

# FROM THE DICTATORSHIP OF JUAN VICENTE GÓMEZ, TO THE TRANSITION OF LÓPEZ CONTRERAS: DIPLOMATIC RELATIONS BETWEEN THE UNITED STATES AND VENEZUELA 1908-1941.

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## Summary

This study analyzes diplomatic relations between Venezuela and the United States during the period of Juan Vicente Gómez and the transition to Eleazar López Contreras. It examines the role of oil, the influence of dollar diplomacy, and U.S. policy in the region, highlighting changes in Venezuelan foreign policy in the context of World War II.

**Keywords:** Diplomacy, Venezuela-U.S. relations, Juan Vicente Gómez, Eleazar López Contreras, oil.

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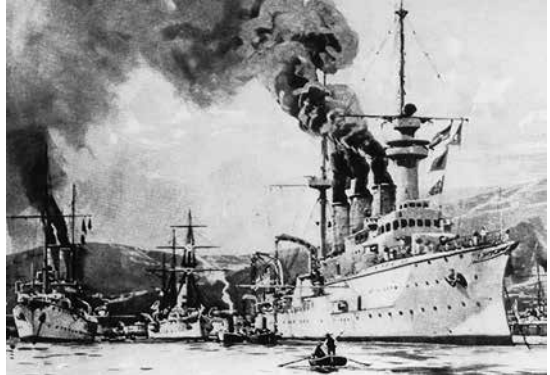




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## By way of introduction

The last nineteenth century revolution reached the dawn of the twentieth century and took root in Venezuela-United States relations amidst profound differences. Caracas and Washington had maintained sufficiently antagonistic positions to never again resume diplomatic relations<sup>1</sup>.

A medical circumstance will change the course of bilateral relations, after Cipriano Castro, urged to undergo an operation in Germany, provisionally left General Juan Vicente Gómez in charge of power, who in a process of delays and tensions will hold on to command as of December 13, 1908<sup>2</sup>, to the point of facing serious inconveniences with Holland when a Venezuelan ship was captured by a warship as a reprisal ordered by the Queen<sup>3</sup>. In effect, Cipriano Castro had conducted Venezuela's foreign policy on wide margins of hostility with some European powers in addition to the United States. The domestic and international situation for General Gómez was not simple and on December 21, 1908, the person in charge of the archives of the United States Embassy in Caracas, John Brewer, informed that Gómez had appointed a new cabinet and completed his reaction against Castro, manifesting his interest in settling all international inconveniences.<sup>4</sup> This circumstance reaffirms that from the beginning of the 20th century domestic politics will impact international reactions and Venezuela's foreign policy.

- 1 National Archives in Washington. State Department documents. Telegram from U.S. Secretary of State Elihu Root to the U.S. representative in Venezuela, Jacob Sleeper, notifying of the decision to close the U.S. Embassy in Caracas. Washington D.C., June 13, 1908. Numerical File 4832/9, reel 414.
- 2 Caballero, Manuel (2007). Gómez, el tirano liberal (Anatomía del poder). Caracas. Alfadil Editores, pp. 106-109.
- 3 National Archives in Washington D.C. State Department documents. Telegram from the U.S. Embassy in Caracas informing that a Venezuelan vessel had been captured by a Dutch warship. July 1908. Numerical File 3136/81-83, reel 297.
- 4 National Archives in Washington D.C. State Department documents. *Telegram from Jhon Brewer, Consular Agent and keeper of the archives of the U.S. Embassy in Caracas, to Elihu Root, U.S. Secretary of State. Caracas, December 21, 1908.* Numerical File 3136/80, reel 297.

In fact, the internal tensions between Gómez and a small pro-Castro sector unleashed the events that led to the proclamation of the seizure of power on December 20, 1908<sup>5</sup> and the consequent communication from the U.S. government for the normalization of diplomatic relations between Caracas and Washington<sup>6</sup>.

On December 27, 1908, the U.S. ship "North Carolina"<sup>7</sup> arrived in La Guaira carrying the High Commissioner William Buchanan<sup>8</sup>, in charge of materializing the intentions to reestablish diplomatic ties and solve the pending controversies that had originated the rupture of bilateral relations.

We base our work on two research questions: was oil the main element to establish relations between Venezuela and the United States in terms of a hegemonic project of U.S. power, and what were the elements that led to this meeting? We will develop our discourse in the analysis of primary sources collected in the national archives in Washington D.C., comparing them with documents found in the archives of the Venezuelan Foreign Ministry to try to approach an objective construction of the facts and, therefore, a scientific research of fundamental contribution.

## Reaffirmation of government recognition: interest formation and development

The mere presence of Juan Vicente Gómez in power generated immediate recognition of the government of William Howard Taft, however, there was much to be solved between the two nations. The root of the problem had domestic political connotations originating in Venezuela and with individual-international impact between Castro and Roosevelt. Carlos Edsel<sup>9</sup> reports, and this is corroborated by primary documentary sources, that due to the financing granted by the *New York and Bermudez Company* of 140 thousand dollars to the "Liberating Revolution"

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5 ACMRE. Old Archive. Presidency of the Republic. *Proclamation of Juan Vicente Gómez upon assuming control of power. Caracas, December 20, 1908.* Doc 12, Folder 1.

6 ACMRE. Old File. United States. *Communication from the US Secretary of State, Elihu Root, to the Venezuelan Minister of Foreign Affairs, Dr José de Jesús Paúl.* Washington DC. December 21, 1908. Hague Tribunal file on American claims, 1908-1909, volume I, vol 176, fs 4-5.

7 National Archives in Washington. State Department documents. *Telegram from the State Department to the representative of that country in Venezuela, Jacob Sleeper, notifying of the voyage of the ship North Carolina, escorted by the Des Moines and the Maine, which will remain as long as necessary in Venezuelan waters to guarantee that Castro does not overthrow the new Venezuelan government.* Washington D.C., December 22, 1908. Numerical File 3238/9, reel 414.

8 National Archives in Washington D.C. State Department documents. *Telegram from Jhon Brewer, Consular Agent and keeper of the archives of the U.S. Embassy in Caracas, to U.S. Secretary of State Elihu Root, in which he continues his report on the political situation in Venezuela during December 13-19, 1908.* Caracas December 27, 1908. Numerical File 3136, roll 297. (Free translation by the author)

9 Edsel, Carlos (1986). *Cipriano Castro y Teodoro Roosevelt*. In: *Colección "los grandes conflictos políticos y económicos de nuestra historia"*. Caracas. Ediciones de la Comisión Centenario del Nacimiento de Rómulo Gallegos, pp. 9-11.

led by the banker Manuel Antonio Matos in 1902, which resulted in the death of forty thousand (40,000) Venezuelan citizens, Castro filed a lawsuit before the Court of First Instance in Civil Matters of the Federal District, which sentenced the American company for 24,178,138.47 bolivars for damages caused to the nation, ordering the seizure of the asphalt lake of Guanoco with all the American facilities and properties<sup>10</sup>.

Once Gómez was in power, the negotiations between Commissioner Buchanan and Foreign Minister González Guinan produced the protocols for the solution of controversies of February 13, 1909 through international arbitration<sup>11</sup> which excluded the recognition of damages caused to the Republic, in exchange for the respect of the rights of the companies over the lands, machinery and other American properties<sup>12</sup>, a matter that strengthened the American aspirations under the protection of the so-called “*dollar diplomacy*” whose dichotomous objective was based on two major efforts: the action of US diplomacy to obtain modifications to the other country’s customs legislation, taxes or concessions regime, or the protection of US interests through the threat or use of force<sup>13</sup> .

The policy of hegemony deployed by Washington over its southern neighbors constantly besieged by European extra-continental powers, as was the case of the Naval Blockade of the Venezuelan coasts in 1902, generated a process of revision of the Monroe Doctrine, who in his annual message to the U.S. Congress on December 2, 1823 addressed the problem of the Latin American Republics that had just gained their independence and the growing possibility that the European powers might try to regain control over their former colonies. President Monroe was of the opinion that the American continents were henceforth not to be considered as subject to future colonization by any European power and that any attempt by Europeans to extend their system to this hemisphere would be considered dangerous to American peace and security, i.e. the American continent would be considered forever barred from any European imperialism, prohibiting its penetration into the Americas.<sup>14</sup> These principles, adjusted to the needs and interests of the century that was beginning, were the foundations of the tutelage that the United States would exercise over the Latin American nations and that would justify,

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10 AMRE. Old file. *Note from the Minister of Foreign Affairs of Venezuela, Eduardo Blanco to the Envoy Extraordinary and Minister Plenipotentiary of the United States of Venezuela, Francis B Loomis, commenting on a note of protest produced by the United States, relative to the New York and Bermudez Company.* File 1900-1909. Volume 130 Volume 38, folios 35 and 35 vt.

