

Trading with the enemy

Before WW2 close ties were forged between the Nazi state-supported I.G. Farben chemical company and American firms notably Standard Oil and Dupont, with cross-membership of boards of directors and agreements on exchange of patents relating to synthetic rubber and petroleum products. With the approach of war in Europe, correspondence between Germany and its American interests was carried out in any manner which could avoid Allied mail interception, and there was a transfer of German company operations into Switzerland from where business could be continued in a "neutral country" Ha Ha.....

One route for correspondence was via German interests in South America, particularly in Argentina, and after the closure of the German air routes in 1939 mail was carried on the Italian LATI service from Rome, which travelled unhindered by Allied mail interception. Some mail from Germany into the United States was even routed through South America in order to avoid interception in Bermuda or Trinidad which could have occurred had mail been sent on the Pan American flights from Lisbon. After December 1941 and the entry of the United States into the war, the Allied censorship ring was completed by the establishment of US censor stations in San Juan and Miami, but in a short period from January to July 1942, Axis mail continued to be carried by Pan American Airways from Lisbon to Natal in Brazil without interception despite the setting-up of a British censor station in Bathurst, Gambia which the Pan American flights virtually ignored.

This display shows typical covers relating to "trading with the enemy", with emphasis on the role of specialist firms of patent lawyers in Switzerland and Argentina. The chemical processes handed over to the Germans by Standard Oil were utilised in the construction by I.G. Farben of chemical complexes at Blechhammer and Heydebreck in Upper Silesia, where large numbers of slave labourers including Allied prisoners-of-war were used in the "Bau und Arbeitsbattalions" (BAB). In January 1945, the camps associated with the chemical plants were evacuated, the Allied prisoners being marched on foot back to Germany and the slave labourers (largely Jewish) being transported to camps such as Buchenwald from which they never emerged. Farben ran these camps as a commercial enterprise, here from a 1942 share certificate for Blechhammer.



One irony is reported as follows:- *"The British Royal Air Force had to pay royalties to Nazi Germany through Ethyl-Standard for the gasoline used to fly Goering's bombers that were attacking London. The payments were held in Germany by Farben's private banks for Standard until the end of the war".* [1]

[1] "The Nazi-American Money Plot", George Higham, 1981 New York.

Trading with the enemy

Germany to United States via LATI service avoiding Allied censorship 1941



- Route: Berlin to New York via LATI service from Rome via Rio de Janeiro-Buenos Aires-Lima-Cristobal-Mexico City. Despatch 7 March 1941.
- Rate: 25pf surface fee, air fee 215pf. Total Rm 2.40.
- Censor: German OKW code letter e (Frankfurt).
- Features: Endorsed "Über Südamerika" as per Luftpostliste 1 March 1941. Tortuous and expensive route to avoid Allied censorship on direct route Lisbon-New York via Bermuda.

The "Allgemeine Waren-Finanzierungsgesellschaft" was a subsidiary of the Dresdner Bank and facilitated transfers of stolen money, gold and assets to "safe" accounts in Switzerland and the United States. One has to ask why this organisation was in correspondence with a US bank in New York using a devious mail route?

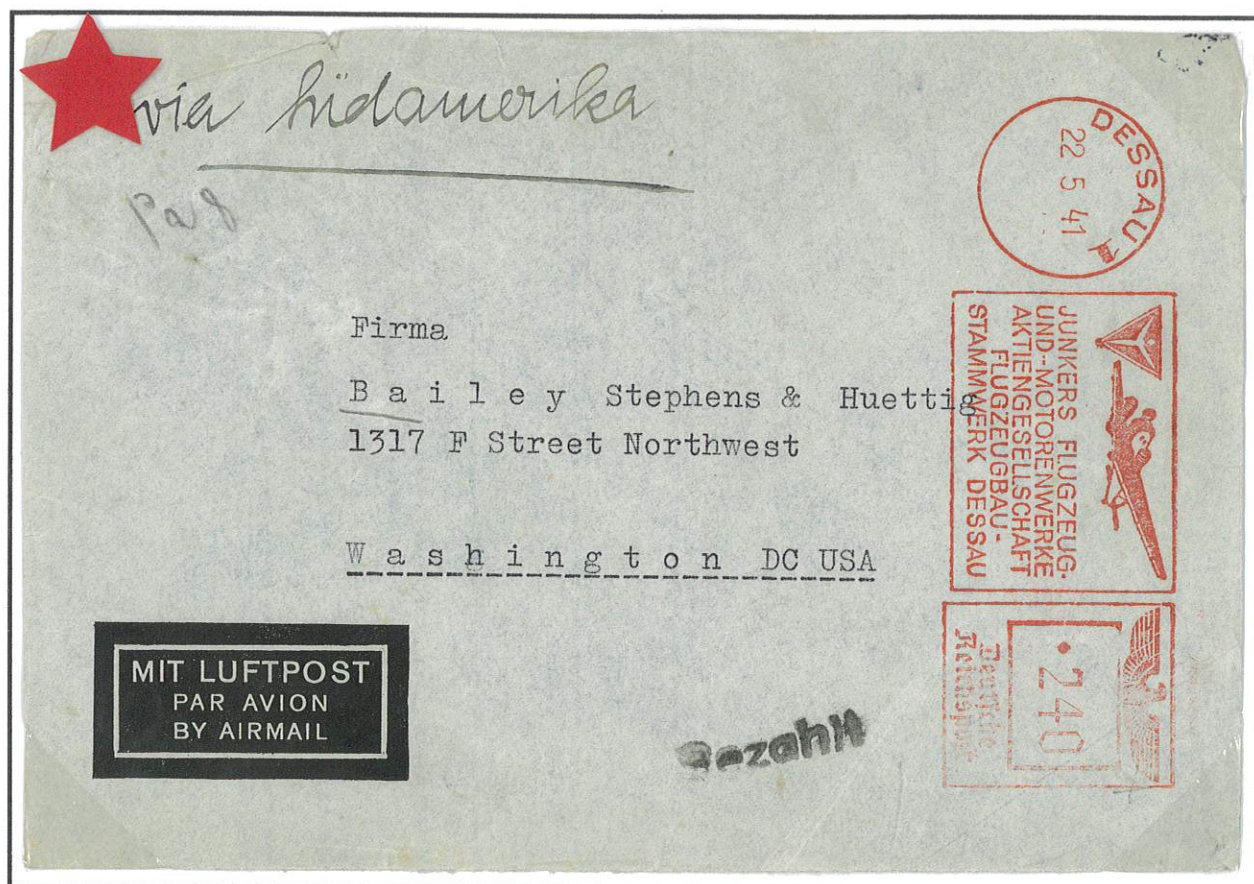
From the internet, relating to investigation of the Dresdner Bank:

"Nicht zuletzt war die Bank auch zur Abdeckung geheimer Operationen bereit: Ihre Filialen in Afrika und Südamerika dienten als Spionagestützpunkte der SS, über das Tochterunternehmen Allgemeine Waren-Finanzierungs-Gesellschaft (Allwafinag) wurde deutsches Auslandsvermögen getarnt. Eine besondere Rolle in der Geldpolitik der Dresdner Bank während des Zweiten Weltkrieges spielte die Deutsche Orientbank (DOB) in Istanbul, die sie 1933 übernommen hatte."

<http://www.berliner-zeitung.de/das-hannah-arendt-institut-hat-einen-ersten-zwischenbericht-ueber-die-taetigkeit-der-dresdner-bank-waehrend-des-zweiten-weltkriegs-vorgelegt-golddrehscheibe-istanbul-16416190>

Trans-Atlantic Air mail

Italian LATI service 1941 avoiding Allied censorship



- Route: Desau to Washington via LATI service from Rome. Endorsed "via Südamerika" as per Luftpostliste 1 March 1941.
- Rate: 25pf surface fee, air fee 215pf. Total Rm 2.40.
- Censor: German OKW code letter b (Berlin).
- Features: Tortuous and expensive route to avoid Allied censorship on direct route Lisbon-New York via Bermuda. From Junkers Company to prominent Patent Lawyers in Washington. Trading with the enemy.



Trans-Atlantic Air mail

Germany to United States via LATI service avoiding Allied censorship 1941



- Route: Hamburg to Richmond, Virginia via LATI service from Rome via Rio de Janeiro-Buenos Aires-Lima-Cristobal-Mexico City. Despatch 13 February 1941.
- Rate: 25pf surface fee, air fee 215pf. Total Rm 2.40.
- Censor: German OKW code letter e (Frankfurt).
- Features: Endorsed "Über Rom Pernambuco" to indicate LATI route via South America. Tortuous and expensive route to avoid Allied censorship on direct route Lisbon-New York via Bermuda.





Trans-Atlantic Air mail

Germany to US by Italian LATI service 1941 to avoid Allied censorship



Route: Vienna to New York via Rome-Rio-Lima-Cristobal-Cali-Baranquilla-Jamaica-New York.
Despatched 6 August, Jamaica transit 12 September 1941.

Rate: 25 Rpf surface fee, two air fees of 215 Rpf. Total Rm 4.55.

Censor: German transit examiner in Munich (Ad). Jamaica Examiner 4140.

Features: Use of LATI route to South America to avoid British interception. However, in July 1941 a small censorship team was sent to Jamaica from Bermuda and mail from Germany was diverted at Cali to Baranquilla and Jamaica for inspection. This cover fell into this trap. The Jamaica censorship of LATI mail ended in November 1941 and in December 1941 the LATI line was closed completely.

Expensive and tortuous route to avoid mail interception at Bermuda, but foiled by British censorship.

Addressee shown in 1940 Census as 18 years old, born in Vienna and living with the family of Henry Greenhut in Assembly District 2, Bronx, New York

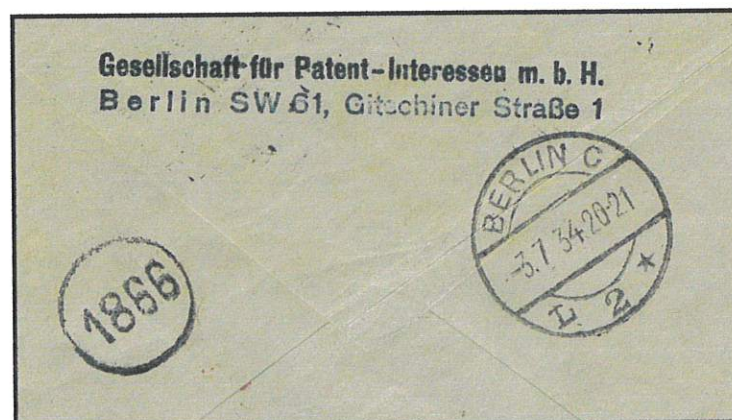
Particularly rare.
Mail diverted
at Cali and
caught by British
censor at
Jamaica

