BULGARIA

REPRESENTATIONS ON BEHALF OF STANDARD OIL INTERESTS IN BULGARIA WITH RESPECT TO GOVERNMENT ACTION FIXING THE PRICE OF KEROSENE

374.115 Standard Oil Company/1

The Minister in Bulgaria (Shoemaker) to the Secretary of State

No. 291 SOFIA, September 21, 1931.
[Received October 9.]

SIR: I have the honor to report that on September 11, 1931, Mr. Lewis R. Owen, district manager for the Standard Oil Company of New York, called at the Consulate to bring to its attention a recent decision of the Commission for the reduction of the cost of living in Bulgaria. This decision involved the lowering of price of kerosene to 7.38 leva per kilogram wholesale at Rousee, Bulgaria, the Danubian port of importation of the oil from Rumania into Bulgaria. Mr. Owen was greatly perturbed over this decision which if put into effect would work considerable loss to the Standard Oil interests. He further explained that a clause in this decision or at least an interpretation thereof rendered stocks of oil in Bulgaria subject to confiscation in case the dealers refused to sell at the price decreed by the Cost of Living Commission. Mr. Owen, on the basis of instructions from his company, informed the Consulate that the only course left for him was to close up and not to sell as the Standard Oil Company was not inclined to be forced into bankruptcy by the arbitrary ruling of this Commission. At the suggestion of the Consul, Mr. Owen visited the Legation to inquire its attitude in supporting him should he make a move not to sell. In as much as the decision had not yet been published officially it was thought advisable to take no immediate action in the matter but to await developments and in the meantime make a careful study of the situation. This was done and in several conversations with Mr. Owen I became convinced of the justice of his claim, as embodied in the memorandum submitted by him which is appended to this despatch.[1] Mr. Owen was particularly worried by the wording of the law of August 7, 1924, which is brought into effect by the decree of the Commission and which reads as follows:

[1] None of the enclosures mentioned in this despatch are printed.

"All producers and merchants failing to sell at standard prices will be punished in accordance with paragraphs 10, 11 and 12 of the law for relieving and reducing the high cost of living.

"Persons, societies or corporations hiding, accumulating or destroying merchandise of prime necessity in order to force the market price up will be condemned to one year's imprisonment and to the payment of a fine of from 10,000 to 500,000 levas.

"The accumulated merchandise of prime necessity will be confiscated at the lowest wholesale price of the market reduced by 25%, according to the decision of the Municipal Board and approved by the Chief Commissariat."]

On September 17, 1931, the Commission promulgated the decision above referred to in the *Official Gazette*. The same day in a telephone conversation with Mr. Owen I was informed that he had instructed all of his agents to refuse to sell at the price named by the Commission and that he had heard that measures were being taken to remove the oil from the warehouses of the Standard Oil Company but as yet had not been able to verify this rumor. At the same time he spoke of a visit he had had with representatives from all the large oil companies to Mr. Mooshanoff, the Acting Prime Minister, which had had unsatisfactory results. On the morning of September 18, Mr. Owen called at the Legation to say that reports were becoming more general that the oil of the Standard Oil Company was to be confiscated and that he had been advised by his company heads at home to stand on his legal rights and resist such action. In view of these developments it was thought advisable by the Legation to make informal representation to Mr. Mooshanoff. Accordingly on the afternoon of the same day I called on Mr. Mooshanoff accompanied by Mr. Frank W. Barnes, in charge of the Consulate, on account of whose early activities in the matter I thought made it important that he should be with me. While Mr. Mooshanoff as usual was very cordial and met me with assurances which in the course of the conversation proved vicarious, I was not at all satisfied with the result of the talk.

We presented our side of the case to Mr. Mooshanoff and pointed out to him the fact that the decree, at least superficially, seemed designed to discriminate against foreign and particularly American interests in Bulgaria. Mr. Mooshanoff hastened to assure me that nothing was further from the intention of his Government or the Commission, but that it was simply a "necessary method" in connection with lowering the cost of many staple necessities directly affecting the peasants of the country who were, as he said I must know from my travels in Bulgaria, in a deplorable state and made imperative, he declared with great earnestness, immediate steps in their behalf, especially if they were to be saved from being influenced by the oratory of radical groups. He then further stated that by lowering the prices of certain commodities, cotton and kerosene included, his Govern-

ment would solidify its position with the peasants who, as I was aware, constituted the bulk of the people. Although he did not put the matter in so many words, the only possible interpretation to make was that the decision more than anything else is a "publicity move" to popularize the existing Government with the peasants. That foreign capital should suffer, although Mr. Mooshanoff desired to give the impression that this was not actually the case, was regrettable but entirely in keeping with the world crisis. Any argument to be advanced in this connection seemed vitiated, however, by his previous remarks. Mr. Mooshanoff assured me that the memorandum prepared by Mr. Owen and which I left with him would receive his immediate and most careful attention. When questioned as to what might actually develop in the way of confiscation of property belonging to the Standard Oil Company he admitted that such measures while in accordance with the laws of Bulgaria would hardly be applicable to foreign concerns in peace times (as we had previously pointed out to him) and added that "Bulgaria not being at war we might rest assured that such would not come to pass". He again insisted that the measure was one prompted by necessity to relieve the peasants immediately and was not to be considered as permanent.

Meanwhile the American interests in Bulgaria will have to cease to function until the Government sees fit to enable them to do so without too great a loss. Mr. Owen has been informed that confiscation of Standard Oil property will not be contemplated and in the meantime his company will make no importations of oil into Bulgaria and will hold the stock on hand until matters adjust themselves.