11 Republic of Venezuela. General Archive of the Nation. Superior Court of Cassation. Old Archive. Auto: *Alegato sobre el punto previo. In: Original files of the file before the tribunal of the Permanent Court of Arbitration of The Hague constituted in accordance with the Venezuelan-American Protocol granted in Caracas on February 13, 1909. The Orinoco Steamship Company, Limited, pleadings of the representative of Venezuela Dr Carlos F Grisanti (1910).*

12 Republic of Venezuela. Ministry of Foreign Affairs (1957). *Public Treaties and International Agreements. Venezuela and the United States. Protocol for the settlement of certain claims, signed at Caracas February 13, 1909 (legislative approval: August 11, 1909, executive ratification August 17, 1909).* Volume I. 1820-1927.

13 Duroselle, Jean Baptiste (1965). *Foreign Policy of the United States: from Wilson to Roosevelt (1913-1945).* Mexico. Fondo de Cultura Económica, pp.24-25.

14 Lerche, Charles (1958) *Foreign Policy of the American People.* New Jersey. Englewood Cliffs, p. 145.

behind closed doors, any political or military intervention in the high legislative and judicial spheres. Venezuela, a neighbor over which no particular greed had been awakened, served its geostrategic interests due to its privileged location and in the resolution of judicial situations involving large capitals of nationals.

With Buchanan's return to Washington, his subsequent death and the appointment of new representatives by both parties for the initial solution of the pending issues in the protocol of February 13, 1909, the formalization of the U.S. government's recognition of the new Venezuelan administration was put on hold, a matter that would worry Gómez in his struggle for absolute control of power, with the latent Castro threat from abroad.

In fact, the beginning of informal relations developed on the basis of international and domestic interests of both nations. On the one hand, the United States sought to regain control of the Caribbean area, terribly injured by Cipriano Castro's nationalist and anti-imperialist stance, and on the other hand, Gómez needed the assistance and validation of the United States for the maintenance of internal power, suppressing any attempt to displace him from power as a consequence of Cipriano Castro's actions<sup>15</sup>. Interest and power come together in a process of reuniting bilateral relations.

Accordingly, and after the validation of the U.S. claims in the judicial dispute, Venezuelan Foreign Minister González Guinán informed about the resumption of diplomatic relations between the United States and Venezuela by means of a communiqué addressed to Venezuelan Minister Plenipotentiary in Washington Pedro Ezequiel Rojas:

Venezuela has just reestablished its diplomatic relations with the United States of America, after having adjusted with said nation the protocols of February 13 of the previous year, so that the mission that has just been entrusted to you with the government of Washington, obeys the purpose that animates the present administration to cultivate with the United States a cordial and mutually beneficial treatment to the interests of both nations, the circumstance of having arrived in a short time to solve questions that were about to produce between both countries a rupture that would have affected in a notable and deep way their relations, makes us believe that you will find in the American government the best welcome and that Venezuela will be able to count on the good offices of the United States in order to achieve a decent arrangement of the problems that have not yet been solved with some States of Europe<sup>16</sup>.

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15 National Archives in Washington D.C. State Department documents. *Political conditions in Venezuela*. 286-530. 1908. Numerical File 831.00

16 Consalvi, Simón Alberto (1991) *De cómo el Primer Canciller de Juan Vicente Gómez, instruyó al Ministro Plenipotenciario en Washington, 1909*, Caracas, Tierra de Gracia Editores, pp. 25-26.



After satisfying the preliminary issues determined by the postulates of dollar diplomacy and the Venezuelan government's need to consolidate control over the national power structure, Foreign Minister González Guinán will precisely outline the course of foreign policy towards the United States, whose measure will be balanced by the achievement of US support in the negotiations with the European powers<sup>17</sup>, an issue considered by Gómez to be of vital importance.

## Gómez and dollar diplomacy

Venezuelan academic Wilma Petras<sup>18</sup> states with great certainty that Gómez would represent the necessary stability for U.S. companies, guaranteeing the fluidity of diplomatic relations between the two nations for 27 years.

However, Venezuela could have remained as a “guest of stone” in its relations with the United States if it had not been for another American interest that came about in 1913 when the first oil well was discovered in Venezuela in the Guanoco field, with the successful completion of the drilling of the Barbabui I well. *Caribbean Petroleum*, majority owner of the *New York and Bermudez Company* and a subsidiary of *Royal Dutch Shell*, intensified geological exploration throughout the national territory and in 1914 also successfully drilled the Zumaque I well on the East Coast of Lake Maracaibo, which with its initial production of 200 barrels per day allowed the discovery of the first Venezuelan field of world importance. In fact, it was not until that year that a General Peace Treaty<sup>19</sup> was signed, originated by two circumstances: 1- the beginning of the war in Europe, which placed Venezuela in a delicate position vis-à-vis the United States to continue with the traditional relations with the European powers, and 2- the North American interest, which had not yet entered the war, to penetrate with its companies the Venezuelan markets left by the European companies.

In fact, the first oil boom in Venezuelan lands occurred in Lake Maracaibo in the first quarter of our century, a stellar moment of commercialization. Gómez would allow the oil companies to operate with large bases in Venezuela in exchange for their help and collaboration, through the U.S. government, in sustaining the regime for as many years as necessary. The North Ame-

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17 National Archives in Washington D.C. State Department documents. *Telegram from the High Commissioner in Caracas, William Buchanan, addressed to the U.S. Secretary of State, requesting that no support be given to the Venezuelan diplomat, José de Jesús Paúl with a mission in Europe, until an agreement is signed to regularize relations between the United States of America and Venezuela*. Caracas, December 28, 1908. Numerical File 4832/74, roll 414.

18 Petras, Wilma (2000) *Two centuries of relations with the United States*. In: *Venezuela y los países hemisféricos, Ibéricos e hispanoparlantes, por los 500 años del encuentro con la Tierra de Gracia*. Caracas. Instituto de Altos Estudios de América Latina, Universidad Simón Bolívar, p. 638.

19 Republic of Venezuela. Ministry of Foreign Affairs (1957). *Public Treaties and International Agreements. Venezuela and the United States of America (General Peace Treaty, signed in Caracas on March 21, 1914) (Legislative approval on July 21, 1915. Executive ratification on July 30, 1915. Exchange of ratifications in Caracas on February 12, 1921)*. Volume I. 1820-1927.

rican companies would not skimp in their efforts to explore and exploit Venezuelan soil, which would soon become the target of competition from large and nascent oil corporations<sup>20</sup>.

During the first years of Gomezism until the European War, U.S. politicians and diplomats severely criticized the internal politics of Latin American countries, especially Cipriano Castro's Venezuela. Gómez made a fundamental change in the handling of international affairs, particularly in relation to the United States, whose "stick diplomacy" of President Theodore Roosevelt had earned high levels of antipathy and unpopularity in most South American nations. Thus, Secretaries of State such as Elihu Root<sup>21</sup> were not appreciated by Hispanic leaders.

It was Juan Vicente Gómez who gave his backing to foreign investment in Venezuela, a testimony of which was his speech to the Diplomatic Corps on January 1, 1911:

...the old and narrow criterion of isolation and misgivings has been succeeded by the broad criterion of international harmony. And Venezuela needs foreign arms and capital to put into activity the innumerable sources of wealth with which nature has endowed it. There is peace and guarantees. Our land longs for the fertile furrow of honest work and offers humanity a place full of joyful hopes. I trust that the other nations will interpret this attitude of ours in justice at the present historic moment of national life; and in repaying your cordial vows I do so in my turn for the happiness and prosperity of each one of them, of their governments and heads of state that you so worthily represent and for the personal fortune of each one of you<sup>22</sup>.