Trans-Atlantic Air mail

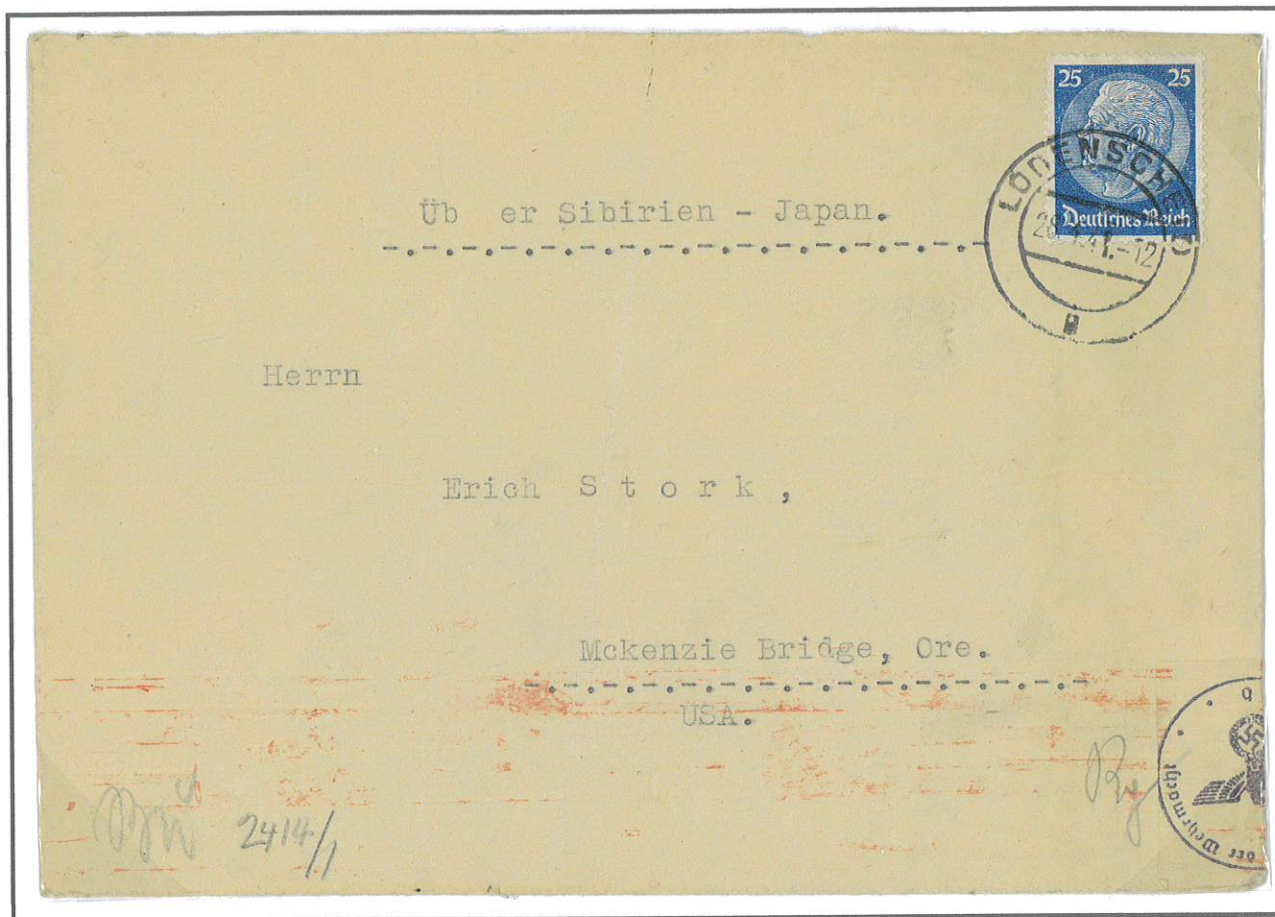
Trading with the enemy. Germany to Argentina. Flight L-17 July 1934.



- Route:** Berlin-Stuttgart-Marseilles-Seville by Lufthansa HE-70. Seville-Las Palmas by JU-52. Las Palmas-Bathurst-Westfalen-Brazil by Dornier "Wal" seaplane. Natal-Rio-Buenos Aires by Lufthans/Condor. Buenos Aires arrive 14 July 1934.
- Rate:** Surface fee 25 Rpf. Air fee of 1.50 Rm. Total 1.75 Rm. paid.
- Features:** Although endorsed "Zeppelin" the cover actually travelled on flight L-17 leaving Stuttgart on 7 July 1934. Cover is from the patent office in Berlin to a company in Buenos Aires, Gustavo Reinke, which was later entered into the United States "Proclaimed List of Certain Blocked Nationals". An example of the close relationship between German industry and the increasing penetration of South America prior to the outbreak of war in Europe.



Trading with the enemy
Germany to United States via Siberia 1941



Route: Despatch date 28 April 1941. Berlin-Moscow by air. Moscow-Irkutsk-Khabarovsk-Vladivostok by rail. Vladivostok-Yokohama-San Francisco by sea.

Rate: 25 Rpf surface rate.

Censor: Route chosen to avoid Allied mail interception. OKW censor Berlin.

Features: Addressee Erich Stork was arrested by the F.B.I. under a Custodial Detention Order in December 1941 at his home in McKenzie Bridge, Oregon.

For your information the Portland Field Division apprehended three German aliens residing within the territory covered by that office.

The following are the individuals apprehended:

Albert Valentin
Erich Stork
Richard Friedrich Schnabel

Very truly yours,

John Edgar Hoover
Director

Trans-Atlantic Air mail
Germany to New York via Siberia 1940



- Route:** Hamburg to New York via Moscow-Vladivostok by air then surface to Yokohama-trans Pacific to North America. Despatch 28 November 1940.
- Rate:** Correct FAM-18 rate for cover 10-15g. 3 x air fee 40 Rpf. surface fee 25 Rpf. Total on cover 145 Rpf. The Vienna label was applied at a later date and is not significant.
- Features:** Endorsed "Uber Sibirien", this was an attempt to avoid British interception on the Lisbon-Bermuda-New York route. However, there was no air rate for the "Via Siberia" route so the cover was flown to Moscow by Lufthansa service 28 where a Russian Cyrillic "Airmail" cachet was applied for air transport Moscow-Vladivostok. Cover then conveyed by sea to Yokohama and across the Pacific to the West coast of America. Mail carried by air to Vladivostok is uncommon. One other cover has been seen from Germany to Buenos Aires showing the same Russian Cyrillic cachet and franked correctly for the Italian "LATI" service..

45	Union der Sozialistischen Sowjet-Republiken a) Rußland, Asiatischer Teil (Amurgebiet, Ferner Osten, Sibirien, Uralgebiet) b) die asiatischen Sozialistischen Sowjet-Republiken Armenien Aserbeidschan Georgien Kasachstan Kirgisien Tadschiken Turkmenen (Pektoratsk, Merw) Usbeken (Samarkand, Buchara, Chiva)	Luftpостen ab Moskau: Moskau-Irkutsk-Wladivostok Moskau-Taschkent, Moskau-Alma Ata Anschlußlinien u. a. nach Orten in den Tadschiken, Turkmenen, und Usbeken, Republiken usw.	(Flugpläne liegen nicht vor)	je 5 g	25	Par avion au delà de Moscou
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Trans-Atlantic Air mail

Trading with the enemy. Germany to USA 1941.



- Route: Berlin to Washington via Lisbon-Horta-Bermuda Pan American flight 438 or 440 departing Lisbon 17 and 18 October. Flight 438 delayed at Bermuda incoming.
- Rate: Surface fee 25 Rpf, 3 x air fee of 40 Rpf = 145 Rpf.
- Censor: German re-sealing label of Berlin. No transit examination at Bermuda.
- Features: Correspondence from German patent lawyers indicating close business relationships still existing between German and American business interests.



Trading with the enemy
Brazil to I.G. Farben Berlin. June 1938

Herrn

Dr. H. Langheinrich,
I. G. Farbenindustrie Aktiengesellschaft,

Berlin NW. 7

Dorotheenstrasse Nr. 35

VIA AEREA
PAR AVION

ALLEMANHA!

South American
links with
I.G. Farben in 1938.

Calculation of
original rate erased
at some time but
suspect seventeen
air fees of 5400
Reis + 1300 Reis
reg. making 93,100
Reis. Missing block
of four 200 Reis
stamps with
central cancel as in
other blocks of
four.

Sender Max
Hamers & Cia on
US "Proclaimed
list".

Trans-Atlantic mail

Trading with the enemy. Germany to United States 1938.

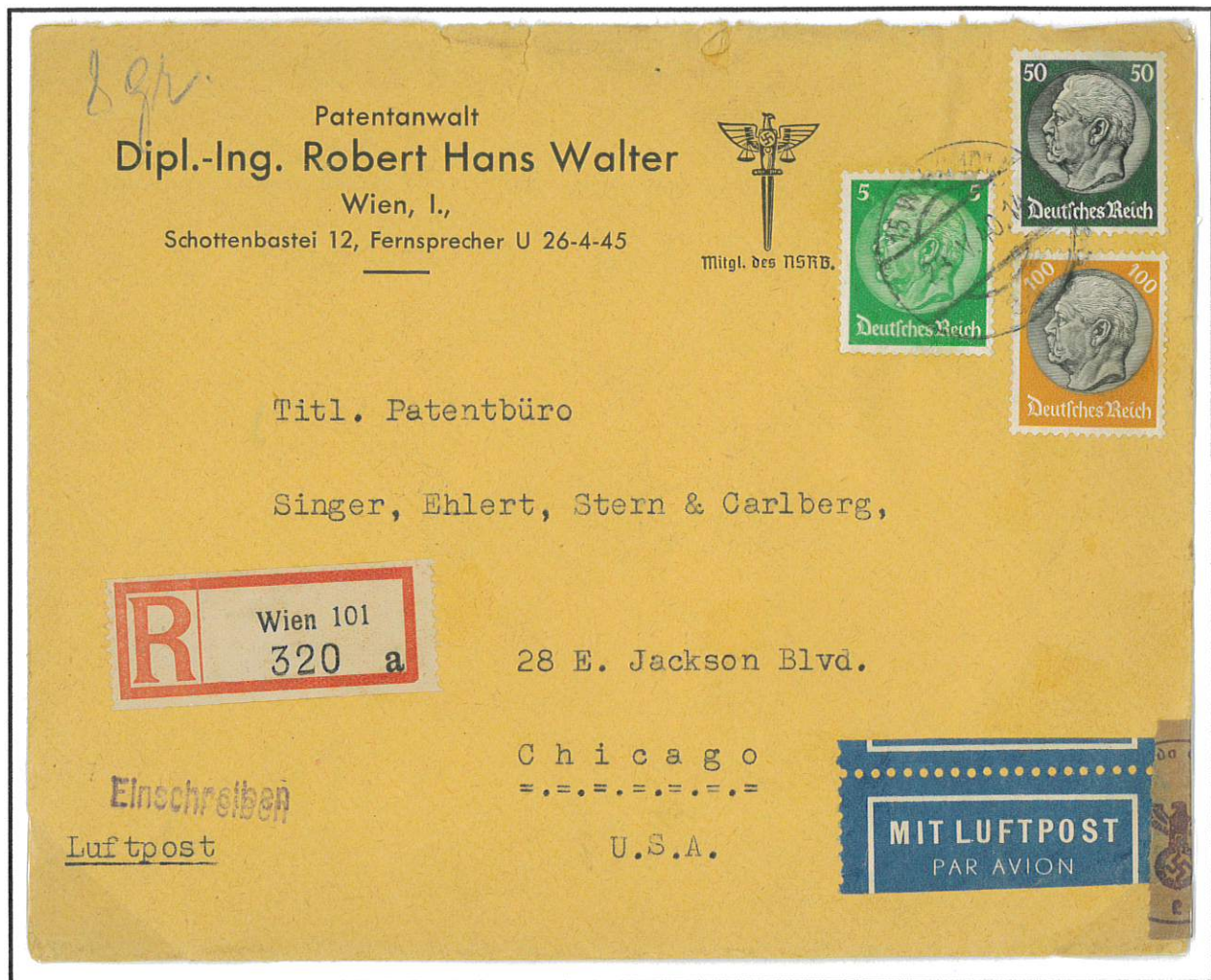


Features:

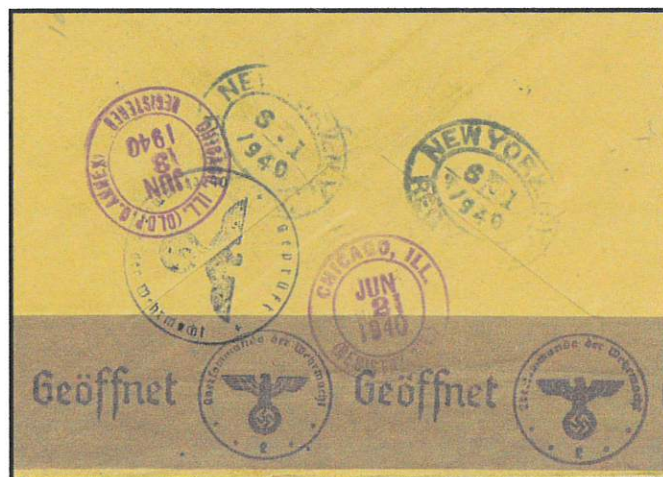
Before America entered the war, I.G. Farben and various American chemical companies including Standard Oil and Dupont had reciprocal agreements on exchange of patents covering, amongst other subjects the manufacture of synthetic oil and rubber. Covers to and from Switzerland, Germany, Argentina and the United States show regular correspondence via patent lawyers. This cover from such a company in Berlin is addressed to a leading firm of patent lawyers in Washington. The two-way traffic continued after America entered the war and was the cause of concern and outrage in Allied military circles. In 1941 I.G. Farben built chemical plants in Upper Silesia to produce the synthetic oil and rubber which enabled the German war machine to continue functioning. These plants were operated using slave labour and Allied prisoners-of-war, with I.G. Farben paying the Nazi S.S. a per capita fee for each labourer they supplied to Farben. In January 1945 the camps at the various plants were emptied; the Allied POWs being marched back to Germany, with many dying on the march. The slave labourers, mostly Jewish, were transported to Gross Rosen and then to Buchenwald.

