they agreed to hand over to the colonial government. By far the highest percentage was offered by the South-Perlak Company, with a total of 62,5 percent. BPM offered 50 percent. A high offer as well, but again, aimed at keeping Standard out. The Java and Borneo Oil and Rubber Syndicate offered the same amount. Three others, including Standard's subsidiary offered 40 percent.⁸⁴

After much debating, the Dutch Minister of the Colonies, Pleijte, subsequently granted Jambi I to BPM and Jambi II to the South-Perlak Company in 1915. Agreed was that both would establish new subsidiaries in which the colonial government would have a decisive voice. Yet the latter withdrew its offer as it was under the impression that the public procurement related to the entire Jambi oil-field. Pleijte withdrew the draft legislation for private exploitation of the Jambi II field. Pleijte now suggested that BPM would more or less be granted the concession rights to Jambi II as well. The socialist representatives, among which J.W. Albarda was the most outspoken, however, feared a monopoly of RDS and thus again opted for state-exploitation. Albarda's speech in the House of November 1915 captured the mentality of the day: "in my opinion, the House cannot argue forcefully enough that [...] the power of the State is subordinated to the power of a petroleum company." He further emphasised that "If the government believes that it must bow for the power of Royal Dutch, I hope that the House will oppose this and show that it can make Royal Dutch bow for the House."⁸⁵ Albarda tilted the House in his favour. Despite his call for state-exploitation, financially speaking, this remained impossible. Thus, it was that the colonial oil politics were at a standstill.

All the while, the Jambi fields were left idle and unexploited; leaving the colonial government to miss out on the so dire needed income. The negotiations would drag on for several years. It was during those years that the American government became involved. Alarmed by geologists' reports on the future oil-reserves of the U.S., the American government was pressing the Dutch government to include Standard in the Jambi-concessions. Their efforts would eventually mount to a heated diplomatic rift between the two countries between 1919 and 1922.* Deterding had to manoeuvre strategically in between. His primary objective was to prevent Standard from entering the Jambi oil-fields. This meant waging a strong lobby against the Dutch government and parliament alike. Early attempts at this failed in 1912 as we have seen. The contextual factor of the global oil economy and more importantly, the competition with Standard led Deterding to reach out to a highly influential former Dutch political

⁸⁴ Ibidem, 160.

⁸⁵ Tweede Kamer Der Staten-Generaal, Kamerstukken 1814-heden, Overheid.nl, 'Parlementaire documenten', Handelingen Tweede Kamer 1915-1916, Parliamentary discussion on deal with BPM concerning the exploration and exploitation of oil in Jambi, 11 November 1915, 89-110, 32. Online accessible at: <https://zoek.officielebekendmakingen.nl/0000332932>

figure whom he met several years before in 1908.⁸⁶ This person was Colijn. In early 1914, Deterding asked him to become the director of BPM. Colijn, having wanted to become financially independent for quite some time, accepted immediately. With Colijn on board, Deterding had to his disposal a much-needed key figure to seal the deal with the colonial government and make sure BPM was granted the Jambi-concessions instead of Standard.⁸⁷ Soon, however, Deterding was forced to use that same lobby for another, even more pressing matter; that of the colonial export tax.

II.III The Colonial Export Tax

The issues for the Group were greatly aggravated by another important contextual factor, that of the unexpected introduction of new regulations on trade. Around 1919 - 1920, the Netherlands Indies colonial government introduced an export tax on several important colonial resources.⁸⁸ Due to the high market value of these products at the time, large profits were made by the private sector in the colony. The local government was very much aware of this, especially with regards to profits made by the Group. Before, during and directly after the First World War, the Group had made considerable profits; from a small 4.4 million pounds in 1913 to around 12 million pounds in 1918 and a staggering 20.5 million pounds in 1920.⁸⁹ Although not knowing the Group's exact profits, colonial civil servants and politicians were convinced that the Group's acquired wealth was abominable; while the Colony itself was not able to lift on this great wealth.

Yet the oil-business was not the only industry that was targeted. The export duties also applied to products like coffee, thee, sugar and tabaco. The end of the war had set in a period of great demand for these colonial products; its exports and sales prices went through the roof around 1919-1920. (Figure 1)⁹⁰

* For a good overview of this small diplomatic crisis, see Francesco Doeve, *Het Djambi-conflict: over olie, wederkerigheid en gelijkwaardigheid* (2016) Master Thesis, Online accessible: <https://openaccess.leidenuniv.nl/handle/1887/43416>

⁸⁶ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 180.

⁸⁷ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 181. Langeveld quite rightfully argues that by employing Colijn, Deterding ultimately hoped the former's political contacts could be put to good use for the Group's business interests.

⁸⁸ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 208.

⁸⁹ Joost Jonker, Jan Luiten van Zanden, Stephen Howart and Keetje Sluyterman, *Geschiedenis van Koninklijke Shell: 1. Van Nieuwkomer tot marktleider, 1890-1939* (Amsterdam 2007) 262.

⁹⁰ J. Th. Lindblad, 'Ondernemen in Nederlands-Indie c.1900-1940', *Bijdragen en mededelingen betreffende de geschiedenis der Nederlanden* Vol. 108, No. 4 (January 1993) 699 – 710, 701. (Export indicated as +-+ on the chart)