Venezuela's support was neither naive nor forced. In spite of the fact that the regime did not have a large diplomatic apparatus, its policy was clearly oriented towards the satisfaction of two objectives: 1- The pacification of the country by means of force and for this it had to count on foreign capitals and 2- The solidarity of nations, especially the United States to stop any insurrectional attempt that might germinate from abroad. In such a way that both interests would be satisfied, that of the foreign companies that would monopolize the oil business and that of the regime assuring its hegemony with the support of the United States.

This trend remained constant during 1911, so that in President Gómez's message to the extraordinary session of the National Congress on October 15 of that year, he stated:

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20 Picón Salas, Mariano et al. (1975). *Venezuela Independiente (Evolución Político-Social 1810-1960)*. Caracas. Fundación Eugenio Mendoza, p. 336.

21 National Archives in Washington D.C. State Department documents. *Public review of Secretary of State Elihu Root*. Document File, 1890-1917 (ARC ID 300367), File: 368909.

22 Republic of Venezuela (1971). Presidential New Year's Addresses 1901-1971. *General Juan Vicente Gómez in reply to the Diplomatic Corps. January 1, 1911*. Caracas. Ediciones de la Presidencia de la República, p. 21.

“...the pacification of the country, free of civil wars since 1903, it was necessary to introduce capital, work, science and experience from abroad to carry out the December Program; so that the government was studying, at the request of English and other foreign capital, the granting of major concessions for the exploitation of the resources of Venezuela”<sup>23</sup>.

Thus, the concessions granted by the Venezuelan government to foreign companies were intended to finance the modernization of the country to a cosmopolitan level, removing rurality from the Venezuelan imaginary, which made indispensable the creation of financial institutions, highways to facilitate transportation, hospitals, schools and an adequate national army in exchange for allowing, among other perks, the concessionaires to obtain a monopoly on the navigation of the Orinoco River, schools and an adequate national army in exchange for allowing, among other perks, the concessionaires to obtain a monopoly on the navigation of the Orinoco River<sup>24</sup>, fifty years of exploitation on Lake Guanoco (granted to the *New York and Bermudez Company*<sup>25</sup>) under the protection of the 1910 oil legislation that authorized such concessions.

The foreign policy of the regime and the development of its diplomacy depended on the personal criteria of Juan Vicente Gómez. In such a way that the chancellery was not due to the discussion or analysis of the problems, but was subordinated to the decisions of the president. The first important concessions show Gómez's personal interest in benefiting U.S. companies over other foreign companies, for the same reasons that assisted him in complying with the postulates of the Washington Protocols<sup>26</sup> with the purpose of protecting mutual relations. It would be the 1914 Peace Treaty that would establish a favorable climate for bilateral relations in times of the looming international conflict.

## Venezuela: The United States, the European War 1914-1918 and post-war

Since 1910, Santos Aníbal Dominicci, Minister Plenipotentiary of the Venezuelan Legation in Germany, had been observing the winds of war blowing through European geography as a result of ethnic and territorial disputes<sup>27</sup>.

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23 United States of Venezuela. *National Congress. Message of President Juan Vicente Gómez to the Congress in extraordinary session of October 15, 1911.*

24 Ibid.

25 United States of Venezuela. Ministry of Development. *Memoria 1911*. Exposition, p. VII.

26 United States of Venezuela. *National Congress. Message of President Juan Vicente Gómez to the Congress in session of 1912.*

27 ACMRE. Old Archive. Germany. Venezuelan Legation, 1910-1911. *Report made by Dr. Santos Aníbal Dominicci, Plenipotentiary of the Venezuelan Legation in Germany, in which he explains in detail the European political problems*. volume I, vol II.

Indeed, the event of June 28, 1914 in Sarajevo would prove the Venezuelan scholar right, who years later would renounce his diplomatic powers for rejecting Gómez's intention of perpetuating himself in power. The conflict did not immediately extend to the United States, whose administration saw the European War as an opportunity to monopolize the Venezuelan markets left by the extra-continental powers<sup>28</sup>.

1914 will represent for the Venezuelan society in exile, the intention of President Gómez to remain eternally in power<sup>29</sup>, which will generate the reaction of the regime to show a certain constitutionality in the search for international legitimacy. The disdainful opinions that the U.S. media had about the figure of Cipriano Castro were well known, and since a good part of the opposition was in the United States, similar situations had to be avoided at all costs. Thus, when the Congress appointed him for a new term, he did not accept and Victorino Márquez Bustillos was elected as Provisional President for the period 1915-1922<sup>30</sup>.

The beginning of hostilities in Europe is one of the indications of the dependence of Juan Vicente Gómez's personalist policy on the United States. In spite of the evident sympathies of Gómez towards the Kaiser's empire<sup>31</sup>, Venezuela declares its neutrality following the steps of the foreign policy of President Wilson's government through the annual message to Congress addressed by Provisional President Márquez Bustillo:

In the last days of July and the first days of August of last year, the European conflict broke out and spread to the enormous proportions it has today, with millions of men throwing themselves into the war under their respective flags. The Venezuelan government has taken special care to maintain the strictest neutrality, thus fulfilling its duties in the international community and demonstrating with its actions, the intimate feelings of our people that in this mourning between friendly nations, does not bow to any more than to the others, but shares in all the pain of their sons bravely killed on the battlefields<sup>32</sup>.

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28 Consalvi, Simón Alberto (2000). *La relación Venezuela-Estados Unidos durante la primera mitad del siglo XX. In: Venezuela y Estados Unidos a través de dos siglos*. Caracas. Venezuelan-American Chamber of Commerce and Industry (VENAMCHAM) Page 195.

29 Collection of Venezuelan political thought of the twentieth century (1983). *The opposition to the Gomecista Dictatorship. Liberals and nationalists*. Caracas, Congreso de la República. Vol I, p. 235.

30 Arellano, Moreno. Antonio (1963). *Las siete reformas constitucionales del General Juan Vicente Gómez*. In Separata de la Revista Política, p. 72.

31 Miraflores Historical Archive. Germany. "Clippings on the relations of Gomez and Germany." S.E. Box 117

32 United States of Venezuela. National Congress. *Presidential Messages*. Year 1915

Months later, an agreement was signed between the Chambers of Commerce of Caracas and the United States that accepted arbitration as a system for settling commercial disputes<sup>33</sup>. In spite of the supposed constitutionality of having two presidents, one elected and the other provisional, President Wilson, who had outlined his foreign policy as a crusade for democracy, did not look favorably on General Gómez<sup>34</sup>. However, during the first three years of the war in Europe, there were no major frictions between the two governments until the entry of the United States into the conflict. It will be the neutrality practiced by Venezuela that will generate discontinuities in bilateral relations. The antecedents of the tensions had already been germinating since the years of Theodore Roosevelt's administration. In fact, since that time, U.S. diplomatic notes<sup>35</sup> informed about the government's concern about the possible sale of Margarita Island to the Germans. By 1917, frictions between President Wilson's State Department and Caracas flourished again over the issue of the possible sale of the Island. Preston Buford McGoodwin, Envoy Extraordinary and Minister Plenipotentiary from 1913 to 1921 in Caracas, informed Washington about the Caracas-Berlin negotiations to materialize the negotiation<sup>36</sup>. This diplomatic impasse led Gómez to recognize the serious implications that would deteriorate mutual relations and he proceeded to reject as false the assertions of the U.S. diplomat.

It was at the beginning of 1917 when the United States of America entered the European conflict, a situation that would focus the attention of President Wilson's government, leaving diplomatic relations with Venezuela in a state of inertia due to the neutrality that for the Venezuelan government meant impartiality<sup>37</sup>. Venezuela's neutrality was due to a particular political interest: the regime's need to remain in power, which required the support of the national economic, commercial, railway and banking power factors, closely linked to European mercantile groups involved in the War. In such a way that neutrality meant the security of being able to continue counting on their support and to take one side or the other would mean breaking the international political balance that Gómez needed to guarantee his continuity in power. Such a position defined Venezuela's relations with the United States and other nations on the grounds that all the states in dispute were friends of Venezuela. See that the term "friendship" was well understood by Venezuela through the broad interests the nation had in safeguarding trade relations, not only with the United States but with all European powers.