Trans-Atlantic Air mail

Trading with the enemy. Germany to USA 1940.



- Route: Vienna to Chicago via Lisbon Pan American flight 132 arriving New York 1st June 1940.
- Rate: Surface fee 25 Rpf, 2 x air fee of 40 Rpf + (apparently) 50 Rpf "Eilzustellung" Express fee.
- Censor: German re-sealing label of Frankfurt.
- Features: Correspondence between patent lawyers possibly relating to dubious agreements between I.G. Farben and Standard Oil. Cover carries the emblem of the NSRB Nationalsozialistischer Rechtswahrerbund (National Socialist Lawyer's Association)



Trans-Atlantic Air mail

Trading with the enemy. Germany to Argentina 1939.

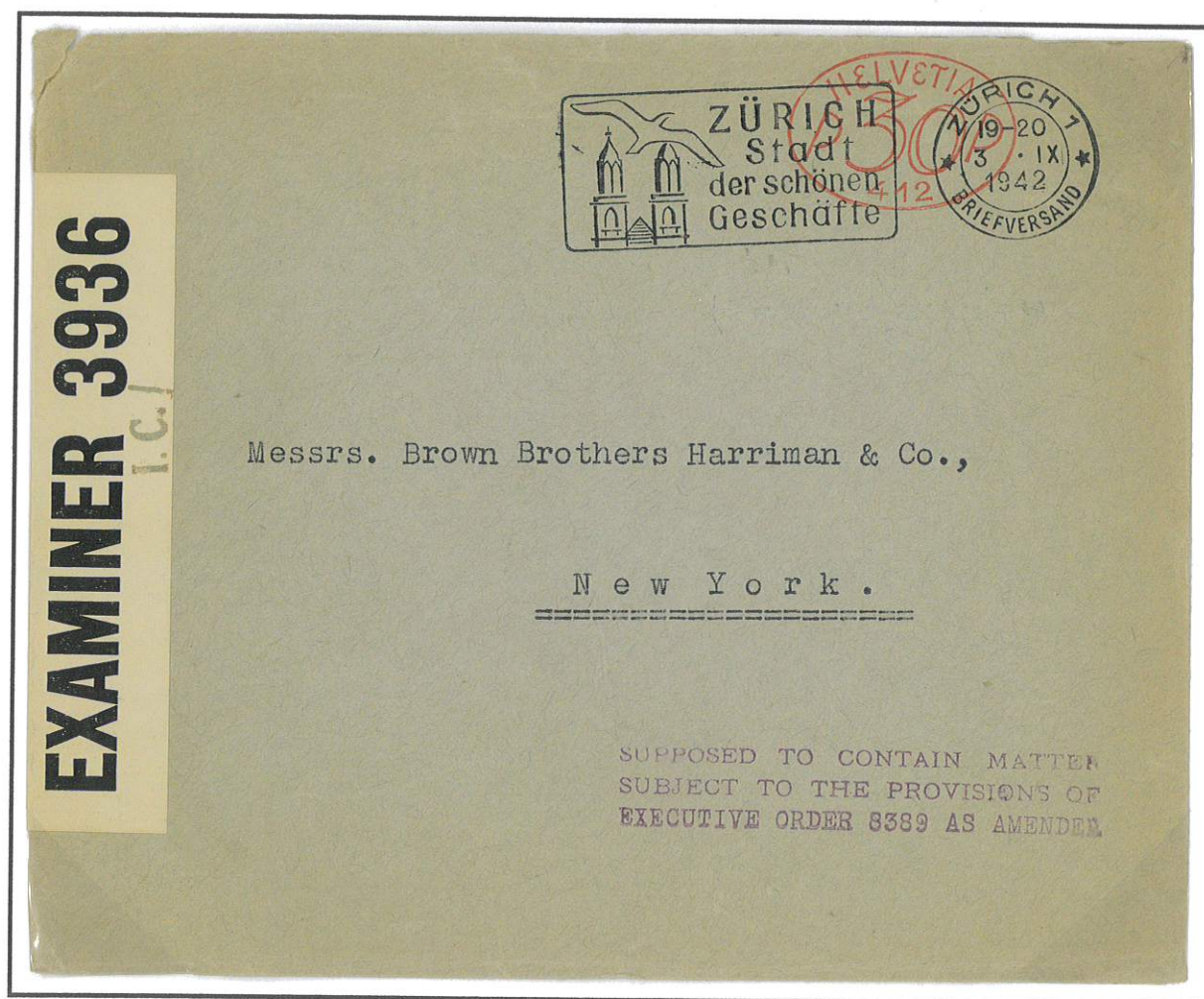


- Route: Despatched 5 December 1939. Hamburg to Buenos Aires via Lisbon-New York-Miami-Natal, if typed endorsement was followed.
- Rate: From November 15, rate via America was 25Rpf surface, 95Rpf air fee, but this cover carries the German pre-war rate of 25Rpf + 150Rpf air fee. Total 1.75Rm.
- Censor: Uncensored.
- Features: The route taken: Arrival in Buenos Aires appears to be 5:20 pm on 10 December. German service had ceased. LATI service started 21 December. Other covers show at least 10 day transit via New York, so the probable route was by the French South American service, for which the franking is correct.

Trading with the enemy. The sender, a bank, is still in business in Hamburg, but in 1938 was operating as a "Devisenbank" or foreign exchange bank. The recipient Gustavo Reinke was a prominent importer, listed in the United States "Proclaimed List" throughout WW2. The firm was still in existence in 1953.

Trading with the enemy

Switzerland to United States intercepted Bermuda 1942.



- Route: Despatched 3 September 1942. Basel-17 directly by rail to Lisbon then by sea. Intercepted in Bermuda and forwarded to New York after examination.
- Rate: 30c surface fee.
- Censor: Bermuda opened and re-sealed Examiner 3936 IC.
- Features: Mail from an anonymous PO Box in Zurich addressed to Brown Brother Harriman in New York. Carries US endorsement "...subject to the provisions of Executive Order 8389 as amended". This order from President Roosevelt was out in place to prevent the transfer of illicit funds from Nazi held countries into the United States.

Brown Brothers Harriman are cited in most references to wartime illicit money transfers and the texts make uneasy reading. The firm's connection with I.G.Farben and their operations in Upper Silesia is quoted in [1]. Fortunately people in Bermuda and the US were keeping watch on BB&H. Ironically the slogan canceller reads "Zurich. Town of good business"

"The holdings of Brown Brothers Harriman in Consolidated Silesian were a small part of a larger partnership between Brown Brothers Harriman and the German Steel Trust".

This is just one of many references.

[1] Yeadon G. and Hawkins J. *"The Nazi Hydra in America"*. (Progressive Press, California 2008).



Trading with the enemy

Switzerland to United States intercepted Bermuda 1941.



- Route: Despatched 10 July 1941. Basel-Barcelona by rail. Barcelona-Lisbon by Ala Littoria. Lisbon-Bermuda by Pan American FAM-18 via Horta. Intercepted in Bermuda and returned to London. Forwarded UK-New York in February 1946.
- Rate: 30c surface fee. 30c Registration. 2 x Air Fee 70c. Total Fr. 2.0.
- Censor: Bermuda CL9a (167) 5472. Opened and re-sealed London Censor 8053.
- Features: Uncommon local Bermuda printing CL9a label. Cover intercepted and returned to London. Held and released in 1946, forwarded to New York, arriving 13 February 1946. Cover from "H.S.-Sch. & Co." which is abbreviation for the bank "Hans Seligman-Schürch & Co." an organisation known to be involved in Nazi and Holocaust related dealings. Firm was on the US Proclaimed List and presumably also on the British censorship "Watch List" in Bermuda. A note from the US Legation in Bern to the Secretary of State in Washington reads:

"My British colleague has brought to my attention an astonishing communication which the British Consulate General at Basel has received under date of October 14. 1942, from Messrs. Hans Seligman-Schürch and Company, bankers at Basel. This company is listed in the Proclaimed List.

The letter states that a gentleman has arrived in Switzerland from Holland who has proposed, with German approval, that 250 Jews now in Holland be permitted to leave Holland for overseas destinations against a payment of 5,000,000 Swiss Francs. The contract must be assured by a Swiss bank and payment is due when the 250 hostages involved have reported to the Swiss Consulate in Lisbon. One of the provisions of the proposal is that the 5,000,000 Swiss Francs shall remain on deposit in Switzerland until the end of the war."

Neutral Switzerland?? Don't make me laugh!

Trading with the enemy

Argentina to Germany by LATI 1941. I.G. Farben.



- Route: Buenos Aires to Frankfurt by Italian LATI service. Despatch 13 September 1941, flight leaving Buenos Aires 15 September, arrive Rome 18 September 1941.
- Rate: Surface fee 20c. 2 x air fee of 125c, total 2.70 Peso.
- Censor: German re-sealing label of Berlin.
- Features: Before America entered the war, I.G. Farben and various American chemical companies including Standard Oil and Dupont had reciprocal agreements on exchange of patents covering, amongst other subjects the manufacture of synthetic oil and rubber. Covers to and from Switzerland, Germany and Argentina show regular correspondence via Argentine patent lawyers. This cover from such a company in Argentina is addressed to the I.G. Farben patent office in Frankfurt. The two-way traffic continued after America entered the war and was the cause of concern and outrage in Allied military circles. By using the LATI air service, such correspondence escaped Allied mail interception and examination. In 1941 I.G. Farben built chemical plants in Upper Silesia to produce the synthetic oil and rubber enabling the German war machine to continue functioning. These plants were operated using slave labour and Allied prisoners-of-war, with I.G. Farben paying the Nazi S.S. a per capita fee for each labourer they supplied to Farben.

Trans-Atlantic Air mail

Trading with the enemy. Germany to Argentina 1941.

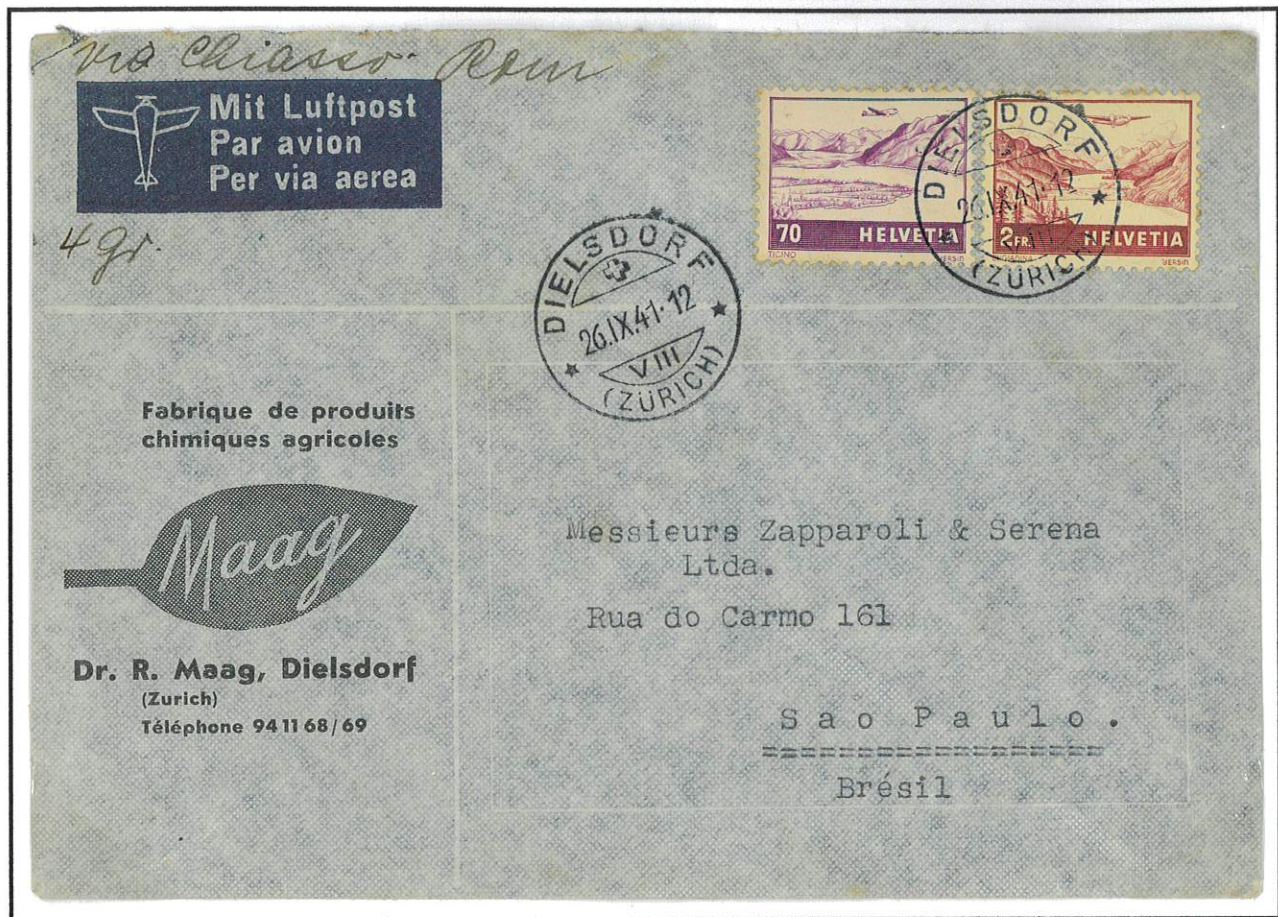


- Route: Berlin 21 May 1941 via Rome and Italian LATI service flight 26 May arriving Buenos Aires late (Avion Atrasado).
- Rate: Surface 25Rpf. Air fee 150Rpf.
- Censor: OKW Berlin.
- Features: Lawyer to lawyer from Berlin to Buenos Aires. Address in Buenos Aires featured prominently in US "Proclaimed List" with listed occupants all Japanese. Bartolomé Mitre 559 handsome building (Google Earth) in banking district, possibly Japanese bank or Embassy in 1941.