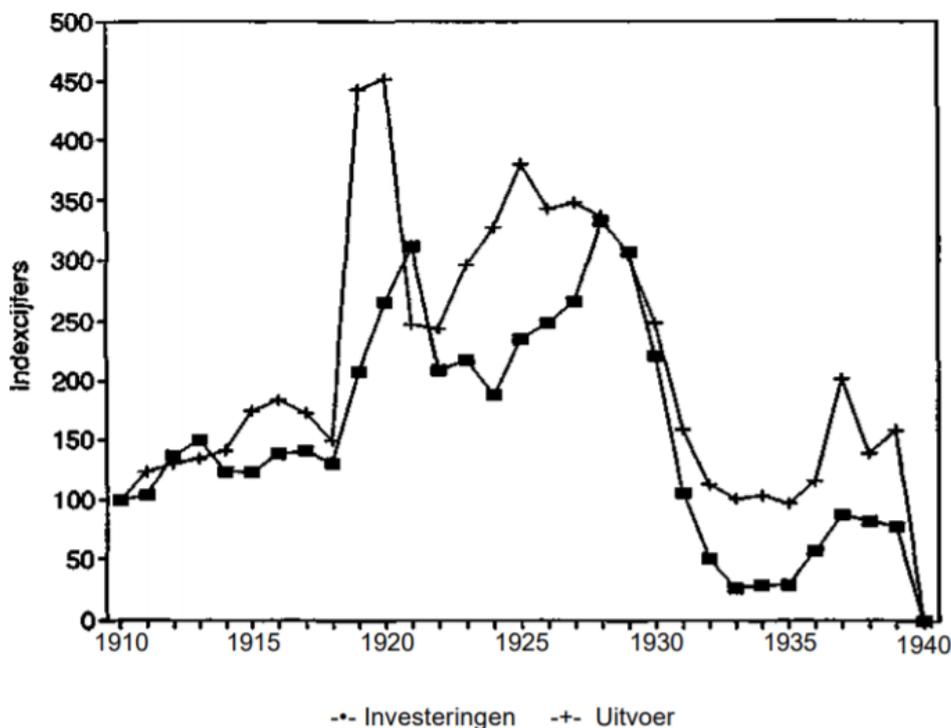


Figure 1 Netherlands Indies Investments and Exports

During the economic boom shortly after the war, these export duties were no real issue. Yet as the prosperous economic situation dwindled rapidly in late 1920, the taxes on exports became a real burden to the private sector in the Colony; resulting in a sudden sharp drop in exports. The Dutch government and the Minister of the Colonies, Simon S. de Graaff, therefore decided to withdraw the Act of Export Duties in early 1921.⁹¹ Deterding himself managed to arrange a meeting with De Graaff to clear the air about the export taxes and whether the withdrawal also applied to petroleum products. If this was not the case, however, it would seriously harm the company's competitive position vis-à-vis Standard; especially now that Standard was trying to break into the Group's 'territory'. According to Deterding, such a legislation was a violation to the earlier signed contract between BPM and the colonial government for the establishment of NIAM. The meeting convinced Deterding that de Graaff would indeed exempt petroleum products as well.⁹² For a moment, Royal Dutch seemed to remain out of harm's way.

De Graaff's legislative withdrawal however, faced great opposition in the House of Representatives. Jan van den Tempel, a socialist member of the House stated that "there is every reason to pay particular attention to how the petroleum capital, with its enormous profits, almost slips through the crack. [...] The level of the export duty will be extremely small in relation to the large profits made by the petroleum monopolists. [...] The petroleum industry, in relation to the sugar industry and other

⁹¹ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 209.

⁹² Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933.* (Amsterdam 1998) 243.

enterprises, would get off far too easy with these government proposals”. He concluded, “I am particularly sorry that the Minister has made no attempts whatsoever to stop this.”⁹³ The socialists in the House were now instead urging the Minister to *raise* the export tax on petroleum products specifically.⁹⁴ In response, De Graaff – contrary to what Deterding was expecting – announced that “[...] the final words, Mr. Speaker, need not be said with regard to a company that finds itself in such exceptionally favourable circumstances. [...] This hereby is my stance in the matter.”⁹⁵ The situation went from bad to worse for the Group. Deterding was now forced to put more pressure on the government to see the export tax and the proposed raise abolished.

Greatly annoyed by the tendency of De Graaff to bend along with the socialists in parliament, Deterding wrote in the Group’s annual report from June 1921 that ‘since 1915, the amount that the Group paid in tax in the Netherlands, the Netherlands Indies, and in other countries had increased by tenfold. While production in the Netherlands Indies in 1920 was approximately one fifth of that of the entire Group, they [colonial government] received almost half of the total amounts to be raised by our subsidiaries.’⁹⁶ Clearly, like any businessman, Deterding believed that the state was overplaying itself with the proposed increased taxation. ‘The recent increase of the export duty that coincided with a fall in prices, proves the defectiveness’ of the colonial government, he wrote. Above all else, however, Deterding knew that an increased tax on exports would hamper his business to benefit his rivals in America. ‘An export duty on a product, of which a country does not have a monopoly, acts as a premium on exports from other countries, which produce the same product and do not levy export duties.’⁹⁷ The issues are a prime example of where business interests and national interests can collide. When discussing the future of the company in 1914 Deterding wrote to Loudon:

The only thing that we need to pay much attention to is the tendency everywhere to heavily tax companies [...] and the fact that in so many countries the idiotic taxation of companies is apparently not even recognized by the clever minds there. When it concerns petroleum, we have to deal with America, where those taxes do not exist. [...] In Holland it seems that with financial proposals, all possible thoughtfulness is missing, and I also believe that the future will suffer more due to such measures pressed on by would-be ministers of finance, than from anything else.⁹⁸

⁹³ Tweede Kamer Der Staten-Generaal, Kamerstukken 1814-heden, Overheid.nl, ‘Parlementaire documenten’, Handelingen Tweede Kamer 1921-1922, 45th Parliamentary debate on the proposed amendments to the colonial budget and Netherlands Indies tariff law for fiscal year 1920, 8 February 1921, 353. Online accessible: https://repository.overheid.nl/frbr/sgd/19201921/0000314237/1/pdf/SGD_19201921_0001425.pdf

⁹⁴ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 243.

⁹⁵ *Ibidem*, 356.

⁹⁶ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 208

⁹⁷ SHA, ‘Deterding Archive’, catalogue number: 195, inventory number: 28 Deterding to Loudon, 23 November 1914.

⁹⁸ *Idem*.

This chapter has clarified the contextual factors within which Deterding and RDS had to operate. Key here is the business competition between the Group and Standard. In their search for ever more sources of oil, both were particularly keen in obtaining the Jambi-concession rights from the Dutch government. Yet as we have seen, several members in the House of Representatives were afraid the Group, when granted the concession rights, would monopolise the oil business in the colony. The decision to introduce export taxes on petroleum products were not only detrimental to Deterding's business in the colony, but also threatened the company's overall competitiveness vis-à-vis Standard. This cocktail of contextual factors pushed Deterding into setting up an unofficial 'diplomatic' lobbying campaign to influence the Dutch government's decision-makers and defend his business interests. The next chapter will dive deep into Deterding's role, modus operandi, processes, practices and functional sides of this campaign. Both Colijn and Gulbenkian provided Deterding with the necessary networks to influence the decision-makers in the Hague. These men will receive the necessary attention.