A statement by Mr. Mooshanoff appeared in one of the morning papers in Sofia on September 19th and appended hereto would show that this Government has lost no time in announcing that it will abide by its intention to take all possible measures to reduce living costs in the country. It is apparent from the article that the interview with the American Minister is turned to the advantage of the Government. Annexed to this letter will be found an English translation of Mr. Owen's memorandum given by me to Mr. Mooshanoff, a statement prepared by Mr. Owen giving a history of the price reducing situation and an article from *Zora* of September 19, 1931.

Respectfully yours, HENRY W. SHOEMAKER

374.115 Standard Oil Company/2 : Telegram

The Secretary of State to the Minister in Bulgaria (Shoemaker)

WASHINGTON, October 24, 1931—1 p. m.

8. Your despatch No. 291, September 21, 1931. The Department assumes that you have satisfied yourself as to the accuracy of the

contentions of the Standard Oil Company. Upon that assumption it is desired that you seek an immediate interview with the Prime Minister and inform him of the concern felt by this Government over the recent administrative action of the Commission for the Reduction of the Cost of Living in arbitrarily fixing the wholesale price of kerosene at a figure which clearly appears to be less than the cost of importing kerosene into Bulgaria.

The effect of the order on the Standard Oil Company will be to force it to sell its products at less than cost and thereby subject its property to direct confiscation without due compensation and to possible imposition of penalties. This course would result in the violation of a generally recognized principle of law expressive of elementary justice and would also disregard the provisions of paragraph three of Order 69 under which the Commission purports to act and which clearly provides that all the elements of the cost of importing kerosene into Bulgaria "plus a certain profit" shall be considered in fixing the wholesale price. Since the price established by the Commission is substantially less than the total of all the legitimate items of cost prescribed by Order 69, it is evident that the Commission acted beyond the scope of its authority and that its decision should be corrected by an adjustment of the matter which will meet the wishes of the Government of Bulgaria and at the same time insure equitable treatment to the American company concerned.

As evidence of the arbitrary character of the Commission's action and the inadequacy of the investigation on which that action was based, it need only be observed that the Standard Oil Company was not asked for or given any opportunity to present the facts as to the cost of importing kerosene into Bulgaria and that the Company is in a position to prove that the price fixed by the Commission disregarded the provisions of paragraph three of Order 69.

You will accordingly state that this Government is confident that the Government of Bulgaria will without delay take the necessary steps to prevent the serious injury to the property rights and interests of American citizens in Bulgaria which results from the application of the Commission's order to the Standard Oil Company. You should leave an *aide-mémoire* of the foregoing with the Prime Minister at the time of your interview.

If you consider it advisable you may make a discreet oral suggestion that if the Bulgarian Government is seriously interested in reducing the cost of kerosene to consumers it would appear that such a result could be accomplished by lowering the present import duties, which amount to nearly 800 per cent ad valorem, rather than by seizing the property of an American company without due compensation.

STIMSON

374.115 Standard Oil Company/3 : Telegram

The Minister in Bulgaria (Shoemaker) to the Secretary of State

SOFIA, October 27, 1931—6 p. m.
[Received October 27—3:15 p. m.]

27. Contents of Department's telegram No. 8, October 24, 1 p. m., communicated this afternoon to the Prime Minister who was visibly moved by the force of the message and who assured me with every mark of sincerity that steps will be taken immediately to accord full satisfaction to the Standard Oil Company within the limits of order No. 69.

In cooperation with local director of the Standard Oil Company the Legation will continue to follow the matter closely in an effort to see that effect is given to this promise.

SHOEMAKER

374.115 Standard Oil Company/5 : Telegram

The Secretary of State to the Minister in Bulgaria (Shoemaker)

[Paraphrase]

WASHINGTON, November 27, 1931.

10. Reference Legation's despatch No. 310 of October 30, 1931.[2] The fact that kerosene is being sold in some places by the Standard Oil Company at a price lower than the one fixed by the Commission has caused the Department some surprise. This is not in accord with previous statements made by Owen to the effect that his only course was to close up, since the Standard Oil Company refused to sell its products at Government-fixed prices. The Department refers to its telegram No. 8, October 24, 1931, 1 p. m., and again reminds the Legation that only if satisfied as to the accuracy of the Standard Oil Company's contentions was the Legation to make the representations authorized therein.

In view of the company's original allegation that the price as fixed by the Commission was confiscatory, the Legation is requested not to make any further representations and to submit to the Department a full account of the principal facts which form the basis of Owen's allegation of damage, particularly a detailed explanation of the company's ability to sell kerosene at a price below that fixed by the Commission while yet complaining that the price fixed by the Commission is confiscatory.

STIMSON

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[2] Not printed.

374.115 Standard Oil Company/6 : Telegram

The Minister in Bulgaria (Shoemaker) to the Secretary of State

[Paraphrase]

SOFIA, November 30, 1931—6 p.m.
[Received November 30—4:05 p.m.]

33. Referring Department's telegram No. 10, November 27. Legation made representations only upon verifying costs from company, which was selling at Commission's price, or lower, for reasons of business competition. An examination of another company's books by an agent of the Commission within the last month revealed loss of 1½ leva per kilo.

As requested, Legation is mailing comprehensive statement of material factors to Department by pouch today [3] and will request Department's advice should further representations seem necessary.

SHOEMAKER

[3] Despatch No. 324 not printed.