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33 Segnini, Yolanda (1982) *La Consolidación del Régimen de Juan Vicente Gómez*. Caracas, Academia Nacional de la Historia, p. 59.

34 Caballero, Manuel (2007). *Gómez el tirano liberal*. Caracas, Alfadil, p. 117.

35 National Archives in Washington D.C. State Department Documents. *Memorandum from the Department of State to the Legation in Caracas, requesting clarification of Dictator Gomez's intentions to sell Margarita Island to the Germans*. Numerical File S 1.1:1908. CIS Serial Set fiche 5411-Venezuela.

36 Polanco Alcántara, Tomás (1990). *Juan Vicente Gómez, aproximación a una biografía*. Caracas, Editorial Grijalbo Sociedad Anónima, p.248.

37 Consalvi, Simón Alberto (2000). *La relación Venezuela-Estados Unidos durante la primera mitad del siglo XX. In: Venezuela y Estados Unidos a través de dos siglos*. Caracas. Venezuelan-American Chamber of Commerce and Industry, pp. 196-197

From Washington, Santos Aníbal Dominici, proposed the constitution of a Congress of Neutrals, presenting in December 1915 the Venezuelan memorandum on the right of neutrals before the Special Commission on Neutrality of the Pan American Union<sup>38</sup>.

It will be after 1918 in the context of the post-war period and the crusade for the League of Nations when bilateral relations will find new or renewed interests for the dynamization of diplomatic encounters and to guarantee international recognition of the United States to the government of Venezuela.

However, the adhesion of Venezuela to the League of Nations on March 3, 1920, whose legislative approval is registered on June 25 of the same year and with executive ratification on October 12, 1920<sup>39</sup> will reformulate a foreign action closer to the victorious powers. The Venezuelan government will be very prudent in the instructions given to the representatives before the First Assembly of the League of Nations, doctors Manuel Díaz Rodríguez, Santiago Key Ayala, Diógenes Escalante, and Carraciolo Parra Pérez, demanding "...prudence and discretion in the fulfillment of the mandate (...) conferred..."<sup>40</sup>, actions that will be reflected in the imperative of the government to preserve the commercial relations of Venezuela with the European nations and especially with the oil companies linked to the American capital.

A more intimate oil relationship between the United States and Venezuela would begin at the end of World War I with the promotion by Presidents Harding (1921-1923) and Coolidge (1923-1929) of U.S. oil companies outside their borders.

## Foreign and U.S. oil companies in Venezuela 1908-1935

The Venezuela that Juan Vicente Gómez received in 1908 was a rural and isolated country. The only expeditious means of transportation were by sea and through a railroad system that was insufficient to satisfy the needs of national communication. It was not until 1910 when his government initiated a massive program of construction and repair of highways nationwide. This would make possible the intense penetration of oil companies after 1912, date in which Gómez cancels four million Bolívars remaining from the Washington protocols<sup>41</sup>. That is to say, the fulfillment of the commitments sought to propitiate a new climate of credibility and legal security.

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38 ACMRE. Embassy of Venezuela in Washington. *Memorandum from Minister Plenipotentiary Santos Aníbal Dominici on the Congress of Neutrals*. United States. Box 22. Doc 15.

39 United States of Venezuela. Public Treaties and International Agreements (1957). *Venezuela and several States (Pact of the League of Nations, signed at Versailles on June 29, 1919)*. Caracas. Volume I 1820-1927, p. 1217.

40 ACMRE. International Organizations. *Instructions to the Venezuelan Representatives to the first Assembly of the League of Nations*. Folder number 61, dated October 7, 1920. Minute 1035.

41 United States of Venezuela. National Congress. *Presidential Messages*. Year 1913.

Since the early years of Gomezism, there was an acute intention to exploit the mineral wealth of the country, including many Venezuelan Ministers Plenipotentiary in Europe dedicated themselves to the task of promoting the mineral wealth of Venezuela as a good investment for foreign capital<sup>42</sup>. This was precisely the intention of the regime when it repealed the 1906 Mining Code, whose regulations discouraged foreign capital, by the Law enacted in 1909, which reduced mining taxes from 3 to 1 percent of gross production and the annual royalty from 2 bolivars to 0.50 bolivars per hectare. It also provided for the exoneration of customs duties for mining equipment<sup>43</sup>. However, the Law contained a fundamental error, which was to subject all concessions granted under previous legislation to the payment of the new taxes. This caused the Federal Court of Cassation to declare it null and void on February 23, 1910, forcing Gómez to request Congress to revise it<sup>44</sup>.

However, both the 1909 and 1910 legislation granted the Executive the power to grant concessions, which ratified the presidential dominion enshrined in the 1906 legislation. There was a difference that illustrates the hegemonic power of Juan Vicente Gómez over the oil business, which consisted in the power transferred to the President to grant as many concessions as he considered necessary and the designation of the places in which foreign companies could carry out their mining operations. In our opinion, this generated a wide margin for corruption.

Indeed, in a letter addressed by Mr. Ascanio Negrete to General Gómez, it can be appreciated his gratitude for having obtained a concession on behalf of his represented company, the *Mene Alhalp Mine* in Zulía, guaranteeing the immediate payment to him of 50% of the net profits from the sale of the mines to foreign investors<sup>45</sup>.

The chronology of the economic activity of the American oil companies in Venezuela dates back to 1910 and the legal and executive protections of an autocratic regime. The *General Asphalt Co*, which was a subsidiary of the *New York and Bermudez Company* that exploited asphalt in Lake Guanoco, was interested in diversifying its production and orienting it towards oil. In May 1910 the Manager of the *Pick Lake Company of Trinidad* arrived in Caracas to negotiate an oil concession<sup>46</sup>, through the intermediation of Mr. Rafael Valladares<sup>47</sup> the concession was

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42 ACMRE. Old Archive. Europe. *Communication from José R. Colina Plenipotentiary in France to Juan Vicente Gómez*. Dec 1908. 261208

43 United States of Venezuela. Ministerio de Fomento. *Memoria 1907-1908*. Introduction, p. VI.

44 United States of Venezuela. National Congress. *Journal of Debates of the Senate Chamber*. 21-06-1910

45 United States of Venezuela. Archives of the secretariat of the Presidency of the Republic May 1-14. *Communication from Mr. Ascanio Negrete to General Gómez*. May 12, 1909. Box 15 S.E. Document 12.

46 United States of Venezuela. Archives of the Secretariat of the Presidency of the Republic May 1-14. *Communication from Mr. J Proctor, General Manager, to General Juan Vicente Gómez*. May 11, 1910

47 Mr. Valladares, who is named in a multitude of documents from the Secretary of the Presidency, as well as from the former Ministry of Public Works. He was the legal representative of the *General Asphalt Company*. In addition, he was a popular character in some circles of Caracas, which gave him the capacity to obtain many governmental favors.

granted on July 12, 1912 and days later it was transferred to the *Bermudez Company*, still a subsidiary of the *General Asphalt*<sup>48</sup>, all this with the knowledge of General Gomez<sup>49</sup>.

Here we have a first indication of some of the interests that initially motivated the oil business in Venezuela. On the one hand, the Gomecista regime's need to remain in power for ever and for this it counted on the economic impulse of the *North American and British oil companies*. On the other hand, the economic and personal desires of the dictator, favored by those who had enough space to flatter the emperor within their circle of affective or family influence. This becomes evident when reviewing the case of the concession granted to General Antonio Aranguren who, with the help of General Colmenares Pacheco, brother-in-law of the *Bene mérito*, for the oil exploitation in Maracaibo for 50 years, later alienates it in favor of the British capitals interested in the exploitation of that concession<sup>50</sup>. In 1913 *General Asphalt* entered into economic difficulties and was forced to negotiate with the *British Shell Group*, who after studying the geological reports prepared by Mr. Ralph Arnold<sup>51</sup> decided to acquire the concessions of *General Asphalt*<sup>52</sup>.

It is significant to distinguish what *Shell's* entry into the Venezuelan oil business represented. On the one hand, it ensured the development of the nation in the terms that the government had foreseen: politically, the absolute control of power and in terms of road and urban infrastructure, and secondly, a personal economic advantage for General Gómez.