Chapter III

Deterding at Bay

The indispensability of his line of work made Deterding and the Group he led an interesting new source of power in IR. Never before had there been a specific branch of multinational corporation so important to inter-state relations. It has been precisely because of this that oil and the oil business became politicised, and not the other way around, according to Hendrix. ‘I categorically stay out of politics’, Deterding used to say.⁹⁹ It is indeed true that governments needed oil to stay in business; there is no denying in that. Yet reading Hendrix’ biography about Deterding, one may be given the impression that the state’s relation to that of the latter’s business was that of a one-way dependence-track. In fact, as the two cases concerning the Jambi-concessions and the export tax will indicate, these relations were characterised by a complex interaction and interdependence. Both actors needed each other. Analysing the *interaction* between the two is crucial to understand the role that private, non-state actors can play within power relations.

This chapter will therefore dive into the specific dynamics of *interaction* between the two juxtaposed actors. Considering MNCs as relevant juxtaposed actors to national governments and taking into consideration the specific dynamics of interaction between the two as proposed by the juxtaposed theory, it becomes evident that MNCs ought not to be automatically regarded as subordinate to state power. Nor the other way around as suggested by the transnational capitalist theory. Through an analysis of Deterding’s *modus operandi* in relation to the Dutch government’s policy-makers, this chapter reveals the *underlying processes and practices* of Deterding’s unofficial ‘diplomatic’ lobbying campaign. A specific focus on the personal and business correspondence between both actors gives insight into these underlying processes and practices and will provide for an indication as to what extent which actor was able to exert ‘power’ over whom.

III.I The Group’s Corporate Lobby and the Jambi-Concessions

One of the key elements of Deterding’s *modus operandi* was attracting influential public figures to his business. He had a keen eye for this. A perfect example of this was the fact that he employed Colijn in 1914 as director of BPM. Colijn knew the colony well*, had sat in the House of Representative in 1909 and was subsequently granted the position of Minister of War in 1911. It was shortly after his term that Deterding approached him. Although Colijn was no born businessman, and had had but little experience

⁹⁹ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 19.

*Colijn knew the colony well. He had made a name for himself during military service in the Netherlands Indies. He returned to the Netherlands a dashing young and successful officer of the Dutch colonial forces. For more information about Colijn’s colonial endeavours see: Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 49-143.

in running a company, Deterding's choice was first and foremost based on Colijn's ability to operate on the fringes of the political decision-making process.¹⁰⁰ His knowledge of the state of affairs, and the colonial power relations, his broad political contacts and his good name made him the ideal figure of influence and power. A set of skills Deterding was desperately after and which could be put to good use for the company.¹⁰¹

Amidst the raging 'oil wars' of price-cutting and ongoing hunger for ever more sources of oil, Deterding was keen to see the Jambi fields in Dutch Sumatra exploited by his company. Already in 1902 had the company laid eyes upon this territory, but it would take at least twenty more years to actually put the Jambi fields to use.¹⁰² Indecision on the part of the colonial government was the primary cause of the inaction. Due to the massive profits and strong position of the Group in the Archipelago, politicians and civil servants alike were nervous to see another – possibly very rich – oil-field fall into the hands of the Group and create a monopoly for themselves. The decision for a public procurement as mentioned earlier was the direct result of this nervousness. Now Standard was given an opportunity to invest into what Deterding perceived to be the Group's territory. What Deterding needed was speed and decisiveness. Speeding up the bogged down negotiations must be considered the main reason behind Deterding's choice of Colijn. The fact that Colijn knew little to none of running a business was no issue to Deterding.¹⁰³

Colijn proved to be the right man for the job. In many cases, Colijn personally knew the key figures in the decision-making process. His cordial relations with both Ministers of the Colonies, Idenburg and his successor, De Graaff were of great value to the business interests of the Group. Although Deterding had emphasised in Colijn's contract that the latter was not allowed to engage in politics, Colijn entered the Dutch senate in 1914; making him an intriguing figure operating both in business as in politics.¹⁰⁴ A prime example of Colijn's ability to penetrate the political decision-making process occurred in early 1919, when the Dutch government reopened the discussions on how the Jambi-fields were to be exploited. The socialists were still pressing for state-exploitation. Idenburg, frantically trying to move forward on this dossier, requested the help of his fellow party-member and old comrade-soldier – they both served in the Dutch Indies in the early 1900s.¹⁰⁵ Essentially, Idenburg

¹⁰⁰ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933.* (Amsterdam 1998) 181.

¹⁰¹ Joost Jonker, Jan Luiten van Zanden, Stephen Howart and Keetje Sluyterman, *Geschiedenis van Koninklijke Shell: 1. Van Nieuwkomer tot marktleider, 1890-1939* (Amsterdam 2007) 156. The choice of Colijn was a typical example of the Group's efforts to establish a powerful network. The pressing projects like the obtaining of the Jambi-concession rights remained a personal obsession to Deterding, and there was no indication that the Group was to be granted the concession rights any time soon. The choice to employ Deterding must first and foremost be seen in this light. As a former minister, Colijn was the perfect individual to help manoeuvre the company through the slow bureaucratic procedures at the Colonial Department.

¹⁰² *Ibidem*, 264.

¹⁰³ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933.* (Amsterdam 1998) 181.

¹⁰⁴ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 183.

¹⁰⁵ Carel Gerretson, *Geschiedenis Der Koninklijke. Vijfde Deel.* (1973 Baarn) 200.

asked Colijn what would be financially more beneficial to the colonial government? State-exploitation or the establishment of a joint-venture between the government and a private oil-company?