Trans-Atlantic Air mail

Trading with the enemy. Switzerland to Brazil by LATI 1941.

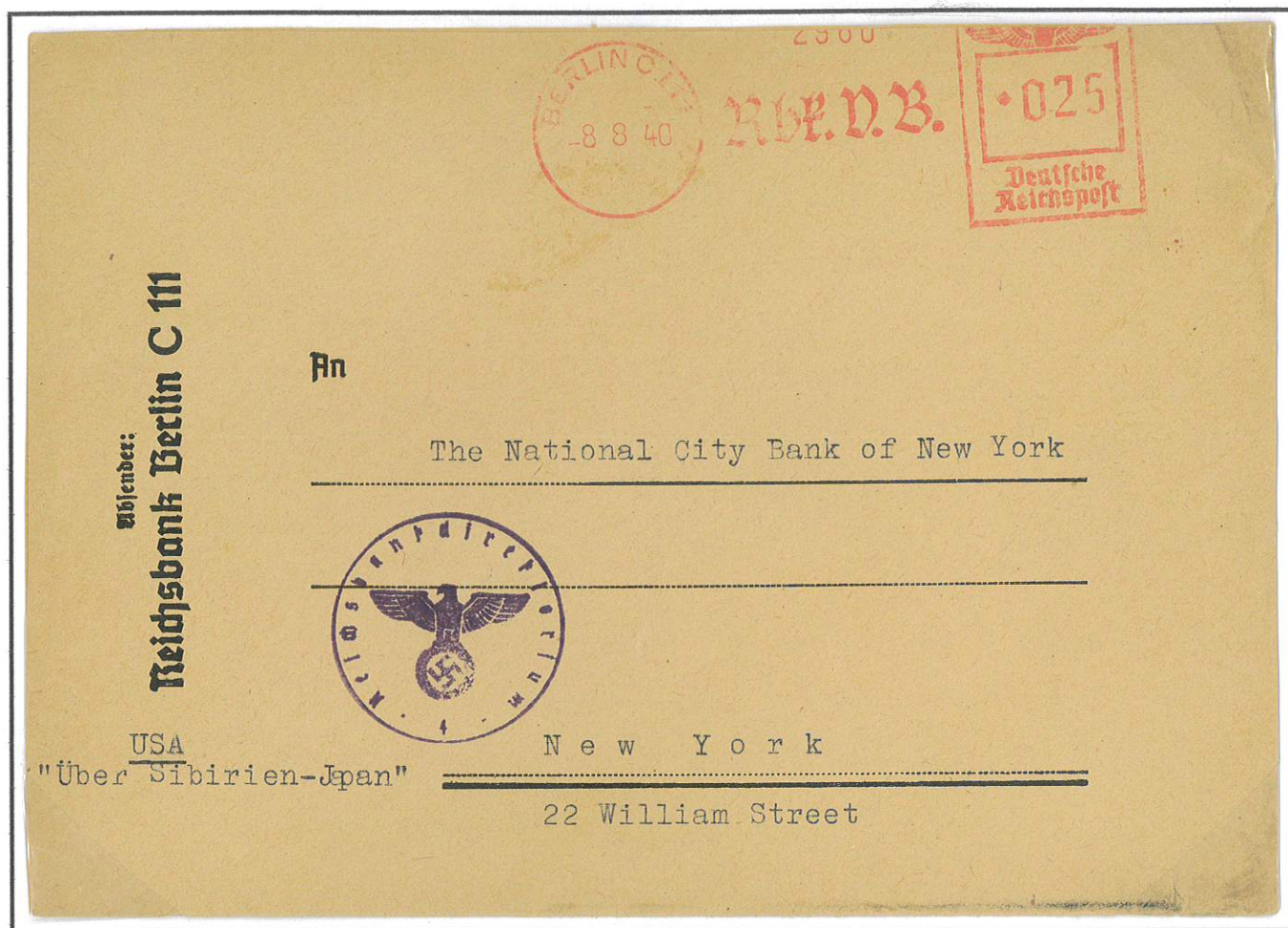


- Route: Dielsdorf to Sao Paulo via Rome and Italian LATI service. Despatch 26 September 1941, arrive 10 October. Flight left Rome on 2 October 1941.
- Rate: Surface fee 30 c. Air fee of 240 c. Total 2Fr.70c paid.
- Censor: No censorship applied. LATI flights could not be intercepted by Allied censor stations.
- Features: Correspondence between Swiss chemical company and a company "Zapparoli & Serena" that appeared in the United States "Proclaimed List" issued in July 1941. Nature of transaction unknown.

Trading with the enemy

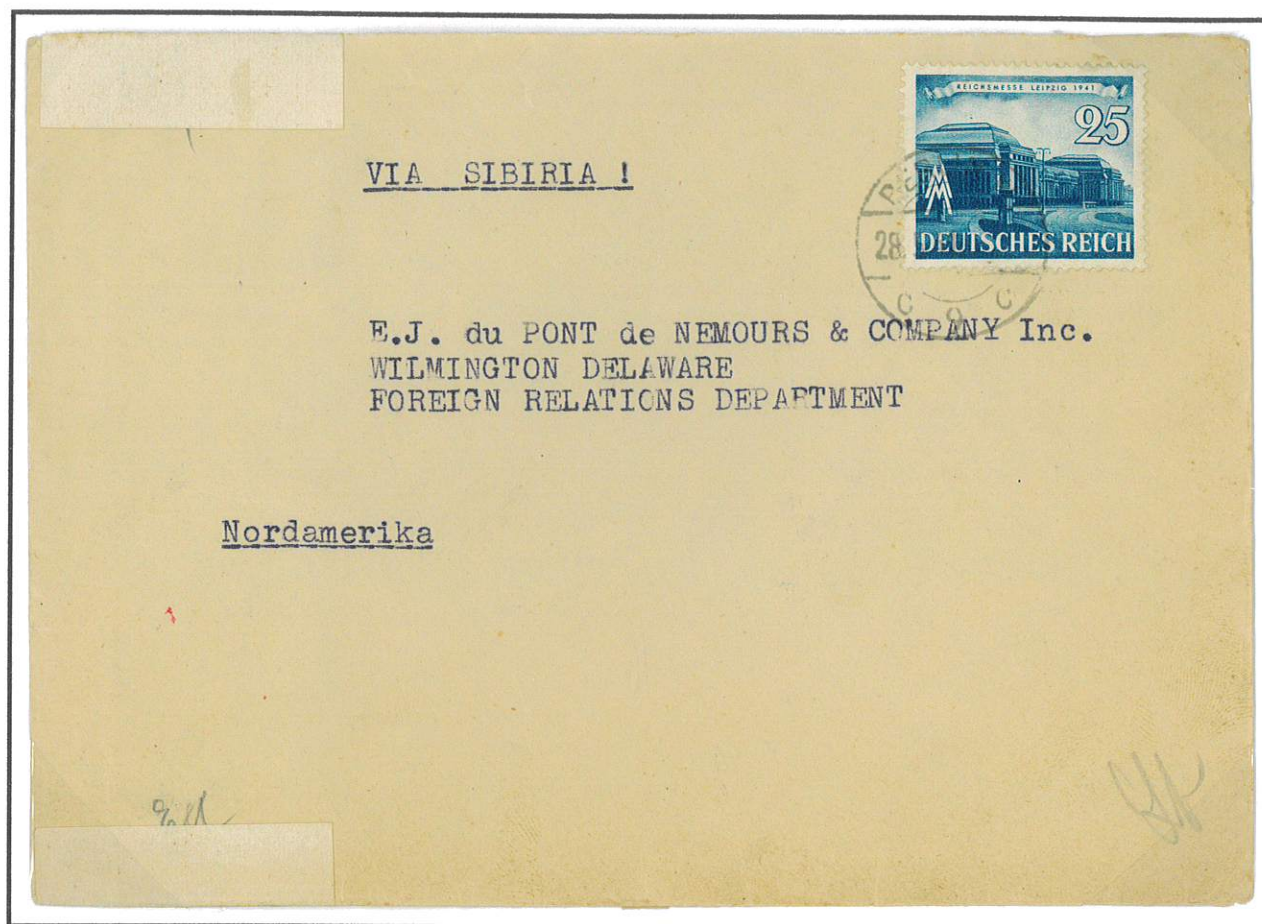
Cover from the Maag company in Zurich to Zapparoli & Serena in Sao Paulo, Brazil. Zapparoli & Serena were included in the United States "Proclaimed List" first compiled in 1941.

Trading with the enemy
Germany to United States via Siberia 1940

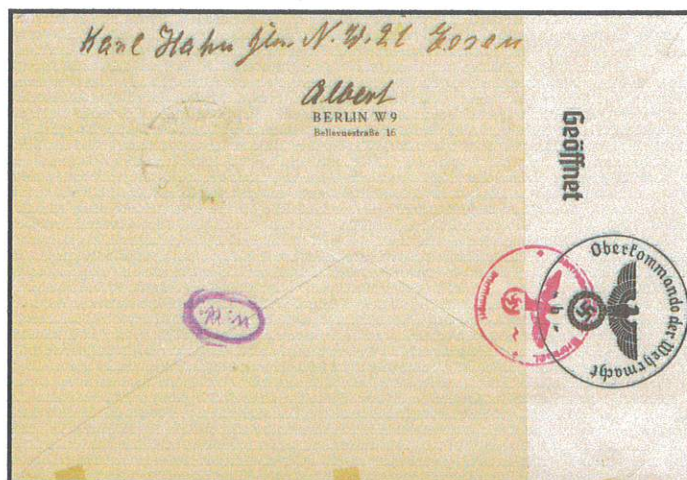


- Route: Despatch date 8 August 1940. Berlin-Moscow by air. Moscow-Irkutsk-Khabarovsk-Vladivostok by rail. Vladivostok-Yokohama-San Francisco by sea.
- Rate: 25 Rpf surface rate.
- Censor: Route chosen to avoid mail interception. No transit examination.
- Features: Inter-bank correspondence between the Reichsbank and National City Bank. Cover endorsed "Über Sibirien-Japan" to ensure mail avoided Allied examination at Bermuda on the shorter and quicker trans-Atlantic crossing. Highly suspicious.