British Shell had become a tough competitor for the American companies, which encouraged the regime to show more interest in the oil business. In 1914 the granting of concessions became a constitutional issue. By executive order, all oil, asphalt and any other similar substance that up to that date had not been granted by concession was decreed inalienable<sup>53</sup>. The intention of the regime was to guarantee absolute legal and direct control over the granting of concessions, a matter that was reinforced by the new Constitution of 1914, which increased the government's power through Congress to negotiate all new exploration and exploitation licenses:

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48 Betancourt, Rómulo (2007) *Venezuela Política y Petróleo*. Caracas. Academia de Ciencias Políticas y Sociales, p. 18.

49 *Ibid* Communication from Mr. J Proctor, General Manager, to General Juan Vicente Gómez. May 11, 1910.

50 Archives of the British Foreign Office. Communication from Mr. Hartford to Mr. Grey informing that they have acquired the concession granted by President Gómez to General Antonio Aranguren for a period of 50 years. Card Index 368-755.

51 National Archives in Washington D.C. State Department documents. *State Department memorandum by which reference is made to the person of Ralph Arnold who had worked for the U.S. Geological Survey (USGS) from 1900 to 1909, and it was during this period that he conducted most of his fossil research. In 1910, at the age of thirty-five, he left his government job and went to work for the oil industry. In 1911 he organized and directed a survey of the petroleum resources of Trinidad and Venezuela. He later wrote of his adventures in a book, La caza del primer lugar las grandes compañías petroleras - Venezuela, 1911-1916.* CIS Serial Set fiche 4811-Venezuela.

52 British Foreign Office Archives. *Communication from Lord Hartford to Lord Grey* Card Index 368-755.

53 United States of Venezuela. Ministry of Development. Memoria de 1914. *Explanatory Memorandum*, p. XII.



Art. 58. The Chamber of Deputies and the Senate, functioning as collegiate bodies, have the following powers: (...) 10. Approve or deny a) the titles and concessions of mines and the alienations of vacant lands and any real estate of the Nation...<sup>54</sup>

Once again, an attempt was made to legitimize the autocratic power of the dictatorship with the intention of cauterizing any suspicion of personal bias. This power granted to the Congress increased the discretionary power of the Executive, magnifying the acts of corruption perpetrated by the family environment of Juan Vicente Gómez, whose consequences were to be felt in 1935. His entourage was composed of José Vicente Gómez Bello<sup>55</sup>, son of the president, Juan Crisóstomo Gómez, brother of Gómez, and Julio Bello and Carlos Delfino<sup>56</sup>, his sons-in-law. In spite of the prohibition to grant any type of concessions to persons linked to the government or the president, these were granted to persons close to the family environment not only through the Congress but also through judicial decisions<sup>57</sup>, in which the magistrates were ordered to decide in favor or against one or another concession.

While these family businesses were taking place almost daily, the appetite of the international companies in dispute for oil was growing. With the guarantee that the country was destined to become a great oil producer, the competition between British and American companies increased. The latter aspired to obtain the concessions granted to Venezuelan nationals and British companies. Proof of Gómez's partiality towards oil negotiations can be seen when reviewing the *Exxon vs. Shell* case, openly encouraging *Exxon* to obtain *Shell's* concession<sup>58</sup>. This led to the intervention of Pedro Cesar Dominici, by then Plenipotentiary Minister in London, who was asked by the *Foreign Office* and the British companies to intervene on their behalf in the case and to explain to Gómez the unfavorable consequences for the Venezuelan oil market and the capital invested by the British<sup>59</sup>. Faced with the refusal, they turned to the State Department achieving the same results<sup>60</sup>.

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54 United States of Venezuela. Constitution of 1914. Article 58.

55 United States of Venezuela. National Congress. *Journal of Debates of the Chamber of Deputies*. Table 1 19-51914.

56 United States of Venezuela. National Congress. *Journal of Debates of the Chamber of Deputies*. Table 2 25-4-1915.

57 United States of Venezuela. Miraflores Historical Archive. General Secretariat of the Presidency. Presidential Correspondence. *Correspondence from Pedro Guzmán to Juan Vicente Gómez*. March 10, 1917.

58 Lieuwen, Edwin (1954). *Petroleum in Venezuela*. Berkeley, University of California, p.21.

59 United States of Venezuela. Miraflores Historical Archive. General Secretariat of the Presidency. Presidential Correspondence. *Correspondence from Pedro Cesar Dominici to Juan Vicente Gómez*. May 12, 1920.

60 National Archives in Washington. State Department documents. *Telegram from Alvey A addressed to MacFadden on May 29, 1920*. Numerical File 831/6363, roll 27.

At the same time, Santos Dominicci, Minister Plenipotentiary in Washington, in a long communication addressed to Chancellor Gil Borges, explained the incident with Julián Arroyo, who on behalf of MacFadden<sup>61</sup> requested his assistance to intervene in favor of the American companies<sup>62</sup>. The race for the concessions in Venezuela did not spare resources and payments to Venezuelan officials, the wealthiest being General Gómez<sup>63</sup>.

In fact, the reasons for such interest on the part of Gómez and his entourage in favoring them lay in the proposal that Mc Kay, representative of the *Philadelphia Oil Company* and *Exxon*, made to Gómez and his Minister of Development to pay them 1,350,000 dollars for the privilege of exploiting the properties of the British concessionaires for one year, a matter that according to MacGoodwin "...would be very possible<sup>64</sup>. The levels of corruption in the Venezuelan government were well known to US State Department officials, a matter of which they took ample advantage.

The arrival of *Exxon* and other large U.S. companies in the midst of these political circumstances was an inspiration to obtain as many concessions as possible. Gómez's aspiration to fill Venezuela with U.S. companies was having its effect. It was in good measure a sign of recognition not only from the State Department of a management that was taking root to eternalize itself, but also from the most influential US oil companies in the internal US political game.

A long line of names linked to the Gómez family, as well as to Victorino Márquez Bustillo, Provisional President, and others in the government's entourage, served as intermediaries in obtaining the U.S. concessions<sup>65</sup>.

Despite the comfortable ground for the American companies, the 1920 Mining Law<sup>66</sup> would bring some inconveniences between the government and them. The oil companies were instructed to "...remain and observe the development of events and report to the American legation any inconvenience and the legation's assistance before the Minister of Development, the provisional president or any official..."<sup>67</sup> This led to a series of meetings at the U.S. legation

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61 Director of *Carib Syndicate*.

62 National Archives in Washington. State Department documents. *Telegram from McGoodwin to Secretary of State 11-06-1920*. Numerical File 831/6363, roll 33.

63 Washington National Archives, State Department Papers, *Telegram from McGoodwin to Secretary of State 11-06-1920*. Numerical File 831/6363, roll 26.

64 Ibid

65 United States of Venezuela. Archive of the Secretary of the Presidency of the Republic. *Communication from Victorino Márquez Bustillo to Urdaneta Maya*. December 30, 1920. Box 24. Document SE.

66 In July 1920, the first Hydrocarbons Law was approved, setting the minimum royalty at 15%. This Law also established the figure of national reserves, a concept according to which, once the initial exploration period was over, half of the explored area reverted to the nation and the government had to negotiate those reserves, obligated by law, in more advantageous conditions for the nation, exceeding the minimums in taxes and royalties. The area of the concessions was also reduced and state ownership of the deposits was unequivocally reaffirmed.

67 National Archives in Washington. State Department documents. *Telegram from McGoodwin to Secretary of State 09-05-1921*. Numerical File 831/6363, roll 61.

between Venezuelan officials and U.S. diplomats to determine which provisions of the 1920 law should be modified<sup>68</sup>.

The matter was resolved at the highest level. In a private meeting between Gómez and McGodwin, the latter informed him of the necessary changes in the 1920 legislation and Gómez replied by assuring him that in the next session of Congress those changes would be resolved. And so it came to pass. The new law of 1921 was presented and was sanctioned. Immediately a communication arrived at the U.S. legation in Caracas informing about the recent changes in favor of the U.S. companies<sup>69</sup>. However, soon the operators of the concessionaires would find the 1921 law unsatisfactory due to the taxes that they considered very onerous<sup>70</sup>, which originated, after many discussions between Gumersindo Torres, Pérez Dupuy and other members of the government, the promulgation of the 1922 legislation,<sup>71</sup> the year in which the oil boom of the State of Zulia would develop with the protection of the interests of the US oil companies.