Colijn took this opportunity to vehemently indicate to Idenburg the importance of establishing a joint-venture with BPM. In reality, as Deterding and Colijn knew, state-exploitation was financially more beneficial to the Group as the latest geological reports indicated that the Jambi-oil reservoirs were too meagre to cover the transport and refining costs if done by the Group. For the latter, buying the exploited Jambi-crude and then selling it was financially more attractive.¹⁰⁶ Yet state-exploitation remained impossible due to the lack of financial means of the colonial government. Thus, it was that Colijn stated in a memorandum to Idenburg that “The only possibility of making very substantial profits for the colonial treasury is in cooperation with one of the large corporations, namely the SO Group or RDS Group. Both of these offer the advantage of a large sales organisation in different parts of the world, enabling them to negotiate the highest prices for all their products”.¹⁰⁷ Being the director of the largest industrial company of the Netherlands, Colijn, unsurprisingly emphasised that “completely objective, and even apart from national considerations, RDS Group offers the Netherlands Indies by far the greatest financial benefits.”¹⁰⁸ Why? To Colijn this was obvious. The Group had already obtained a very large share in the oil-market in the Dutch East Indies (86%) and British-India, controlled and dominated the sales of oil in East Africa, and its influence in China was on parity with that of Standard. “The latter would first try to expand its sales in the geographical petroleum outlets of Netherlands Indies by very sharp, and I may add, futile competition”.¹⁰⁹ According to Colijn, Standard could never produce the necessary wealth in the Colony that the Group would offer.

After a subsequent meeting with Idenburg, Colijn further expressed his views on the matter. All that his superior Deterding wanted, was to keep Standard out of the Colony.¹¹⁰ Colijn, however, acting on his own here and without the consent of his boss, made an intriguing proposal to Idenburg. He suggested that a joint venture (JV) with BPM was agreeable *only* if a newly established company would be given the exploitation rights to all other, yet to be exploited oil-fields in the colony – the later established *Nederlandsch-Indisch Aardolie Maatschappij* (NIAM). Clearly, Colijn was acting out of bounds here. In his enthusiasm or strive to outwit Standard, he was prepared to take far reaching measures.¹¹¹ Knowing full well that Idenburg could not get this proposal through the House in one piece, Colijn proposed offering the colonial government a majority in the Board of the company and a

¹⁰⁶ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 203.

¹⁰⁷ Carel Gerretson, *Geschiedenis Der Koninklijke. Vijfde Deel.* (1973 Baarn) 201.

¹⁰⁸ *Idem.*

¹⁰⁹ *Idem.*

¹¹⁰ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 203.

¹¹¹ Carel Gerretson, *Geschiedenis Der Koninklijke. Vijfde Deel.* (1973 Baarn) 202; Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933.* (Amsterdam 1998) 183-184. Langeveld points to a striking excerpt from Colijn’s travel diary which he wrote during a five-month trip funded by his future employer: Royal Dutch Shell. In it, Colijn refers to the successes of his future employer’s competition against Standard Oil, which he took very seriously.

forty per cent sales profit, while BPM would be responsible for the operational management.¹¹² Idenburg was convinced. Due to his sudden illness, however, Idenburg was forced to step down in November 1919 and offer the ministerial post to that of De Graaff; slowing down the negotiations once again.

What is striking about this so far, is not so much that Colijn was using this opportunity to further the business interests of BPM, but the fact that Idenburg requested the council of the director of the most dominant oil-company in the colony on matters of colonial finances. This is intriguing, for the fact that a minister (decision-maker) sought the advice of a private actor is a strong indication that Colijn as unofficial ‘diplomat’ established the necessary salience by virtue of the trust and confidence the decision-maker had put in him.¹¹³ It clearly indicates that Colijn was taken seriously; which is an important factor for a successful lobby. Alternatively, Idenburg could have argued for the establishment of an independent commission to investigate options. He did not. Asking Colijn – who knew that the option of state-exploitation was ruled out due to a lack of financial means – Idenburg must have felt that his friend, the director of BPM, would opt for a joint-venture with his company instead of advising otherwise; opting for Standard for instance. It appears Idenburg was guided by a blind trust in his friend, party-member and old comrade. On the other hand, again, it shows that Colijn, both as friend, councillor and captain of industry was taken serious enough to have his voice heard in the highest echelons of power.

Colijn’s political influence, however, did not go unnoticed. In a letter to Idenburg’s successor, De Graaff, Colijn expressed his nuisance with regards to what was written about him in the press. “There are some main points in which the public is interested [...]: 1. I was bought by Royal Dutch to bear my political influence for the sake of that company, and 2. Is the current Minister of the Colonies as villainous as I am and will he soon be granted a position as director or Commissioner of Royal Dutch? [...] see, these are some of the points that interest the public.”¹¹⁴ This letter is indicative as it actually verifies the acts of Colijn’s corporate lobby. Interestingly enough, publicly people were aware of this.*¹¹⁵

Colijn’s cordial ties with that of Idenburg’s successor were even warmer. Both men had known each other since their acquaintance in the Netherlands Indies. De Graaff had been a high-ranking colonial civil servant and upon returning to the Netherlands in 1915, Colijn had helped him with new

¹¹² Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 237-238.

¹¹³ Maureen Berman and Joseph Johnson, *Unofficial Diplomats* (New York: Columbia University Press, 1977) 7.

¹¹⁴ Historisch Documentatiecentrum voor het Nederlands Protestantisme (1800-heden) Vrije Universiteit (VU) (hereafter: HDC), ‘H. Colijn, 1869-1944’, catalogue number: 054-2, inventory number: 26 ‘Colijn to De Graaff’, 19 September 1921.

* Exposure to media ridicule forms an inherent part of the characteristics of unofficial ‘diplomats’, see: Giles Scott-Smith, Scott-Smith, ‘Editorial’, *Diplomatica* Vol. 1, No 1 (April 2019) 1-144

high-ranking political positions.¹¹⁶ Shortly after Idenburg had stepped down, Colijn was offered the position of Minister of the Colonies; which, due to the contract with BPM, he could not accept. Instead, and perhaps unsurprisingly, Colijn managed to place his friend De Graaff on that ministerial post.¹¹⁷ Although Langeveld touches only briefly upon this particular move, there is more to be distilled from it. For instance, Colijn's choice to move his friend forward is, by and large, to be considered a prime and clear *practice* of lobbying. Taking into consideration the close ties of friendship between De Graaff and Colijn, and the fact that the latter helped the him with a top-notch position in government, Colijn effectively created a direct line through which he could influence the decision-making process. One could even argue that working along Colijn's plan for the Jambi-concessions, De Graaff was acting on a *quid pro quo* basis. Thus, it was that together with De Graaff, Colijn proceeded working out the plan's he had made with Idenburg.¹¹⁸ He even provided de Graaff with support in writing ministerial statements to parliamentary questions on the subject.¹¹⁹ Having the ear of the minister was one thing, but functioning as his ghost-writer was quite something else. Indeed, the degree of influence of Colijn (and thus Deterding) on the political decision-making process was profound.