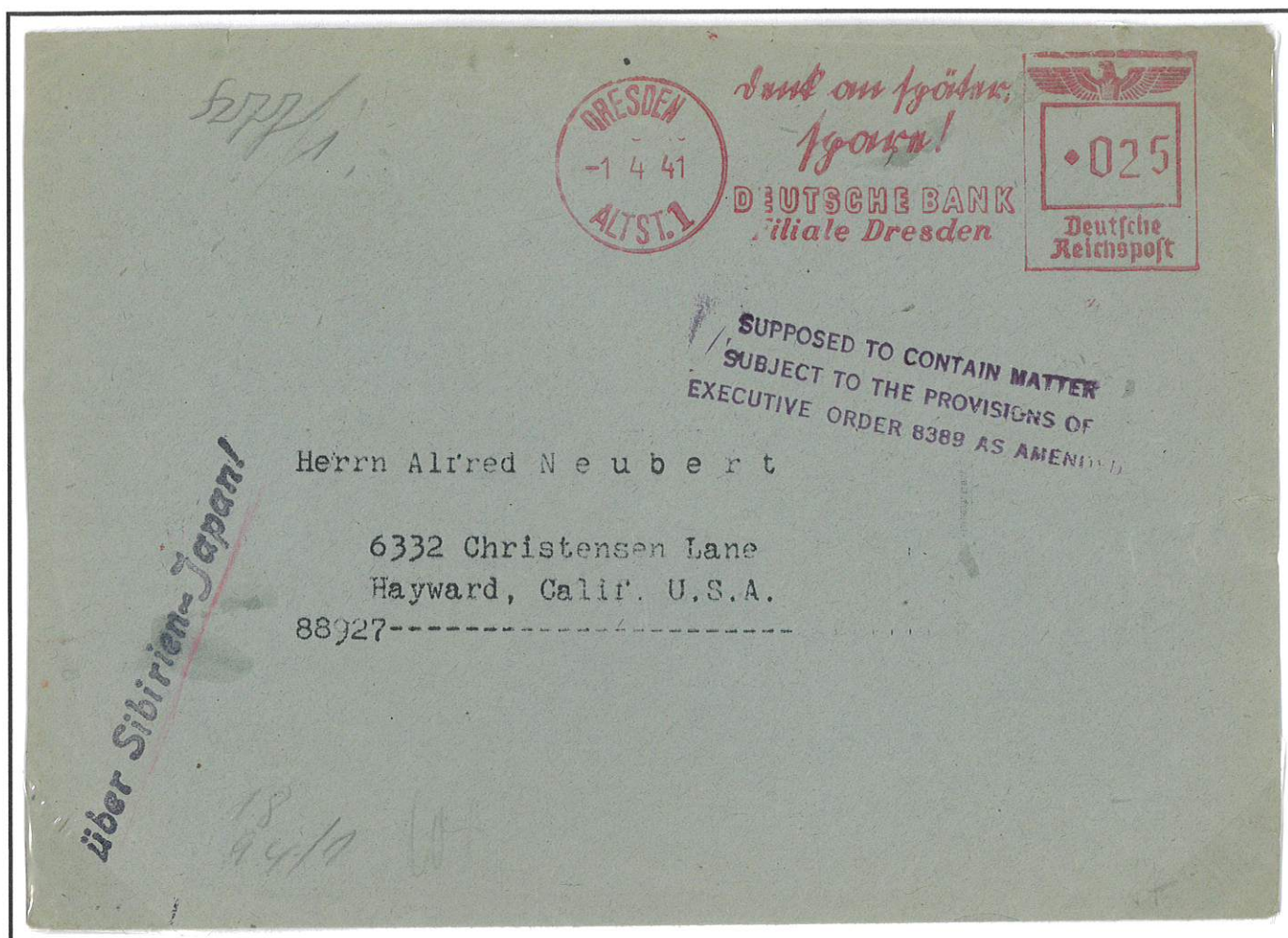
Trading with the enemy
Germany to United States via Siberia 1941



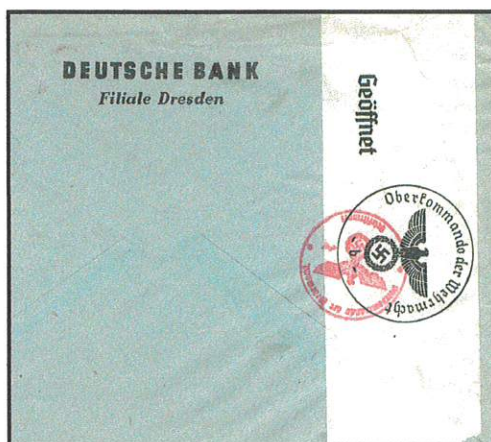
- Route: Despatch date 28 February 1941. Berlin-Moscow by air. Moscow-Irkutsk-Khabarovsk-Vladivostok by rail. Vladivostok-Yokohama-San Francisco by sea.
- Rate: 25 Rpf surface rate.
- Censor: Route chosen to avoid Allied mail interception. OKW censor Berlin.
- Features: Du Pont de Nemours had a close relationship with the Nazi party through their business arrangements with I.G. Farben. This cover was sent from Goebbels' "Institut Zum Studium der Judenfrage" located at Berlin W9, Bellevuestrasse 11a. Who knows what the Du Pont "Foreign Relations Department" actually did?



Trading with the enemy
Germany to United States via Siberia 1941



- Route: Despatch date 1 April 1941. Berlin-Moscow by air. Moscow-Irkutsk-Khabarovsk-Vladivostok by rail. Vladivostok-Yokohama-San Francisco by sea.
- Rate: 25 Rpf surface rate.
- Censor: Route chosen to avoid Allied mail interception. OKW censor Berlin.
- Features: Dresden branch of Deutsche Bank to German resident in California. Intercepted at US Post Office and endorsed by "Supposed to contain matter subject to the provisions of Executive Order 8389". This required the addressee to attend at the Post Office and open the envelope in the presence of official observer.



Trading with the enemy
Germany to United States via Siberia 1941

Via Sibirien-Japan
California Dienst
nicht über Canada

Hb.

DRESDNER BANK
BERLIN W 8

702193

Charmil Inc.

Wilmington, Del. /U.S.A./
4014 du Pont Building

Falls Adressat verzogen, mit
neuer Adresse zurückerbeten.



DRESDNER
BANK



SUPPOSED TO CONTAIN MAIL
SUBJECT TO THE PROVISIONS OF
EXECUTIVE ORDER 8389 AS AMENDED

- Route: Despatch date 17 February 1941. Berlin-Moscow by air. Moscow-Irkutsk-Khabarovsk-Vladivostok by rail. Vladivostok-Yokohama-San Francisco by sea.
- Rate: 25 Rpf surface rate.
- Censor: Route chosen to avoid mail interception. 'Executive Order 8389' applied in US.
- Features: Dresdner Bank was the banking arm of the Nazi party and used any mail route available to avoid mail interception. Hence the instruction 'Nicht über Canada'. Addressed to 'Charmil Inc' which was a cover for a firm of lawyers resident in the DuPont building and probably a cover for DuPont themselves in their attempts to hide their established connection to the Nazi party through I.G. Farben. Route instruction to avoid shipment on the Yokohama-Vancouver trans-Pacific route.

Trading with the enemy
Brazil to United States intercepted Trinidad 1943.



Route: Sao Paulo to Trinidad by Pan American. Despatch 4 November 1943. Arrive New York 14 November after censorship delays.

Rate: 9 x 5000 Reis combined fee to US. 800 Reis registration. Total 45,800 Reis on cover.

Censor: Opened and resealed in Brazil and in Trinidad examiner IE/8056.

Features: Addressed to Transmares Corporation, a dummy company set up as a front for money transfers and financed by no less than Dulles....for the German agent Gero von Schulze Gaevernitz. Reference [1] contains some interesting detail:

"As late as October of 1941, Gaevernitz listed his occupation in Switzerland as agent for Schildge Rumohr, Inc., a New York dummy corporation known subsequently as Transmares (the financing for which Dulles himself had expedited through J. Henry Schroder), and identified by the Department of Justice as a front for circumventing the British blockade with strategic materials for embattled Germany".

Once again there was intervention shown by the ".....Executive Order 8389 as amended" cachet.

[1] Burton Hersh. *"The Old Boys. The American Elite and the Origins of the CIA"*. (Burton Hersh. ©2000)

Trading with the enemy

Colombia to United States 1940.



Route: Cali, Colombia to New York via SCADTA. Despatch 14 October 1940.

Rate: Air rate to US 35 centavos.

Features: Addressed to Transmares Corporation, a dummy company set up as a front for money transfers and financed by no less than Dulles....for the German agent Gero von Schulze Gaevernitz. Colombia and SCADTA were heavily Germanic, so it is no surprise to see that the sender of the letter was one Günter von der Heide with an address in Cali. Equally no surprise to find him listed in the US "Proclaimed List". American concerns over German influence in South America had existed for some time. The American military attaché in Colombia:-

"reported to the War Department on the operations of the SCADTA air line. This had been formed in 1919 by Captain Peter Paul von Bauer, a German aviator in the First World War. Its equipment was German. So was its entire personnel, who, adopting Colombian citizenship.....nevertheless retained their German citizenship under the laws of their native land. By 1924 Major H.H.Arnold considered SCADTA's operations 'far too close to the Panama Canal to be ignored'..."

Major H.H. Arnold was of course eventually General "Hap" Arnold who figured prominently in wartime aviation in the South Atlantic.

GÜNTER VON DER HEIDE
CALI-COLOMBIA

Trading with the enemy

Iran to United States intercepted New York 1944.



- Route: Despatch date unclear. Baghdad transit 1 November 1944. Surface Teheran-Baghdad then air probably by ATC to West Africa (but not confirmed).
- Rate: 3 Rials 50 Dinars surface fee. 15 Dinars air fee?
- Censor: Opened and resealed Baghdad Anglo-Soviet censorship. New York 5905.
- Features: Brown Brothers Harriman being carefully watched by US Censorship. Cover carries the ".....Executive Order 8389 as amended" applied to correspondence related to illicit money transfers.

Trading with the enemy
Obligado & Cia.

The Argentinian firm of Obligado & Cia was founded in Buenos Aires in 1889 and specialised in Patent and Industrial Law. By 1900 the company had achieved a high reputation for their expertise and was appointed the official Patent Agent for the Argentine government, an arrangement which lasted until the 1950s when the government took over publication of the "Official Bulletin".

In the 1930s and during WW2, Obligado & Cia were deeply involved in patent work for German interests in Argentina, and covers from the start of mail interception in 1942 show that the firm must have been on the censor "watch list" judging by the amount of mail that was intercepted en route between Axis Switzerland and Buenos Aires. The cover below is typical of the intercepted mail from 1944. From a patent lawyer in Geneva to Obligado & Cia.



Despatched Geneva 11 August 1944, intercepted by OKW and examined in Berlin then carried to Lisbon to connect with Pan American "LATI substitute" Route 12 service via Dakar and Bolama to Natal. Then by Pan American FAM-6 service to San Juan for examination by US Censor 64259 before return to Natal and forwarding to Buenos Aires.

Rate: 30c. surface fee. 30c. registration. 150c air fee. Total 210c.

Trans-Atlantic Air mail

Pan American LATI substitute Route 7 service Switzerland to Argentina



Route: Geneva to Buenos Aires via Barcelona-Lisbon-Horta-Bermuda. Despatch 30 September 1942.

Rate: 30c. surface, 30c. registration, 1Fr.50c. air fee. Total 2Fr. 10c.

Censor: Re-sealing label of Bermuda 3697 IC.

Features: The cover illustrates carriage from Lisbon by the counter-clockwise "LATI substitute" Route 7 service of Pan American Airways. The "correct" route should have been southbound via West Africa and Brazil, with censorship carried out at San Juan, Puerto Rico, but this cover travelled in the opposite direction and was intercepted in Bermuda. From Bermuda it is possible that the cover was placed on board a southbound Route 7 flight to Natal, but equally possible is transit via New York-Miami-FAM6 service to South America.

Trading with the enemy

Pan American LATI substitute Route 8 ~~Germany~~ to Argentina May 1942

Switzerland



- Route: Geneva to Barcelona by rail through unoccupied France avoiding German interception. Barcelona to Lisbon by air then by Pan American Route 8 flight to Natal, Brazil. Despatch 13 May 1942. Probably carried on flight 8004 leaving Lisbon 29 May.
- Rate: Surface fee 30c. Registration 30c. Air fee 1Fr. 50c (PanAm rate). Total 2Fr. 10c..
- Censor: PanAm failed to call at Bathurst for censorship so cover travelled all the way without interception.
- Features: From the office of consulting engineers in Geneva addressed to the Argentine government patent attorneys. Until the joint US/UK censorship was established, much Axis mail was carried direct from Lisbon to South America without examination.