The creation of the Venezuelan Petroleum Company (CVP) will mean for Gómez an instrument of domestic and international policy, since the immense revenues ensured the loyalty of government officials and the maintenance of the regime, in addition to the desirable stability of diplomatic relations between the United States and Venezuela until 1935, the year in which a transition will begin not only in the Venezuelan political system but also in the bilateral diplomatic relations between the two countries led by their foreign ministers Pedro Itriago Chacín and Esteban Gil Borges.

## **Recognition of the government of General López Contreras: continuity vs. transition**

An imaginary of what the death of Juan Vicente Gómez on December 17, 1935<sup>72</sup> meant after 27 years of iron dictatorship will lead us to rethink the role of the oil companies in the new Venezuelan political agenda. Many authors refer to the López Contreras government as the transition<sup>73</sup>, a statement that is part of an important milestone in Venezuelan historiography.

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68 Washington National Archives, Department of State Papers. *Telegram from McGoodwin to the Secretary of State*. Numerical File 831/6363, roll 61. 09-05-1921.

69 National Archives in Washington. State Department Papers. *Telegram from JC White to Secretary of State*. Numerical File 831/6363, roll 79. 17 October 1921.

70 Washington National Archives, State Department Papers, *Telegram from JC White to Secretary of State*. 3 March 1922. Numerical File 831/6363, roll 79.

71 United States of Venezuela. Ministry of Public Works. *Boletín del Ministerio de Fomento*. Petroleum Bill of 1922. January 1922.

72 The Herald. *Last night at 11:45 a.m. the Benemérito General Juan Vicente Gómez, President of the Republic, passed away in Maracay*. Caracas. December 18, 1935.

73 Within this group of authors we can mention: Tinoco, Elizabeth.(1994) *Comedia y tragedia del Poder (Manual Práctico de Castro a Pérez)*. Caracas, Panapo, p. 54/ Ewell, Judith (1999).

However, we consider that it was a complex process of political, social and economic conjunctures driven by the organized political forces and the unorganized social mass that irremediably led it to become a forced transition. López Contreras' own speech, prepared almost on the dictator's deathbed on December 17, 1935 and made public on the morning of December 18, 1935, speaks of the continuist spirit of the new government:

The immense national misfortune of the death of the meritorious General Juan Vicente Gómez, illustrious leader who knew how to lead Venezuela to the point of placing it at the apex of its current greatness, solemnizes this moment in which I address you as the person in charge of the Republic, a position to which I have been elected, in accordance with Article 97 of the National Constitution (...). My thirty years of service in which I have had as my only north the love for the Fatherland, the worship and reverence for the exalted figure of the Liberator and the most unswerving loyalty to the dignifying examples of our history give me the right to hope that the government over which I preside will have the confidence of the country, in a life-giving yearning for national consolidation. I am fully aware of the duties demanded of me by the homeland at this time....<sup>74</sup>

By emphasizing his 30 years of public service, and his attachment to obeying the constitutional mandate, he did not abandon the idea of remaining in power. On the contrary, his experience allowed him to foresee his future duties at the head of the government.

In the opinion of the US government, the situation was no different. Since 1933 the United States had entered the so-called "Roosevelt stage of isolationism 1933-1937 and the good neighbor policy"<sup>75</sup> under the direction of US Secretary of State Cordell Hull<sup>76</sup>. Roosevelt's policy through *The New Deal*<sup>77</sup> and the deep domestic pressures of the Venezuelans shaped the new president as the antithesis of the dictator who had just passed away. U.S. political elites as well as government officials viewed the figure of López Contreras at the head of the executive with better eyes. The interest of the U.S. administration was preeminently economic, given the domestic conditions promoted by Roosevelt's *New Deal*. Meanwhile, in Venezuela, Foreign Minister Gil Borges developed the so-called Economic Diplomacy due to the importance he gave to trade and economic policy in bilateral relations<sup>78</sup>.

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74 El Heraldo. *Address by the President of the Republic to the Venezuelan people*. Caracas, December 18, 1935.

75 Duroselle J. B (1965) *Política exterior de los Estados Unidos 1913-1945*. Mexico, Fondo de Cultura Económica, p.249.

76 Ibidem, p. 261. "For Roosevelt, the first years in office were of almost absolute concentration on the domestic system and economic problems, leaving foreign affairs almost entirely to his Secretary of State during 1933 and 1934."

77 Ibidem, p. 280

78 Tarre Murzi, Alfredo (1981) *López Contreras de la Tiranía Libertad*. Caracas, Editorial del Ateneo de Caracas.

The ratification of the recognition of the López Contreras government by the United States took place in the context of the negotiation process of the *Commercial Reciprocity Treaty*<sup>79</sup> which lasted approximately three years: from 1937 to 1939. The oil issue was included in 1938<sup>80</sup> because Roosevelt understood that this treaty would benefit U.S. exports by increasing Washington's influence in the access to strategic oil reserves in the eventuality of the United States participating in a war, an aspect that would prove him right after the invasion of the Japanese imperial fleet to the U.S. naval base in *Hawaii Pearl Harbor*. In this way, the commercial *Modus Vivendi* between the two countries was established, increasing the advantage of U.S. investors over Venezuelan industry<sup>81</sup>.

In the multilateral context, Venezuela withdrew from the League of Nations on July 11, 1938, initially for budgetary reasons and due to the inefficiency of the International Organization for not being able to solve the existing problems between States in a peaceful manner<sup>82</sup>. This position of the Lopez administration had a political background in favor of the American proposal to create a League of Inter-American Nations that would endorse the Monroe Doctrine in the continental defense against extra continental aggressions<sup>83</sup>, being that the winds of the European war that would begin in September 1939 were felt in Washington and Caracas and the oil issue would mark with preeminence the diplomatic agendas of the two countries.

## U.S. interests in Venezuela in the context of World War II: oil again

The initial continuity of the López Contreras regime was perhaps perceived in the socio-political and economic context, in spite of the new conditions set forth in the February 1936 Program and the three year plan of 1938, but it could not be seen in the oil concessions granted during the first months of his government. In fact, the publications of the Ministry of Development<sup>84</sup> give an account of the special contracts and oil concessions that at the beginning of the regime reached one million hectares<sup>85</sup> and that later with the enforcement of the Hydrocarbons Law of 1938 would change substantially since no new concessions were granted.

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79 Washington National Archives, Department of State Papers, *Venezuelan Papers Relating to Political and Economic Matters, reference to the Treaty of Commercial Reciprocity* between the United States of America and the United States of Venezuela (1936-1940). Numerical File 611-3131. Roll 69.

80 ACMRE. International Policy Directorate Archive. Country: United States. File numbers: 133 and 181. 1933-1939.

81 National Archives in Washington. State Department documents. *Special reports to the Secretary of Foreign and Domestic Trade*. Numerical File 151. (1936-1940).

82 United States of Venezuela. Information Service of the National Press Office. *Text of the note addressed by the Minister of Foreign Affairs to Secretary Avenol*. Cursa radiogram of reply.

83 Vivas, Gallardo, Freddy (1981). *Venezuela en la Sociedad de las Naciones 1920-1939: descripción y análisis de una actuación diplomática*. Caracas. Universidad Central de Venezuela, p.331.

84 United States of Venezuela. Ministry of Development. *Revista de Fomento, extraordinary "B" of 1940*.

85 United States of Venezuela. Ministry of Public Works. Memoria del Ministerio de Fomento. *Concesiones de hidrocarburos. 1937*.

The Memoirs and Accounts of the Ministry of Development between 1936 and 1938 offer a general overview of the state of the art of the concessions granted in Venezuela at the beginning of the Lopez transition: "...*Standard Oil Company of Venezuela*, (...) *Socony Vacuum Oil Company*, (...) *Ultramar exploration Company Limited* (...) and *Texas Petroleum Company*..."<sup>86</sup>, with the Caripito refinery being the first of the refineries opened with a production of 30,000 barrels per day<sup>87</sup>.