As de Graaff was about to present the worked-out plan for the Jambi-concessions to the House, another, foreign lobby reached politicians in the Hague. Alarmed by Standard about the perceived monopolistic tendencies of the Group in the Archipelago, the U.S.' State Department pressed the Dutch government for a change in the granting of the Jambi-concessions.¹²⁰ The granting of the Jambi-concessions was closely followed by the US' Consul J.F. Jewell in Batavia, Netherlands Indies. Jewell reported to the US Secretary of State in early 1920 that "in view of the vital importance of securing adequate supplies of mineral oil both for present and future needs of the United States, attention is invited to the advisability of taking strong action to bring about a favourable change in what appears to be intolerable conditions governing the granting of mineral oil concessions in Netherlands India".¹²¹ A diplomatic rift between the Netherlands and the U.S. was at hand and dealt with issues of the principle of reciprocity. On the basis of this principle, the U.S. – that allowed the Group to operate in America – was threatening to halt foreign (Dutch) companies and individuals from operating in the oil business in America.¹²²

¹¹⁶ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 239.

¹¹⁷ Idem.

¹¹⁸ Joost Jonker, Jan Luiten van Zanden, Stephen Howart and Keetje Sluyterman, *Geschiedenis van Koninklijke Shell: 1. Van Nieuwkomer tot marktleider, 1890-1939* (Amsterdam 2007) 267.

¹¹⁹ HDC, 'H. Colijn, 1869-1944', catalogue number: 054-2, inventory number: 26

¹²⁰ Gerald D. Nash, *United States Oil Policy 1890-1964. Business and government in Twentieth Century America*. (Pittsburgh: University of Pittsburgh Press 1968) 61;

¹²¹ Foreign Relations of the United States (hereafter FRUS) 'Papers Relating to the Foreign Relations of the United States, 1920, Volume III. The Consul at Batavia (Jewell) to the Secretary of State.' Batavia, January 27, 1920.

¹²² Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 239

With this threat in mind, Colijn advised De Graaff to change the plans. The business contract between BPM and the colonial government now focused on granting the Group *only* the concession rights of the Jambi oil-fields. The proposal to grant the Group any further future oil-concessions in the colony was withdrawn from the contract; as to not upset the Americans. Colijn's and De Graaff's editing paid off. When their contract left the Department of the Colonies and was brought before the House, it passed through with 49-30 in favour.¹²³ As the Jambi-legislation passed on to the Senate, the Group faced even greater difficulties; that of the colonial export-duties on petroleum products. Despite his undoubtedly good intentions, Colijn's approach to the whole Jambi-legislation had brought the Group under significantly more scrutiny than before; much to the chagrin of Deterding.

III.II The Group's Corporate Lobby and the Colonial Export Tax

The colonial export taxes were considered highly important to the Group. Personal accounts of Deterding indicate exactly how grave he thought the situation was at the time.¹²⁴ Again, the competition with Standard must not be overlooked in that regard. In his efforts to both prevent the government's plans to increase the export tax on petroleum products and oppose it all together, Deterding mobilised every imaginable means to his disposal to exert the necessary influence on the formal structures of power. An analysis of his *modus operandi* quite clearly shows what Deterding was capable of.

Had it not been for De Graaff's choice in August 1921 to agree with the socialist legislative proposal to raise the export duties on petroleum products, Deterding's focus would have limited itself to handling the negotiations of the Jambi-concessions - which he had entrusted to his right-hand-man Colijn.¹²⁵ Now that the 'tax-problem' got to him, Deterding was forced to initiate a much broader lobby, on a larger front. This meant reaching out to other contacts besides Colijn. Despite the fact that Colijn had managed the concession negotiations rather poorly, he remained an important figure to Deterding; who was to a large extent still dependent on Colijn's direct line to the Minister. Shortly after De Graaff's announcement, Deterding wrote to Colijn frantically: "we must act now!".¹²⁶ To Deterding, this meant all hands on deck. What subsequently followed can be described as a concerted effort, initiated and orchestrated by Deterding, to influence the political decision-makers in The Hague.

From his office in London, Colijn adhered to Deterding's call to action and began fervently corresponding with De Graaff on a personal level; not through formal company mail. This is important, as it indicates the relative ease with which Colijn sought to deal with the situation. On August 15th, Colijn had written to De Graaff: "I am sure you will understand, that no one wishes to work for the fiscal authority alone, yet still it is an undeniable fact, that the proposals from the Indies and the

¹²³ Ibidem, 241.

¹²⁴ SHA, 'Deterding Archive', catalogue number: 195, inventory number: 176 'Deterding to Colijn', 3 April 1922.

¹²⁵ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933.* (Amsterdam 1998) 243.

¹²⁶ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 210.

proposals from your own Ministry are moving in a direction of confiscation.”¹²⁷ This was not something the Group would tolerate without a push-back. “I fear that we will have to proceed to oppose these confiscatory taxes”, he concluded.¹²⁸

The Group’s push-back followed quickly and was formulated in a letter that was sent to De Graaff. In it, the Group expressed their grave concerns over the minister’s decision not to abolish the export duties on petroleum products, but conversely, to increase them. “Now that this export duty”, it read, “in relation to the sharp drop in prices that has set in recently, makes itself felt as a serious threat to our business in the Indies, speaking-up has become a duty to us. [...] should the existing plans for even higher taxes be only partially implemented, further reduction of our business in the Indies will be inevitable.”¹²⁹ Clearly, the Group was pressing the minister, for if they would cease exploration, production and exports, the colony would face even greater debts as there would be nothing to tax in the first place. Moreover, the fact that the colonial government singled out the oil industry while exempting the other industries from the export duty seemed fully reprehensible to the Group. “The Dutch constitution excludes taxation privileges, it therefore logically follows, that conversely, the colonial government may not select one industry to tax it specifically. [...] For these reasons, we urge Your Excellency, to do everything in your power to 1. Abolish the existing export duties on petroleum products, and 2. Refrain from introducing new taxes, which exclusively target the export of petroleum products.”¹³⁰