Trans-Atlantic Air mail

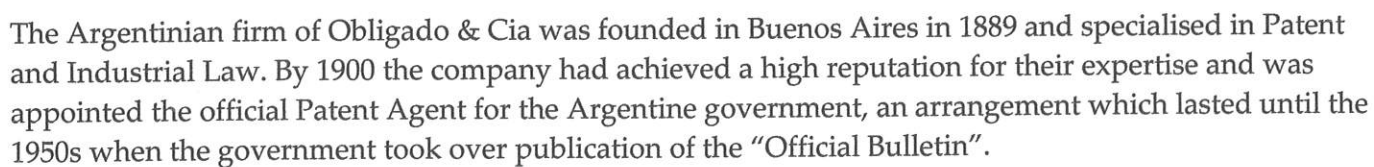
Pan American LATI substitute Route 7 service Switzerland to Argentina



- Route: Basel to Buenos Aires via Barcelona-Lisbon-Horta-Bermuda. Despatch 14 September 1942.
- Rate: 30c. surface (20g) 1Fr.50c. air fee. Total 1Fr. 80c.
- Censor: Re-sealing label of Bermuda 4206 IC.
- Features: The cover illustrates carriage from Lisbon by the counter-clockwise "LATI substitute" Route 7 service of Pan American Airways. The "correct" route should have been southbound via West Africa and Brazil, with censorship carried out at San Juan, Puerto Rico, but this cover travelled in the opposite direction and was intercepted in Bermuda. From Bermuda it is possible that the cover was placed on board a southbound Route 7 flight to Natal, but equally possible is transit via New York-Miami-FAM6 service to South America. Arrival at destination on 24 October 1942.

Trading with the enemy

Cover from Halff & Weisser in Geneva to "Supercastor" in Florida, Buenos Aires. Halff & Weisser were chemical engineers who changed their name in 1945 to Plasmag AG. "Supercastor" was the trade name for an Argentinian Government agency for oils and petroleum.

Obligado & Cia.

In the 1930s and during WW2, Obligado & Cia were deeply involved in patent work for German interests in Argentina, and covers from the start of mail interception in 1942 show that the firm must have been on the censor “watch list” judging by the amount of mail that was intercepted en route between Axis Switzerland and Buenos Aires. This cover shows the early connection between patent lawyers in Germany and the Argentine government lawyers.

Despatched Berlin 31 March 1935 the cover was carried by the Deutsche Lufthansa service on flight L-73 via Bathurst in British Gambia to Natal and Buenos Aires.

Rate: 25 Rpf first 20g surface fee, 15 Rpf next step fee, 6 x 150 Rpf air fee. Total 9 Rm 40 Rpf.

Trading with the enemy

Germany to Argentina 1942.



Route: Despatched 1 September 1942. Remscheid-Berlin-Lisbon. Lisbon-San Juan by Pan American "LATI substitute" via Bolama-Fisherman's Lake-Natal. San Juan-Natal-Buenos Aires return by Pan American FAM-6 after examination.

Rate: 25Rpf surface, 90Rpf air fee. Total 1.15Rm.

Censor: OKW Berlin. San Juan examiner 2912.

Features: Addressed to a member of the Lahusen family who owned and ran a large chain of department stores in Argentina. Quoted as:

"The Lahusen organization facilitated the German espionage system through Argentina, Chile, Uruguay, and Paraguay in both world wars. Every town and village in Patagonia had its Lahusen store and agent, and it was a standing joke in Buenos Aires' diplomatic circles that Hitler knew more about Patagonia than the Argentine government did."

At least the censors at San Juan caught this one. Unusual for a German sender to risk interception. The sight of Hitler stamps must have automatically alerted Allied censors.

Trading with the enemy

Pan American LATI substitute service Germany to Argentina December 1942



- Route: Berlin to Buenos Aires via Lisbon-Bolama-Fisherman's Lake-Natal-Belem-Trinidad-San Juan-Trinidad-Belem-Natal. Despatch 24 December 1942. Arrive 27 January 1943.
- Rate: Rate introduced 5 October 1942. 25 Rpf surface. 2 x 90 Rpf air fee. Total 205 Rpf. Overpaid 215.
- Censor: Berlin Ab. Re-sealed by censor 14035 in San Juan.
- Features: Routed via the Pan American combined FAM-18/"LATI substitute" Route 9/10 clockwise South Atlantic service. Cover carried beyond Natal to San Juan for censorship as per the "San Juan Agreement" then returned by FAM-6 service to Natal and onward to Argentina.

At least the censors at San Juan caught this one. Unusual for a German sender to risk interception. The sight of Hitler stamps must have automatically alerted Allied censors.

EXAMINER 5,161



Mit Luftpost
Par avion
Per via aerea



8446

Messrs. BROWN BROTHERS HARRIMAN & CO.,

59. Wall Street,

NEW YORK

SUPPLEMENT
SUBJECT TO THE PROVISIONS
EXECUTIVE ORDER 8389 AS AMENDED

IA

GEORGE CHECKLEY

P. O. BOX N° 2729

LIMA, PERU, S. A.

ESPACIO



EXAMINER 5,161

The Union Square Savings Bank of N.Y.
16th Street & 4th Ave.
New York City



Supplement to contain Matter
of the Provisions of
Executive Order 8389 as Amended

366443

Obertommo

625

253/1

22 2 43

HANSA-MÜHLE
A.G.

025
Deutsche Reichspost

VIA SIBIRIEN / JAPAN

Herrn

Albert H. Bruecke,

10, Carlisle Street,

BERGENFIELD N.J.

U.S.A.

Ge

B XIII 17

24

16 gr

Mit Luftpost
und ab New York

Marathon branches
in Spain & Italy
all in proclaimed
list



Firma

Acos Marathon do Brasil Ltda-
Caixa Postal 4417

MIT LUFTPOST
PAR AVION

Sao Paulo
Brasilien



Mit Luftpost



Herrn

Gustavo Reinke

Bolivar 144

Devisenbank
Johannes Schuback & Söhne
HAMBURG 8
Holzbrücke 8

Buenos Aires
Argentinien

von der Post auf dem Briefmarken

Einschreiben!

Herren

Berlin 61
717

Patentanwälte Glascock, Downing
& Seebold,

Lieferer:
Legard Hartmann
Berlin-Buckow-West
Buckow-Chaussee 32

National Press Building,
Washington D.

MIT LUFTPOST
PAR AVION
BY AIR MAIL



EXAMINER 4818

**SUPPORTING DOCUMENTATION
FROM HERE TO END**

Blechhammer

by

Duane L. "Sparky" Bohnstedt
460th Bomb Group Historian

The names Blechhammer, The Lost City of Atlantis and Shangri-La all share the quality of mysticism. Blechhammer, however, was real, not a fantasy. Like Atlantis and Shangri-La, you cannot find it on a map; it was not a city, or a location that is identified by that name today. Some of the ruins of Blechhammer North and South are still there, and the power plant at Blechhammer South has been rebuilt, and is in operation. While we remember Blechhammer as a synthetic oil plant, it was in reality much more than that.

In June 1942 Blechhammer, or Blachownia Slaska as it is known today, was established as a forced labor camp for Jews near the town of Kozle, 18.5 miles west of Gleiwitz, Poland. The first prisoners brought there were used in the construction of a synthetic oil plant that we knew as Blechhammer (Oberschlesische Hydrierwerke, AG.) Soon after the camp was established, a typhus outbreak resulted in 120 prisoners being sent to Auschwitz where they were exterminated. The remaining prisoners were moved to a new and larger site. New prisoners were brought to the camp, mostly Jews from Upper Silesia, but there were others from fifteen different countries. In all there were over 5,500 in the camp; of these, 1,500 died at the camp. Living conditions at the camp were poor at best. Prisoners were housed in wooden barracks without running water or proper sanitary facilities. Diarrhea, tuberculosis and the lack of food were the fate of many. In April 1944 Blechhammer became a satellite camp of Auschwitz, named Arbeitslager Blechhammer, a.k.a. Labor Camp Blechhammer.

Unknown to many is the fact that there were six British prisoner of war camps in the Blechhammer, Heydebreck and Odertal area. About 2,000, mostly captured in North Africa, were employed in the oil plants to clean up after air raids, to maintain equipment and to perform other duties.

One camp, Kanal Lager, measured 220 yards by 220 yards. It was situated between the Oder canal and the main road, about three quarters of a mile from the main gate of the Oberschlesische Hydrierwerke, AG (Blechhammer North). Next door was Camp E3, a working party from Stalag 8B Lamsdorf (Lambinowice). Across the road was a camp, housing British POWs from Italy, and nearby a Jewish concentration camp. As was the case for prisoners of war in other camps about to be overrun by Soviet forces, the Germans began an evacuation of prisoners from Blechhammer. The prisoners were given 800 grams of bread, a small amount of margarine, and artificial honey for their march.

On 21 January 1945, about 4,000 prisoners from Blechhammer, plus another 6,000 from the sub-camps Neu Dachs, Gleiwitz I, II and IV began their death march. Those who survived reached the concentration camp Gross-Rosen on 2 February 1945. During the march there were about 800 prisoners who were unable to walk any further, or tried to flee; they were shot by the SS. Those who survived the march were sent to Buchenwald.

Blechhammer was a large industrial complex which consisted of many different industries. Included were Elektrynia Blachownia, Zakłady Chemiczne Blachownia, I. G. Farbenindustrie Hydrebreck and others. Supporting these were slave labor camps with up to 50,000 prisoners. Slave labor not only provided workers for factories; it was used for many other needs, including farming, mining and mine construction, the repair and maintenance of railways and railway equipment, poultry and fish farms, plant construction and many other needs. There were fourteen camps in the Blechhammer complex providing labor for the industries located there.

The synthetic oil facility, Oberschlesische Hydrierwerke AG, was operated by I. G. Farbenindustrie. The refinery was divided into two plants: Blechhammer North and Blechhammer South. Blechhammer North was located south of the town of Blachownia. Blechhammer South was situated southeast of what is known today as Kedzierzyn-Kozle. Both were adjacent to railway lines and branches of the Oder Canal.

Germany's deposits of natural petroleum were limited, so pre-war it initiated a program to turn bituminous and brown coal into gasoline. The synthetic fuel industry was encouraged to develop this process by high taxes on imported fuel and mergers among producers. Even with these massive efforts, the Germans were unable to build up substantial reserves, and it entered the war in 1939 with only a three months supply of aviation gasoline and a two months supply of auto fuel. As the war progressed, the Germans were able to increase the availability of oil products by taking over the petroleum resources in the countries it invaded, and by the expansion of synthetic fuel facilities. They were able to build up, and temporarily satisfy their needs.

The process of producing synthetic fuel is somewhat different from that for natural oil plants. In the Bergius process, synthetic gasoline is made from coal, with the quality of the end product dependent on the quality of the coal used. Bituminous coal yielded gasoline suitable for aviation use, and brown coal for automobiles. With the Fischer Tropsch process, coke is the raw material. In these plants the Germans were able also to produce nitrogen (in the form of ammonia) and methanol, both raw materials for explosives and chemicals. Successful aerial attacks on these plants not only reduced the supply of motor fuel, it decreased the supply of material needed to manufacture explosives.

Before the activation of the Fifteenth Air Force, consideration was given to the subject of enemy oil, but it was determined that most oil targets were beyond the range of bombers based in North Africa and other targets had higher priorities. When the Fifteenth Air Force came into the picture, its maximum efficient bomber range was seven hundred miles from Foggia. Three important petroleum basins, which produced 90 percent of natural crude oil available to the enemy were located within that range. Ideally, it would have been best to keep the petroleum from being pumped from the ground, but widely separated wells, derricks, pumps and storage tanks were not good targets for high altitude bombing. The logical targets were the refineries. There were about sixty plants within range of the Fifteenth Air Force, with twenty-two of these concentrated around Ploesti, Budapest and Vienna.

On 4 May 1944 the Fifteenth Air Force was authorized to attack the oil refineries at Ploesti, Romania, thus beginning an offensive which would greatly contribute to the defeat of Germany. To accomplish this, it established three objectives to deny the enemy the petroleum products it needed to conduct the war: 1. Destroy the Romanian refineries at Ploesti and Bucharest; 2. Destroy twelve natural oil refineries in Central Europe; 3. Eliminate the synthetic oil refineries at Brux (one of the three largest producers of gasoline in Europe), Blechhammer North, Blechhammer South and Odertal (where 22 percent of the synthetic oil was produced). Although fewer bombs were dropped on synthetic oil plants than other lower priority targets in Austria, the success rate was greater for the synthetic oil plants. Brux, Blechhammer, Odertal, and Ruhland (near Dresden) produced three-fourths of all fuel, and almost all aviation fuel within the range of the Fifteenth Air Force.