A general balance of the change in the oil policy carried out by the government in the context of bilateral relations was developed by President López Contreras in an extensive message to Congress in 1938:

The granting of new concessions has been suspended in order to know as intimately as possible the value of our lands and then obtain the greatest possible benefits for the nation. To this effect, geological and geophysical studies are being carried out in possible oil zones.

Hydrocarbon concession rights have been extinguished covering an area of 3.874.709.66 hectares (....) In view of the fact that the total oil production in the country barely refined five percent, the National Government, with the purpose of promoting the refining of our petroleum in Venezuela, has stipulated as one of the special advantages in the granting of concessions during the last three years the establishment of several refineries; and it was in execution of one of those clauses that the Federal Executive entered into an agreement with the *Standard Oil Company of Venezuela* on December 20 of last year, by which said company is obliged to build in the country a refinery in the place located near the confluence of the Caripe River with the San Juan River, in the Piar District of the State of Monagas, with a handling capacity of not less than two thousand three hundred and eighty-five cubic meters of crude oil daily, that is to say fifteen thousand barrels. The project plans and the construction of the above mentioned work were approved by Resolution dated December 30. Another company, *The Caribbean Petroleum Company*, in execution of another agreement entered into between the Federal Executive and the *Venezuelan Development Company Limited*, associated with the former, has carried out expansion work at the San Lorenzo refinery, and it is expected that the capacity of the Plata will exceed two thousand cubic meters per day<sup>88</sup>.

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86 United States of Venezuela. Ministry of Public Works. *Memoria del Ministerio de Fomento. Concesiones de hidrocarburos. 1937*

87 United States of Venezuela. Ministry of Public Works. *Memoria del Ministerio de Fomento. Concesiones de hidrocarburos. 1938.*

88 United States of Venezuela. Archive of the Secretariat of the Presidency of the Republic. *Message of General Eleazar López Contreras President of the Republic.* January 1938.

It is evident that the negotiation process between the nation and the oil companies would generate certain tensions and adjustments, justified by the set of legal reforms that would make it possible to oblige the concessionaires to comply with new obligations. In fact, Lopez already believed that the new contracts should be made on the basis of "...division and participation..."<sup>89</sup> in the profits and not only with respect to taxes, endorsed in the traditional contracts through which the nation was disadvantaged.

The new events in the context of the International Community would place on the board of bilateral relations and in the negotiations with the oil companies, different nuances that would require special treatments, without this meaning a return to the Gomecista policy that violated the national interest.

On September 1, 1939, Adolf Hitler's troops invaded the free city of Danzig in Poland, unleashing fury once again on the borders of European nations. This problem will generate the careful observation of the analysts of the U.S. State Department on Venezuela and its oil. The reasons were obvious: the privileged geographical situation of the country and its wealth, an indispensable input for the American war apparatus.

A year earlier, the U.S. diplomatic legation had been elevated to an embassy, appointing as plenipotentiary the diplomat Francis Patrick Corrigan<sup>90</sup> who arrived in Caracas while the European events were taking place. U.S. historiography maintains a common effort in affirming that President Roosevelt's foreign policy at the beginning of World War II was to stay away from the problems of Europe<sup>91</sup>.

The neutrality policy was in line with the homonymous "culture of peace among nations" proclaimed by the Lopez administration<sup>92</sup>. Thus, on September 5, 1939, President Roosevelt decreed the neutrality policy as protection of foreign policy against the war in Europe, immediately notifying the Venezuelan government<sup>93</sup>. However, it should be noted that the Neutrality Decree of the Venezuelan government was made public on September 4, 1939, one day before the U.S. declaration.

The Venezuelan policy of neutrality was not promoted or influenced by the State Department, since it was part of a State policy that Venezuela had adopted in the times of Gómez when the First Great War overtook Europe. It was, therefore, a dynamic position to endorse the spirit of neutrality based on legal instruments by means of which vessels of any nationality were

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89 United States of Venezuela. Archive of the Secretariat of the Presidency of the Republic. *Message of General Eleazar López Contreras, President of the Republic*. January 1936. Box 2.

90 Washington National Archives, Department of State Documents. *Appointment of Ambassador Frank Corrigan to the Embassy of the United States of America to the Government of the United States of Venezuela*. September 1939. roll 95.

91 Schulzinger, Robert D. (2002) *U.S. Diplomacy since 1900*. Oxford University Press.

92 Republic of Venezuela (1971). Presidential New Year's Addresses 1901-1971. *General Eleazar López Contreras, January 1, 1940*. Caracas. Ediciones de la Presidencia de la República.

93 Ministry of Foreign Affairs. *Memoria. Yellow Book*. 1941.

prohibited from using instruments of war in Venezuelan ports and territorial waters, in addition to defining the duties and rights of merchant ships to respect the rules of neutrality<sup>94</sup>.

For the reconstruction and analysis of the facts it is relevant to observe from the Washington and Caracas documents, the geostrategic importance of Venezuela for the United States, due to its condition as an oil country, its proximity to the Panama Canal and to the European colonies that surrounded the country in the Caribbean, which made it fragile from any extra continental attack<sup>95</sup>.

The consequences of the war in Venezuela were seen immediately. The shortage of imported products, generated by the U.S. measures to preserve the raw material to be used in the war campaign that was approaching for them. Faced with the imminent danger represented by the extension of the war in Europe in 1940, Foreign Minister Esteban Gil Borges, in the context of the Meeting of Consultation of Ministers of Foreign Affairs, presented a Draft Resolution according to which any action against any nation in America would be considered as an attack against all, a thesis that would be known as the Doctrine of Continental Defense and Solidarity<sup>96</sup>.

War and human outrages know no truces. In spite of the neutrality policy of the López Contreras government, the presence of German submarines in Caribbean waters hindered naval trade, to the point that a Venezuelan cargo ship was sunk by a German submarine in 1942. These conditions of insecurity, added to the oil expropriation that took place in Mexico, which would have stimulated the growth of oil production in Venezuela, generated a decrease in production<sup>97</sup>.

The Mexican event was used by the State Department, directly under the guidance of Cordell Hull, who, in order to prevent possible expropriations, pressured the oil companies operating in Venezuela to accept a base price that was more beneficial to the López Contreras government, in spite of the rulings of the Venezuelan Federal and Cassation Courts that favored them. These negotiations meant the execution of the good neighbor policy that sought to ensure Venezuelan cooperation in hemispheric defense<sup>98</sup>.

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94 Tarre Murzi, Alfredo (1981) *López Contreras de la Tiranía a la Libertad*. Caracas, Editorial del Ateneo de Caracas, pp. 343-344.

95 National Archives in Washington. State Department Papers, 89. *Corrigan telegram to Secretary of State*. March 3, 1940. Numerical File 607-3031

96 Petrash Wilma. *Two centuries of Relations with the United States. In Venezuela and the hemispheric, Iberian and Spanish-speaking countries, for the 500 years of the encounter with the Land of Grace*. Caracas. Instituto de Altos Estudios de América Latina, Universidad Simón Bolívar, 2000, p. 641 and Jiménez Melean, Rafael Simón. 50 años de política exterior de Venezuela 1908-1958. Caracas, Editorial El Centauro, 2006, p. 139.

97 Pratt, Julius (1964) *Cordell Hull. Volume II. Memoirs of the Secretaries of State*. United States of America. Robert Ferrell Editor. Page 688 (Free translation by the author).

98 Ibid.



The relations with U.S. companies and the results of the oil policy in the context of the world conflict are explained in the Message to Congress by President Eleazar López Contreras in 1940.