Running parallel to the official correspondence between the Group and the Minister, ran that of Colijn’s and De Graaff’s. Reading these, one could clearly see that by the time the concerns with the Group were mounting, the correspondence between the two began to show signs of mutual dissatisfaction. Referring to the meeting between Deterding and De Graaff in early 1921, Colijn wrote to De Graaff on the 24th of August that “Indeed, the meeting you had with Deterding was aimed at the replacement of the export duties by something else, less objectionable.” Referring to the Minister’s plans to increase the export tax, Colijn wrote:

That we, as defenceless sheep would allow this, is certainly very naïve of the government. [...] Do not think that I am being pushed by others in my views. I am one of the fiercest proponents of the struggle. It is not merely, not even to a significant extent, about the interests of Royal Dutch, but about development interests of the Dutch East Indies. The colony needs capital. But everyone is shy. Here in England, people are starting to unite against what is called the Bolshevik policy of the Indian government. [...] The resistance to such reckless politics must

¹²⁷ HDC, ‘H. Colijn, 1869-1944’, catalogue number: 054-2, inventory number: 26, ‘Colijn to De Graaff’, 15 August 1921.

¹²⁸ Idem.

¹²⁹ HDC, ‘H. Colijn, 1869-1944’, catalogue number: 054-1, inventory number : 71, ‘Board of BPM to Minister de Graaff’, date unknown but most likely early August, 1921.

¹³⁰ Idem.

begin now. [...] I sincerely wish you as much spirit as I have. But I fear for you. Because I defend what is right, and you must defend what is crooked.¹³¹

By November, the export duties were still in effect and the plans of Minister De Graaff to increase the duties had remained unchanged. Deterding decided to increase the pressure. On behalf of Deterding, Colijn sent a draft letter to De Graaff in which the Group threatened to withdraw from the NIAM-agreement with the colonial government to exploit the Jambi oil-fields if the Minister did not abolish the export duties on petroleum; for these duties did not exist at the time the Group made their bidding in the public procurement of the Jambi-concessions.¹³² This brought De Graaff into a difficult position. A defeat of his (and Colijn's) NIAM-agreement would mean a personal political disaster, especially now that it became clear to Parliament that De Graaff had not told the House about the American protests with regards to their perceived unfair treatment in the granting of the Jambi-concessions.¹³³ De Graaff, in response to Colijn's ongoing pleadings, wrote that this threat was, "in fact an attempt, while using the position obtained with regards to Jambi, to tell the government how it ought to run its fiscal policies. I suggest [...] you carefully avoid this error and strictly focus on Jambi and nothing more."¹³⁴ Colijn, it seemed, had pushed his comrade too hard. The letter would be one of the last in a series of personal correspondences concerning the matter.

Sensing that Colijn's efforts had seemed fruitless so far, Deterding set to work; and did so strategically. In January 1922, Deterding proposed to De Graaff to establish an advisory commission – another element of Deterding's *modus operandi* - which was to provide the government with the necessary in-depth insights into the detrimental effects of the export duties. De Graaff agreed.¹³⁵ Running on a different track, ran Deterding's initiated foreign lobby. It is characteristic for Deterding's business acumen that some months before the establishment of the commission, he had requested his friend and former business partner, Gulbenkian to pull a few strings with his contacts in Paris. Gulbenkian, an Armenian millionaire who had made a fortune in the oil-business, resided in Paris at the time and had an influential network to his disposal.¹³⁶ This is another key element of Deterding's *modus operandi*: making use of his international network. This allowed him access where others could not. Through it, Deterding was able to directly (in the case of his meeting with Charles Hardinge, the permanent undersecretary of State) and indirectly (through Gulbenkian) communicate his interests. Responding to Deterding's requests, Gulbenkian wrote on the 17th of August 1921, I "have already

¹³¹ Ibidem 4.

¹³² HDC, 'H. Colijn, 1869-1944', catalogue number: 054-2, inventory number: 26, 'De Graaff to Colijn', 15 November 1921.

¹³³ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 209

¹³⁴ HDC, 'H. Colijn, 1869-1944', catalogue number: 054-2, inventory number: 26, 'De Graaff aan Colijn', 15 November 1921.

¹³⁵ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 211

¹³⁶ Jonathan Conlin, *Mr Five Per Cent: The many lives of Calouste Gulbenkian, the world's richest man* (London 2019)

acted through the French Press. [...] and I will on the other hand take the question up with Baron Edouard and the other Rothschilds who are here.”¹³⁷ Unfortunately for Deterding, the Rothschilds were not that keen on supporting him with trying to overcome the taxation difficulties. Writing him on the 24th, Gulbenkian stated that “they are afraid of their own shadow and think that by being inactive and not taking measures, they can keep outside the attention of the authorities for many reasons which will occur to you. I will take the matter up in Paris myself [...]”.¹³⁸ And so he did.

Having been asked by Deterding whether he could reach out to the French government, Gulbenkian moved to it. Fortunately for Deterding, Gulbenkian had pulled the right strings. In a letter he sent to Colijn on 21st of September 1921 by order of Deterding,¹³⁹ Gulbenkian wrote that “I have just been informed from Paris that the French government has decided to make a friendly demarche direct to the Dutch government in connection with the Export Tax in the Dutch East Indies. I am told that this note will point out the concern felt by the French government for French supplies in view of the increased taxation.”¹⁴⁰ What is remarkable here, to say the least, is the fact that a private, non-state actor at the head of a MNC was capable of initiating a foreign lobby through a foreign nation-state for his own business interests. As Colijn’s lobby with Minister De Graaff had not been very successful, Deterding approached the issue from a creative, different, and unofficial route. Gulbenkian was fully aware of his friend’s rather unorthodox methods and was quite hesitant before engaging his contacts in the French government.¹⁴¹ This becomes evident in the following response to Deterding’s request, in which Gulbenkian wrote to him on 6th of January 1922, that although “I have been all along doing my utmost to the very best of my ability in order to further the policy you have in view [...] perhaps you should not exaggerate and smash too hard in order to gain your ends”.¹⁴² As Gulbenkian questioned his friend’s modus operandi to avert the dangers of the export tax, he wrote:

Now, I must frankly say that I do not think you should rely on foreign governments to go out of the accepted routine and universally recognised custom, and interfere with a sovereign and independent state like Holland in so far as its internal arrangements are concerned. Such action could surely not fall within diplomatic etiquette or even diplomatic methods? I have no

¹³⁷ SHA, ‘Deterding Archive’, catalogue number: 195, inventory number: 176, ‘Gulbenkian to Deterding’, 17 August 1921.