Those who served with the Fifteenth Air Force during World War II will remember Blechhammer, if only by name. Missions to Blechhammer were long, tiring, and always dangerous. The 460th Bomb Group (H) flew nine missions to Blechhammer South and two to Blechhammer North, at a cost of ten aircraft. Several of these were victims of the 25 flak batteries defending the Blechhammer/Odertal area. The guns ranged in size from 20mm to 128mm. Many of these were manned by students as young as fifteen years.

Near the end of 1944, the Germans saw a dramatic decline in the production of synthetic fuel and other products at the Blechhammer Oil Plant and other facilities. Acutely aware of the fuel situation, and what it meant to Germany's ability to continue the war, German General Field Marshal von Rundstedt sent a report entitled "Conservation of Motor Fuel" to Adolph Hitler, advising him of the seriousness of the situation. He also stated that he had issued an order, to preserve for the battle front, the minimum requirements for the use of motor fuel. It was forbidden to use motor vehicles when the same purpose could be served by railways. Motor fuel was to be used only for combat purposes (Panzers, Assault Guns, and important messages or supply trips). The order went so far as to say that those using motor fuel for any purpose, other than the

prosecution of the war, would be considered saboteurs and subject to discipline. He outlined in detail all procedures that needed to be taken to conserve gasoline. This order became effective 15 November 1944.

For all practical purposes, by late December 1944 the oil plants of Blechhammer and Odertal were destroyed. The 460th flew its last mission to Blechhammer on 19 December 1944. Today Blechhammer no longer exists, but it lives on in the town of Blachownia. It is a thriving industrial center which focuses on the production of chemicals, synthetic fuel and other products. Zakłady Chemiczne Blachownia manufactures plastics; Poludniowe Zakłady is a synthetic refinery. The I. G. Farbenindustrie chemical plant is still there on the Blechhammer site, producing chemical products based on coke and coal. It employs 3,000 workers. In addition to being industrial centers, Kedzierzyn-Kozle and Odertal are popular recreation areas. Times have changed!

Duane L. Bohnstedt
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Ethyl Lead for the Wehrmacht

Another prominent example of Standard Oil assistance to Nazi Germany — in cooperation with General Motors — was in supplying ethyl lead. Ethyl fluid is an anti-knock compound used in both aviation and automobile fuels to eliminate knocking, and so improve engine efficiency; without such anti-knocking compounds modern mobile warfare would be impractical.

In 1924 the Ethyl Gasoline Corporation was formed in New York City, jointly owned by the Standard Oil Company of New Jersey and General Motors Corporation, to control and utilize U.S. patents for the manufacture and distribution of tetraethyl lead and ethyl fluid in the U.S. and abroad. Up to 1935 manufacture of these products was undertaken *only* in the United States. In 1935 Ethyl Gasoline Corporation transferred its know-how to Germany for use in the Nazi rearmament program. This transfer was undertaken over the protests of the U.S. Government.

Ethyl's intention to transfer its anti-knock technology to Nazi Germany came to the attention of the Army Air Corps in Washington, D.C. On December 15, 1934 E. W. Webb, president of Ethyl Gasoline, was advised that Washington had learned of the intention of "forming a German company with the I.G. to manufacture ethyl lead in that country." The War Department indicated that there was considerable criticism of this technological transfer, which might "have the gravest repercussions" for the U.S.; that the commercial demand for ethyl lead in Germany was too small to be of interest; and,

*... it has been claimed that Germany is secretly arming [and] ethyl lead would doubtless be a valuable aid to military aeroplanes.*¹⁰

The Ethyl Company was then advised by the Army Air Corps that "under no conditions should you or the Board of Directors of the Ethyl Gasoline Corporation disclose any secrets or 'know-how' in connection with the manufacture of tetraethyl lead to Germany."¹¹

On January 12, 1935 Webb mailed to the Chief of the Army Air Corps a "Statement of Facts," which was in effect a denial that any such technical knowledge would be transmitted; he offered to insert such a clause in the contract to guard against any such transfer. However, contrary to its pledge to the Army Air Corps, Ethyl subsequently signed a joint production agreement with I.G. Farben in Germany to form Ethyl G.m.b.H. and with Montecatini in fascist Italy for the same purpose.

It is worth noting the directors of Ethyl Gasoline Corporation at the time of this transfer:¹² E.W. Webb, president and director; C.F. Kettering; R.P. Russell; W.C. Teagle, Standard Oil of New Jersey and trustee of FDR's Georgia Warm Springs Foundation; F. A. Howard; E. M. Clark, Standard Oil of New Jersey; A. P. Sloan, Jr.; D. Brown; J. T. Smith; and W.S. Parish of Standard Oil of New Jersey.

The I.G. Farben files captured at the end of the war confirm the importance of this particular technical transfer for the German Wehrmacht:

*Since the beginning of the war we have been in a position. to produce lead tetraethyl solely because, a short time before the outbreak of the war, the Americans had established plants for us ready for production and supplied us with all available experience. In this manner we did not need to perform the difficult work of development because we could start production right away on the basis of all the experience that the Americans had had for years.*¹³

In 1938, just before the outbreak of war in Europe, the German Luftwaffe had an urgent requirement for 500 tons of tetraethyl lead. Ethyl was advised by an official of DuPont that such quantities of ethyl would be used by Germany for military purposes.¹⁴ This 500 tons was loaned by the Ethyl Export Corporation of New York to Ethyl G.m.b.H. of Germany, in a transaction arranged by the Reich Air Ministry with I.G. Farben director Mueller-Cunradi. The collateral security was arranged in a letter dated September 21, 1938¹⁵ through Brown Brothers, Harriman & Co. of New York.

Standard Oil of New Jersey and Synthetic Rubber

The transfer of ethyl technology for the Nazi war machine was repeated in the case of synthetic rubber. There is no question that the ability of the German Wehrmacht to fight World War II depended on synthetic rubber — as well as on synthetic petroleum — because Germany has no natural rubber, and war would have been impossible without Farben's synthetic rubber production. Farben had a virtual monopoly of this field and the program to produce the large quantities necessary was financed by the Reich:

*The volume of planned production in this field was far beyond the needs of peacetime economy. The huge costs involved were consistent only with military considerations in which the need for self-sufficiency without regard to cost was decisive.*¹⁶

As in the ethyl technology transfers, Standard Oil of New Jersey was intimately associated with I.G. Farben's synthetic rubber. A series of joint cartel agreements were made in the late 1920s aimed at a joint world monopoly of synthetic rubber. Hitler's Four Year Plan went into effect in 1937 and in 1938 Standard provided I.G. Farben with its new butyl rubber process. On the other hand Standard kept the German buna process secret within the United States and it was not until June 1940 that Firestone and U.S. Rubber were allowed to participate in testing butyl and granted the buna manufacturing licenses. Even then Standard tried to get the U.S. Government to finance a large-scale buna program — reserving its own funds for the more promising butyl process.¹⁷

Consequently, Standard assistance in Nazi Germany was not limited to oil from coal, although this was the most important transfer. Not only was the process for tetraethyl transferred to I.G. Farben and a plant built in Germany owned jointly by I.G., General Motors, and Standard subsidiaries; but as late as 1939 Standard's German subsidiary designed a German plant for aviation gas. Tetraethyl was shipped on an emergency basis for the Wehrmacht and

major assistance was given in production of butyl rubber, while holding secret in the U.S. the Farben process for buna. In other words, Standard Oil of New Jersey (first under president W.C. Teagle and then under W.S. Farish) consistently aided the Nazi war machine while refusing to aid the United States.

This sequence of events was not an accident. President W.S. Farish argued that not to have granted such technical assistance to the Wehrmacht "... would have been unwarranted."¹⁸ The assistance was knowledgeable, ranged over more than a decade, and was so substantive that without it the Wehrmacht could not have gone to war in 1939.

My wife thinks that I am a "stamp collector" but I am in fact what is known as a "postal Historian". I research the operation of postal systems by studying routes and rates, that is how a letter travelled and how much was paid. In particular I have researched the development of airmail systems, using covers that travelled by air since the late 1920s.

I began to notice mail sent from Germany to North and South America that did not use a direct air route, and was sent using a much higher postage rate than the "normal" routes available. This mail tended to be between banks and lawyers, particularly lawyers involved with patent law, and I wondered why this was so.

In the late 1930s airmail services between Germany and America were carried from Lisbon to New York by the Pan American Airways "Clipper" flying boats, and from Rome to South America by an Italian service that was developed after German Lufthansa flights to Brazil and Argentina were suspended at the outbreak of war. I ask "why would a German company or bank send letters to New York by flying them to Rome, then to Natal in Brazil, down the east coast of South America to Argentina, across the Andes to Chile then up the west coast of South America through Peru, Colombia and the Caribbean to enter North America through Miami and hence to New York"?

Here is a typical example:

Sent From Dresden to Philadelphia in April 1941 and endorsed "Mit Luftpost uber Sudamerika" the sender paid more than five times the airmail rate that he would have paid for the direct route from Lisbon to New York by Pan American. (215 Rpf compared to 40 Rpf). In addition to the unusual air route, mail was also being sent by air to Moscow then placed on the trans-Siberian railway to Vladivostok, by sea to Yokohama and again my sea across the Pacific to San Francisco then New York. Here is an example of that type of mail:

Sent from the Dresdner Bank in Berlin to a firm called "Charmil Inc" in Wilmington Delaware, the cover is endorsed "Via Sibirien-Japan" and also "California Dienst nich uber Canada". That's curious – why California and "Not Canada"? The answer was to avoid Allied interception of the mail.

Preparations for censorship had been made in 1938, based on the wide experience gained during WW1, and full (i.e. 100%) mail interception brought into action in August 1939. British censor stations were established at Bermuda and Trinidad and these dealt with all sea and air mail between Europe and North America. However, the Italian air service from Rome did not pass through any Allied censor stations and that is why German "sensitive" airmail was sent via South America. Similarly the mail route through Russia and Japan was unintercepted, but the instruction for mail to go to California and not Canada was because Canada had introduced mail interception at the same time as the UK.

The United States was opposed to any form of mail examination, and when the first American airmail was taken off a Pan American flight in Bermuda in January 1940, a diplomatic row erupted between the UK and US. Of course the United States was not

at war in 1940 and was, in fact, in the grip of the "America First" movement which opposed any American involvement in overseas wars. That's another story.

Why was this type of German mail so sensitive that it had to avoid inspection? Simply because many American companies and banks were "Trading with the Enemy". Take a look at the cover from Dresden to Philadelphia, addressed to the Pennsylvania Salt Company. In a book by Borkin and Walsh we read:

"I.G. had cartel agreements with Standard Oil of New Jersey, with Aluminum Company of America, with Dow Chemical Company, with E.I DuPont de Nemours, with Monsanto Chemical Company, with Pennsylvania Salt Company, with Rohm & Haas, with Plaskon Corporation, with Hercules Powder Company, with Remington Arms, with the Unyte Company and with numerous other American companies which will be referred to later."

And who or what was I.G? Borkin and Walsh were referring to I.G. Farben, the biggest chemical conglomerate in the world and the financial supporters of the Nazi Government. Formed in the late 1800s by the six largest German chemical companies at the time, headed by Bayer Chemicals, the patent holders for Aspirin and morphine production, the group provided the means by which Germany went to war in 1914. The group built huge chemical plants to provide nitrates for agriculture and munitions when supplies of natural nitrates from German controlled Chile were successfully stopped by a British naval blockade. In order to expand the work force to build these plants, the Germans. After the occupation of Belgium more than 100,000 Belgian workers were forcibly deported to Germany to carry out construction work.

As early as 1903 the chairman of Bayer Chemical visited America and began to form commercial alliances with Standard Oil, DuPont and Dow Chemicals. I.G. exchanged patent information with American companies and eventually the German and American companies had directors on each others Boards. In the inter-war years these connections were developed into firm trading relationships and I.G., eventually becoming I.G. Farben in 1925, dominated world chemical engineering, research and production.