It is significant to appreciate how a positive balance is made of the legal steps taken to produce the changes expected by the government for the oil companies to refine crude oil in Venezuela:

...in the first period of the war was characterized by a decrease in oil consumption because of restrictions imposed on civilian supplies, the slow pace of the war during the winter of 1939-40, and transportation difficulties. In December there was a small reaction, which increased in January and February and is expected to continue. Oil exploitation reached a total of 27,500,000 metric tons in 1940, showing a reduction of 10.12% with respect to that obtained in 1939. The sum, calculated in dollars, of the foreign currency delivered by the oil companies during the year 1940, also showed a reduction of 15.76% over the previous years; but the taxes fixed by the Hydrocarbons Law produced to the Treasury ninety-one million eight hundred and thirty-six thousand twenty-four bolivars and eighty-five cents (Bs 91,836,024.85), a sum which represents a decrease of only 0.33% with respect to that of the previous year. On the other hand, the persevering action of the Government in the sense of promoting the refining of our oil in the country itself continues to offer flattering results. By virtue of the new facilities with which this branch of the oil industry has been endowed in the Republic, the quantity of oil refined in 1940 was in 1940 about four million (4,000,000) tons with an increase of 98.25 over the quantity refined the previous year...<sup>99</sup>

It is important to point out that these benefits achieved by the government took place in the context of the negotiation of the *Trade Reciprocity Treaty with the United States*, which, we reiterate, had the political objective of revalidating the *Good Neighbor* policy developed by the Roosevelt administration and counting on Venezuela's assistance in the defense of the hemisphere with respect to the Caribbean islands, especially the French colonies, which in the face of the German occupation from 1940 onwards and in defiance of the puppet Vichy government received the protection of the United States and its Caribbean allies, among which Venezuela was of substantial importance.

On the other hand, the oil policy implemented by the López Contreras administration not only facilitated the establishment of a new style of bilateral relations with the United States under the indelible shadow of the *New Deal*, but also provided the adequate means to satisfy the multiple needs of the rural community of the West, such as the commitment acquired by the oil

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99 United States of Venezuela. Archive of the Secretariat of the Presidency of the Republic. *Message from General Eleazar López Contreras, President of the Republic. January 1940.*

companies *Venezuela Oil Concession Limited* and *Caribbean Petroleum Company* to supply gas for domestic, industrial and commercial use to cities such as Maracaibo.

After many waters, the transition from the praetorian-autocratic model of Juan Vicente Gómez to the initial continuity that knew how to see the light of the transition, hand in hand with the internal political pressures and the relations with the United States, is clear to us. At the end of his government, López Contreras will outline his condition as a social leader concerned about the future of the nation in the management of oil matters: "...Although it would have been easy for the government to arbitrate funds for the development of the various works undertaken in the country, granting new oil concessions, I assumed the responsibility of suspending all negotiation of this nature since 1938, believing that this measure would contribute to valorize the oil wealth, by maintaining its reserves for further operations, there is for direct exploitation, or to achieve later that the contractors pay the fair benefits that the Nation is entitled to"<sup>100</sup>.

## Final considerations

Eleazar López Contreras headed a government that was debating between the birth of an insipid democracy and the clinging Gomecista continuity that refused to disappear. The Program of February 1936 will be an expression, like an x-ray, of both the intentions of the López Contreras government and the subsequent actions that will tell of the content of its not completely democratic policies, since it did not offer new political alternatives, nor absolutely authoritarian ones; A true transition in conflict with domestic and international interests, in which the hands of the US State Department would emerge with meridian clarity, while the internal governmental structure was shaken by the pressures of new political and student forces in La Pastora and in the Plaza Bolívar<sup>101</sup> that clamored for substantial changes that would propitiate the distancing of the new administration from the unpopular practices of Gomezism.

1936 will be marked by intense political activity, despite the limitations on freedom of expression ordered by the governor of the Federal District, Felix Galavis, on publications in national newspapers and radio broadcasting<sup>102</sup>.

The new government will continue under US observation, since from 1931 to 1934 the US government was betting on the figure of López Contreras. This is what diplomatic cables between the US Embassy in Venezuela and the State Department refer to: "... (López Contreras, is) ...the most suitable person in the country to maintain order away from the bloodthirsty style of Gómez..."<sup>103</sup>.

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100 United States of Venezuela. Archive of the Secretariat of the Presidency of the Republic. *Message from General Eleazar López Contreras, President of the Republic. January 1941.*

101 *The Sphere. Imposing Demonstration of February 14.* 16, 1936.

102 *The Sphere. Control over publications and broadcasting.* February 13, 1936.

103 National Archives in Washington, Documents of the U.S. Embassy in Venezuela 1931. *Telegram addressed*

This endorsement will mean that Lopez will have U.S. support as long as he maintains order, a stability that will bring benefits to U.S. oil companies. In effect, he will completely move away from the physical persecution of his adversaries, limiting it to the political game and the misuse of Justice and Law. He will accuse his enemies of being communists, banning such organizations, but he will not subject them to martyrdom and assassination. On the contrary, it will proceed to the elimination of the parties and the expulsion of their main leaders from the country, justifying such measures in the need to maintain public order. Policies that will receive the approval of the U.S. government<sup>104</sup>.

Oil was to become an element of balance in the relations between the United States and Venezuela at the time of two conditioning variables: 1- the order proclaimed by a government that was trying to slowly divorce itself from the autocratic and authoritarian factors of Gomezism and 2- the respect for certain fundamental rights through which the inconsistency of a government that would keep pace with the multiple contradictions that arose when contrasting democratic aspirations with the policies of elimination of political parties and expulsion of their main representatives, could be noticed.

The oil strike of December 14, 1936<sup>105</sup> will test the values present in the transitional government and the interests surrounding the United States. The strike was going to happen and the American bosses were not going to give in.

On December 28, the strikers receive a proposal from the government<sup>106</sup> from the labor inspector, which did not benefit the workers at all. Finally, President López Contreras, in an authoritarian exercise, ends the strike by means of a Presidential Decree<sup>107</sup>.

Although the government will validate the interests of the U.S. oil companies protected from Washington<sup>108</sup>, it will seek to establish a framework of legality violated by the personalist regime of Juan Vicente Gómez, whose notorious acts of corruption distorted the objectives of the granting of concessions.

Thus, when the lawyer José Loreto Arismendi tried an action to protect the national patrimony against the oil companies owing a large part of the tax owed to the nation, the Gomecista

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*to the State Department informing about the political situation in the country.* (free translation by the author). Numerical file 6160/6067.Roll 31.

104 National Archives in Washington, Documents of the U.S. Embassy in Venezuela 1936. *Telegram addressed to the State Department informing about the political situation in the country.* (free translation by the author). Numerical file 6158/6843.Rollo 32.

105 Ahora Newspaper. *For today at 6 o'clock in the morning the strike of the oil workers of Zulia was announced.* December 14, 1936.

106 Ahora Newspaper. *The strikers receive propositions.* December 28, 1936.

107 United States of Venezuela. Archive of the secretariat of the Presidency of the Republic. *Decree of the president of Venezuela General Eleazar López Contreras declaring the strike of the oil workers as an illegal act.*

108 Fuenmayor, Juan Bautista (1976) *Historia de la Venezuela Política Contemporánea 1899-1969*. Volume III vol. I, pp. 57-58.

government, through manipulated courts, proceeded to declare the claim inadmissible. It was not until the Lopez government that the action, again attempted by the same counsel, was declared admissible and the oil companies were obliged to pay the amount of 15,625,491.98 bolivars by means of a sentence issued by the Federal Court and the Court of Cassation in protection of the national patrimony<sup>109</sup>.

In addition to oil, a national security issue for the United States that will govern political interests and agendas in the years to come, the problem of warmongering totalitarian movements in Europe will make the issue of peace an obligatory trend in the political imagination of the United States and in the conduct of its international relations.

Following this trend, President Roosevelt called for a Peace Conference to be held in Buenos Aires in 1936<sup>110</sup>. The objective sought by the United States was to flank a Latin American bloc against the hostile European economies, a position that the government of López Contreras avoided by adopting a multilateral formula through which the League of Nations, of which Venezuela was a member, would not be excluded<sup>111</sup>. However, Venezuela did not achieve a preponderant role in the Conference due to its institutional position before the forum<sup>112</sup>.

At the end of his administration, Lopez would be aligned with the realities present in the International Community, debating between the domestic struggles propitiated by the communists and the severe criticisms made by the National Democratic Party. A new war was already taking root in European lands and the United States, abandoning neutrality, would assist the British in their fight against Hitler's Germany.

From the end of the Lopez administration, U.S. foreign policy will have Venezuelan oil as a fundamental point in its defense agenda as a consequence of the European events and the possible eventualities of its full participation in World War II.

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109 *El Universal*. Oil companies are sentenced to pay 15,625,491.98 Bolivars. March 30, 1938

110 Pan American Union. *Proceedings of the Inter-American Peacebuilding Conference*. Buenos Aires 1936.

111 Ibid.

112 Ibid.