¹³⁸ SHA, ‘Deterding Archive’, catalogue number: 195, inventory number 176, ‘Gulbenkian to Deterding’, 24 August 1921.

¹³⁹ SHA, ‘Deterding Archive’, catalogue number: 195, inventory number: 176, ‘Gulbenkian to Deterding’ 21 September 1921.

¹⁴⁰ Idem.; Joost Jonker, Jan Luiten van Zanden, Stephen Howart and Keetje Sluyterman, *Geschiedenis van Koninklijke Shell: 1. Van Nieuwkomer tot marktleider, 1890-1939* (Amsterdam 2007) 268, The friendly demarche eventually did take place fortunately for Deterding.

¹⁴¹ Daniel Yergin, *The Prize. The Epic Quest for Oil, Money & Power* (New York 2009) 169

¹⁴² SHA, ‘Deterding Archive’, catalogue number: 195, inventory number: 186, ‘Gulbenkian to Deterding’, 6 January 1922.

knowledge of Dutch mentality, but it does strike me that you must win the support of your Dutch shareholders and your Dutch friends.¹⁴³

Gulbenkian's frank remarks about the methods of Deterding are striking. They resemble those made by the Sir Eyre Crowe.* Nonetheless, Gulbenkian remained sympathetic to Deterding's cause, especially now that "I understand", as he wrote, "from your letter that the system employed by Mr. Colijn has not been conducive to victory."¹⁴⁴ Although it was not for Colijn's ineffective lobby that caused his leave with the Group, the spill-over of his unsubtle management of the Jambi-concessions caused Deterding to request his discharge.¹⁴⁵ Colijn would eventually leave the Group on April first, 1922. Despite the leave of Colijn, however, a final letter to him reveals exactly how Deterding perceived the whole situation.

I read in the Financial Times these days, that we have said too much, yet I believe that if we had not done so, the mood that would gradually have gone up against the export duties would not have been as common and widespread as it is today. [...] I am not anti-Dutch at all, yet I am anti-Bolshevik. [and] many civil servants have gradually come to realize that it is their duty to curb big business. [...] The officials are the servants of the public and not, as they consider themselves to be in Holland, the masters of the public. The Dutch civil servants do not even understand that their salary is mainly paid directly and indirectly by the industry.¹⁴⁶

Interestingly, this small excerpt from Deterding's correspondence to Colijn also indicates how important he believed his efforts of running private schemes of unofficial representation activities were to him and the business. Without them, Deterding was convinced that his aims would otherwise not have been achieved. Moreover, to Deterding, the actions of the Dutch government were truly incomprehensible. He did not understand why a government would trouble the business of an international oil company; especially one in stark competition with an American giant. In the same letter, he wrote: "and now see, how people have treated us with regard to Jambi and how they think about the other concessions. The English government, on the other hand, when it concerns Burma or Anglo-Persian (oil companies), ensures that *they* receive all the concessions."¹⁴⁷ Reading between the

¹⁴³ SHA, 'Deterding Archive', catalogue number: 195, inventory number: 186, 'Gulbenkian to Deterding', 6 January 1922.

* In the introduction, Sir Crowe's response to Deterding's request point to the perceived unorthodoxy of Deterding's *modus operandi*.

¹⁴⁴ SHA, 'Deterding Archive', catalogue number: 195, inventory number: 186, 'Gulbenkian to Deterding', 6 January 1922.

¹⁴⁵ Herman Langeveld, *Dit leven van krachtig handelen. Hendrikus Colijn 1869 – 1944. Deel een 1869-1933*. (Amsterdam 1998) 243.

¹⁴⁶ SHA, 'Deterding Archive', catalogue number: 195, inventory number: 176, 'Deterding to Colijn', 3 April 1922.

¹⁴⁷ Idem.

lines, it is intriguing to see the role Deterding envisaged for the state in the matter. To him the state ought to have had provided a facilitating role, rather than, at least in his views, an inhospitable one.

Victory for the Group, however, would not stay out for long. Only a day after Colijn received Deterding's long epistle, the advisory commission had finished its report. Just in time for the Senate vote on the legislative proposal to raise the export duties on petroleum. The proposal, which was logged through the House of Representatives with but a minor majority, was defeated in the Senate on April 4th; especially now that "the Advisory Commission and the Minister of the Colonies are of the opinion that the special levies [increase of export duties] on petroleum products levied in the Netherlands Indies, should be withdrawn from the tax system at the end of 1922."¹⁴⁸ During the same Senatorial meeting, a motion was agreed upon that the export duties on petroleum products would be abolished and were to be put into effect by 1 January, 1923.¹⁴⁹ With the abolishment of the export duty legislation, Deterding had managed to keep his company out of harm's way and now closed the deal with the colonial government on the Jambi-concession

¹⁴⁸ Tweede Kamer Der Staten-Generaal, Kamerstukken 1814-heden, Overheid.nl, 'Parlementaire documenten', Handelingen Tweede Kamer 1921-1922, 31st Parliamentary debate on the findings of the Advisory Commission, 4 April 1922, 579-580. Online accessible at:

https://repository.overheid.nl/frbr/sgd/19211922/0000309164/1/pdf/SGD_19211922_0000157.pdf

¹⁴⁹ Paul Hendrix, *Henri Deterding, De Koninklijke Shell en de Rothschilds* (Den Haag 1996) 211.

