[redacted]

Slide 3: Recommended action

- I recommend that SOCONY does not join the call for the embargo. Instead, SOCONY should use its established contacts with the Chinese government to work towards a lower tax rate.

Here's why:

- Don't kill the golden goose: The current Chinese government is the most receptive so far to international business. Its financial struggles may lead to its downfall, especially considering political headwinds. An embargo might destabilize the region, destroying the positive economic direction that China is heading in. There is already enough pressure to bring the Nationalist government to the negotiating table.
- Lack of a Unified front: We know that the British consuls expressed interest in an embargo, but they have yet to put in place. If SOCONY calls for an embargo, it will certainly damage its ~~[illegible]~~ Chinese reputation. In the midst of the National Products movement, Chinese consumers are especially receptive to anti-Chinese businessmen
-
  - Additionally, if the embargo is passed, SOCONY would lose access to a steadily growing market, especially in terms of gallons of kerosene. As American market share in Chinese imports continues to fall, this could be the nail in the coffin.

- SOCONY is the favored brand of kerosene by the Chinese consumer and the government. The 1914-1917 Deal fell apart, but there are not bad feelings in this relationship. ~~[illegible]~~ I would guess that the government would be receptive to negotiations from its preferred partner especially when the alternative is losing 50% of Guangdong's oil imports. The Chinese consumer prefers SOCONY because of its ~~[illegible]~~ "Mei Foo" products.

In sum, Socony can retain access to a growing market, while preventing ASC from taking its market advantage, and likely pay a reduced stone tax if it chooses to negotiate, while it could lose access to its market advantage, and valuable business relationships ~~if it~~ and ~~the~~ potentially the Nationalist government itself if it refuses to pay this tax

Slide 4:

Counter-Arguments:

- What about the US Consul?
  - Standard Oil should take the risk to negotiate, rather than lose the market
- Can they even negotiate?
  - There is a long history of preferential treatment for companies with a tight government relationship, think China Merchants, Dasheng. These companies survived and thrived by working out favorable conditions with Chinese officials. The pressure is on the Nationalist government, so there ~~are far~~ it is favorable to negotiate.