Conclusion

This thesis has aimed to contribute to the academic debate concerning power relations by focusing on the interactions between an MNC and a national government. It has opted to take the juxtaposed theory as the point of departure to analyse these interactions. As such, RDS has been analysed as a juxtaposed actor of power next to the Dutch national government between the years 1912-1922. Both actors were embedded in power relations, within which, depending on the context and situation, the distribution of power was subject to change. By applying the NDH methodology and juxtaposed theory to Deterding as non-state actor, this thesis has been able to reveal, interpret and analyse his role and interaction with the Dutch government. This has allowed for an indication as to whether the distribution of power among the two actors was subject to change and to what extent Deterding was able to exert 'power' vis-à-vis the Dutch government, thereby enabling the verification of the juxtaposed theory.

NDH has been absolutely key to that end and gave the necessary insights as to how a non-state actor may operate in order to exert sufficient power and influence to promote his business interests in relation to a national government and its decision-makers. In contrast to traditional diplomatic history, NDH looks beyond the orthodox focus on government archives as source material and includes private and business correspondence as well. This enabled this thesis to provide insights into the multi-layered character of power relations. Moreover, it prevented bypassing non-state actors - whom by nature are not specifically defined or bound by traditional understandings of national interest - as relevant subjects of study.

This thesis has therefore consulted not only government archives, but in larger quantity: personal and business archives. These were vital to enabling for this research to provide insights into: 1.) the contextual factors that pushed Deterding into action, 2.) his goals, 3.) his modus operandi and 4.) the interaction between him as head of RDS and the Dutch government as two juxtaposed actors of power. Despite unique access to the archives of RDS, the relatively short amount of time that was granted prevented the conduct of a far more in-depth research. Much more material lies there that offers fascinating insights into *what* role a non-state actor could play within the power relations of his day, and more importantly, *how* he did this. This given fact constitutes as an invitation for further research. Nonetheless, the primary sources that have been consulted offered enough material about his role and how he operated. They gave a particularly unique glimpse of Deterding's thinking, which, according to the responses to his letters, was considered striking, and even odd at times. This is interesting, for when reading against the grain, it becomes clear that Deterding's modus operandi was questioned by his contemporaries for its apparent unorthodox style of dealing with the issues he and his company were facing. This is indicative of Deterding's business savviness and acumen.

Yet it was the contextual factors in the first place that led Deterding to run a private and unofficial scheme of diplomacy and lobbying activities to defend and further his business interests. For

had the Jambi-concessions been granted to RDS instantly, had the Dutch government not introduced and subsequently planned to raise the colonial export tax on petroleum products, and was RDS not entangled in a bitter competition with Standard, then Deterding would surely not have been pushed into action against the Dutch government. Yet these issues did happen, and were perceived to be highly detrimental to the overall business competitiveness of RDS. And as both case studies have shown, and according to himself, Deterding's modus operandi did have the desired effect and clearly reached those decision-makers in the higher, or even the highest echelons of government power. By his unofficial schemes of diplomacy and lobbying activities, Deterding's strategic goals were achieved.

But what does this tell us exactly? In other words, *to what extent was Deterding able to exert power vis-à-vis the Dutch government?* To stay with Dahl's concept of power, Deterding, as a non-state actor (actor A), has clearly been able, at least within the right contextual circumstances and with the right networks to his disposal to exert sufficient amount of influence, or power, to force the Dutch government (actor B), to do something which actor B would not otherwise have done by itself. This indicates that Deterding's actions ought to be regarded as acts of power. Especially as we take into account Strange's broadening of the concept of power to include 'the ability to create or destroy, not order but wealth, and to influence the elements of justice and freedom.'¹⁵⁰ Yet it would be unfair, and outright untrue if one tends to think of power and the distribution of power in terms of *either – or*. Instead, as the two case studies have shown, the distribution of power has been subject to change. For Deterding still needed the official structures of power, as exercised by national governments, to grant him the necessary democratic tools of the enforcement of power. In order to further his business interests, Deterding, as any other non-state actor, simply remained dependable on the legislative and executive powers of the Dutch government. True, his unofficial diplomatic and lobby activities greatly influenced the decision-makers, but their signatures, so to speak, were necessary to close the deals and formally conclude them. In these two cases, they were concluded to the advantage of Deterding. Clearly then, both historical case studies have indicated and verified the juxtaposed theory, as it draws our attention to the changeability of the distribution of power within certain contexts and situations. With regards to the Jambi-concessions and the colonial export tax on petroleum products, Deterding was able to dominate the Dutch government by applying an effective range of elements – ranging from using his international network and that of his influential interlocutors to proposing the establishment of an advisory commission - that characterised his modus operandi in relation to the Dutch government. He did this to the extent that the latter believed that the national interests would not be served optimally when RDS would not have been given the Jambi-concession rights and when the company was forced to remain paying export taxes – thereby allowing Deterding to achieve his strategic goals of interest maximisation.

¹⁵⁰ Susan Strange, 'Big Business and the State', Millennium-Journal of International Studies Vol. 20, No. 2 (1991) 245-250, 245.

This is where the added value of this particular research lies for the academic debate about power relations. This research has shown that a predetermined view on power relations, wherein either MNCs dominate national governments or the other way around, is not sustainable. In fact, the distribution of power is subject to change and less so theoretically divided in terms of *either – or*. On the contrary as it seems. Both actors are juxtaposed and thus capable of exerting power within certain circumstances, therefore characterising the distribution of power more so in terms of *both – and*. Furthermore, the relevance of this particular research lies in its pre-World War II periodisation. Especially when taken into account the fact that early twentieth century MNCs as non-state actors as objects of study and their interaction with national governments have been only meagrely studied. The outcomes of this research are therefore relevant for both historical studies on private enterprises and their interactions with nation states, as it is relevant for current and further theoretical academic research on the interplay between private enterprises and national governments. Concluding, this research' added value also lies in its specific focus on unofficial diplomacy. Especially as both case studies point to the obvious fact that the particular type of non-state actor was a force to be reckoned with, and used the art of diplomacy as a power tool of negotiation, representation and influence to maximise its interests vis-à-vis a national government. This indicates that early twentieth century diplomacy was diverse in scope, and clearly exposed by external (being outside of formal government structures) unofficial networks and channels of communication. These findings have thus provided insights into the general nature of diplomacy and may prove of value to current academic studies on diplomacy. More so, as the trends of globalisation and technological advancements have only increased significantly since the days of Deterding's. The art or act of diplomacy has only become more fluid in character than ever before.

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