The History of Foreign Investment in the US 1914-1945

Page 332

In 1931, I. G. Farben formed with Pennsylvania Salt **Company** a fifty-fifty **joint** venture sales **company**, Pen-Chlor, Inc., to distribute within the United States a bleaching concentrate known as Perchloron. Because of high U.S. tariffs, Pen-Chlor began to manufacture in America in 1933.¹³⁴ Meanwhile, in March 1932, I. G. Farben and Aluminum **Company** of America (Alcoa) set up a fifty-fifty **joint** venture, the Magnesium Development Corporation (MDC). It was to develop and exploit processes in the magnesium and electrometal field. Alcoa had in 1919

Castels: Challenge to a free world

dominates the market at the moment and would probably regard it as very disagreeable if we enabled another customer of theirs to manufacture acetic acid anhydride itself" (exhibit 58).

After exhausting its supply of fictitious excuses for not giving its American partners a license, I. G. Farben concludes its letter to Hochschwender with an appropriately hypocritical assurance that "while we are no doubt interested in successful operation of the arc process developed in Jasco and while we should like to make it possible for Standard to exploit the pilot plant, we feel, nevertheless, that in view of the considerations mentioned above, reserve is necessary for the time being in regard to acetic acid anhydride" (exhibit 58).

This intricate planning and plotting reveals how adroitly I. G. Farben has used its many international ties and friendships to stymie American business, making it appear all the while that other American firms were at fault.

Subsequent events proved conclusively that none of the American companies were opposed to a Standard Oil license. In accordance with the procedure suggested in I. G. Farben's letter to Hochschwender, Hercules was informed that "Standard intends to sell acetic anhydride to other producers of cellulose acetate" and not merely to it alone (exhibit 59). But the reaction was not the one sought by I. G. Farben. Hercules not only failed to protest, but went further and asserted that they were "very much interested in working out any arrangement whereby we could feel that we were getting our acetic anhydride at a price which was no greater than that paid by our competitors for acetic anhydride of equal strength" (exhibit 60).

Unable to stimulate opposition among American companies, I. G. Farben finally gave Standard Oil formal notice that it was "prepared to grant a license to Standard under I. G.'s patents covering the production of acetic anhydride as described in U. S. P. 1,865,405, and to give any technical information they have in this field which may be useful for you" (exhibit 61).

This victory for Standard Oil, coming 5½ months after the original request, was more apparent than real. The letter of notification, which came from Chemnyco, concluded with a strong hint of indefinite postponement before Standard Oil could get under way:

"We are of course aware that, at this time, nothing definite can be arranged with Hercules Powder or any other possible customer, since the question of production costs of acetic anhydride has not sufficiently been cleared up. We have asked the I. G. some time ago to send us a detailed description of the process, including all figures that are necessary for a preliminary calculation, and shall forward it to you as soon as received" (exhibit 61).

These long delays plus the shut-down of the acetylene plant at Baton Rouge were apparently sufficient to crush Standard Oil's efforts to get into the anhydride field. The fact is that Standard Oil never did make acetic anhydride.

The question of anhydride manufacture by Standard Oil at Baton Rouge came up a year later, in June 1937, when du Pont was entertaining such an arrangement. The protracted and indeterminate idleness of the acetylene plant was sufficient to kill this project in its early stages. A Standard Oil official wrote on June 7, 1937, that "in view of the uncertainty regarding the future of the 'E' (acetylene) plant at Baton Rouge, we have not looked into this anhydride question further" (exhibit 62).

These case studies of the operations of an international business partnership with the American member as junior partner, show clearly that the United States always loses more than it gains from such an arrangement. I. G. Farben used its American patents to improve its world position, not to establish new industry in this country. Standard Oil was treated by it as a mere tool rather than as a partner, and this country suffered as a result because it prevented the natural expansion of that company's activities in the chemical field. The record shows that as a rule, Standard Oil was aware of the policies being pursued by I. G. Farben, and was willing to go along with it.

I. G. FARBEN WAS THE NAZI GOVERNMENT'S PROXY IN INTERNATIONAL TRADE

Judged from the viewpoint of business relations alone, such ties between American and foreign business interests are dangerous enough. When they reach over into the realm of government policy, they become even more menacing. In the case of I. G. Farben, it necessarily began to reflect German Government policy and strategy as soon as Hitler became the effective dictator of that country.

Standard Oil was amply warned of these developments as early as January 1934. At that time, during a conference in Germany, Standard Oil officials

were told that, with respect to the manufacture of acetylene products at Baton Rouge, there were two obstacles: (1) The departments of I. G. Farben producing those chemicals would have to be given full consideration, and (2) "another complication is the present policy of the German Government in requiring examination and approval of foreign contracts" (exhibit 63). This reference to the German Government's direct participation in all of I. G. Farben's foreign activities should have put Standard Oil on notice that its dealings with its German partner from then on would go far beyond the scope of private business. Thenceforth I. G. Farben decisions should have been regarded as German Government decisions, and since this was 1934 that meant Nazi decisions.

During periods of war and war preparedness, international business agreements of this type can be extremely harmful, if, as is the case here, one party operates as a direct agent of Government policy, while the other is actuated primarily by ordinary business incentives. This is especially true when the nations represented by the partners are potential enemies. That was the situation when war broke out in September 1939, and during the years immediately preceding. During that whole period Hitler was patently girding his nation for war and making it more and more obvious that a clash between his Germany and this country was inevitable. The I. G. Farben-Standard Oil partnership continued to operate through the years as though the situation since 1930 had remained substantially the same. From 1934 until 1941 Standard Oil had been able to do business with Hitler.

Upon formal declaration of war, the two partners did make some adjustments in their joint enterprises. In the chemical field, they had joint interests in a host of patents throughout the world and in the Jasco plants at Baton Rouge. They first settled the problem of the Baton Rouge plant.

Chemnyco cabled I. G. Farben on September 6, 1939, that Standard Oil and it had agreed to a plan whereby both partners would surrender to Jasco their notes against the plants and "authorize dismantling the plants for salvage" (exhibit 64). I. G. Farben approved the proposal by reply cable of September 9, 1939, authorizing Chemnyco to proceed with the transaction. Accordingly, on September 15, both Standard Oil and Chemnyco wrote to Jasco, in substantially the same language that "you have heretofore advised us that the 'D' and 'E' plants at Baton Rouge, Louisiana, are of no further use to your Company and should be abandoned as of August 31, 1939. We have discussed this question with I. G. Farbenindustrie and we and they agree that said Plants should be abandoned under the circumstances" (exhibit 65).

Jasco reported on November 22, 1939, to its two owners that the plan outlined in the letters of September 15 had been carried out. With respect to the dismantling, Jasco reported that the plan was that "Jasco would make the best deal that it could in connection with the dismantling of the 'D' and 'E' plants at Baton Rouge, Louisiana. This has been done and Jasco has received payment in the sum of \$100,000 for its interest in the dismantled plants" (exhibit 66). There are numerous features of this unusual transaction which merit further scrutiny. Obviously, I. G. Farben and Standard Oil had to settle accounts for but one reason, the likelihood that the United States would be drawn into the war against Germany. In view of the fact that as early as 1934 the German Government was a direct participant in I. G. Farben's dealings with Standard Oil, there is no doubt that in this transaction, with Germany already at war, I. G. Farben reflected Nazi policy. Standard Oil, on its side, acted as a strictly private business corporation.

The plan of procedure was apparently settled in a few days' time. Considering the importance of acetylene to any war production program, it seems strange that so drastic a step as dismantling was decided upon without making certain that the plant could not be put to use. It is significant that Jasco was ordered to dismantle and not to make the best possible disposition of the facilities. In view of the fact that Standard Oil's own subsidiary, Standard Oil of Louisiana, was to buy the acetylene plant, the insistence on dismantling in the original plan is extremely disturbing. Under those circumstances, there could not have been any financial reason for so extreme a move.

Dismantling of the acetylene plant was of no special advantage to Standard Oil. But the German Government, through I. G. Farben, was undoubtedly anxious to facilitate the destruction of any plant in the United States which might be useful in war production. Such disposition of these, the only physical assets of Jasco, also brought the Germans some badly needed dollar exchange.

It is true that back in May of 1939 Standard Oil was already in agreement with I. G. Farben "that it is no longer necessary or desirable to maintain the

"B" plant intact, since it is extremely unlikely that it will ever be operated again" and that "it is probably impossible to salvage any appreciable part of the structure" (exhibit 67). Undoubtedly, the 4 years of idleness had resulted in some deterioration. In that connection, however, it is significant that on May 23, 1939, Standard Oil reported that I. G. Farben was "looking at the depreciation and maintenance expense" of the acetylene plant as one way of "saving all possible expenses which require the use of dollars" (exhibit 67). The plant, therefore, must have been maintained at least up to that time. In any event, no matter what the commercial prospects of the acetylene plant might have been late in 1939, the outbreak of war made it imperative to reappraise the plant with an eye to its possible utility in war production. As far as the records show, Jasco did not make such an appraisal.

Considering the importance of the step being taken, it is particularly surprising that in authorizing the dismantling, both Standard Oil and I. G. Farben stated in their letters of September 15 merely that they agreed the plants should be abandoned "under the circumstances." Nowhere is there an explanation of what circumstances the parties had in mind.

Another interesting feature of this transaction is the fact that though it was inaugurated subsequent to September 1 and was not concluded until December 1, 1939, it was effective as of August 31, 1939, the day before war was declared.

Whatever the ultimate judgment on this transaction may be, there can be no gainsaying the fact that Jasco was at that time as much under I. G. Farben's domination as it had been in prior years. Also, the letters of September 15 show on their face that abandonment of the plant was suggested by Jasco and agreed to by the partners. There is also no denying the fact that acetylene shortages developed in 1940 and 1941, requiring Niacet to actually curtail its acetic acid production at a time when demand was rapidly growing.

SHELL OIL INTERESTS OFFERED TO HELP GERMANY EVADE BLOCKADE

How the national welfare is endangered when international corporations continue to pursue their private business objectives in world markets during war-time is also illustrated by the activities of Dutch Shell Interests. Their American chemical subsidiary, the Shell Chemical Co., obtained a license from I. G. Farben in August 1939 under United States patents covering the production of acetic, propionic, and formic acids by a process materially different from that used at Baton Rouge by Jasco. As was brought out earlier, the Shell people had considerable difficulty in getting this license because I. G. Farben insisted on prohibiting all exports of these chemicals from the United States not only by Shell but also by its customers.

Shell's final capitulation to I. G. Farben did not end their interest in exports. Being primarily an international corporation, Shell was obviously as anxious to engage in export trade as I. G. Farben, being also an international corporation, was anxious to prevent such activity. On September 15, 1939, while the Netherlands were still neutral in the war, Shell offered to supply acids to I. G. Farben's foreign customers. Chemnyco relayed Shell's offer to Germany, stating that Shell "suggests that if under prevailing conditions you are prevented from delivering formic acetic and propionic acid to certain foreign countries you give Shell Development temporary permission to sell these acids from the production of the pilot plant which Shell is erecting in California. Shell is aware that according to the license agreement they are not allowed to export the acids from the United States, but they believe that it might be in the interest of both parties if they would make deliveries to customers whom you cannot supply. Shell is especially interested in selling formic acid to the Dutch East Indies. Shell is prepared to have sales made through your representatives and to discontinue such exports as soon as you so desire. Please cable whether and to what extent you are prepared to comply with Shell's request. If you agree with the above, Shell will erect a larger pilot plant than originally contemplated" (exhibit 68).

I. G. Farben rejected the proposal on September 29, 1939, apparently feeling confident that British blockades would be ineffective (exhibit 69).

The rejection of its offer did not discourage Shell. On October 2, 1939, in reply to the notice of refusal, Shell wrote to Chemnyco that "we are still much convinced about the desirability of export of the acids under the present circumstances, and that, therefore, we should appreciate it if I. G. on their side would consider this suggestion again, should any new development put I. G. in a position to do so" (exhibit 70).

TECHNOLOGICAL MOBILIZATION

FRIDAY, NOVEMBER 27, 1942

UNITED STATES SENATE,
SUBCOMMITTEE ON TECHNOLOGICAL MOBILIZATION
OF THE COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

JOINT MEETING WITH THE HOUSE MILITARY AFFAIRS SUBCOMMITTEE NO. 4

The subcommittees met at 10:30 a. m., pursuant to adjournment, in room 224, Senate Office Building, Senator Harley M. Kilgore (chairman of the Senate subcommittee) presiding.

Present: Senator Kilgore (chairman) and Representative Andrew Edmiston (chairman of the House subcommittee).

Also present: Henry H. Collins, Jr., and Herbert Schimmel, consultants.

The CHAIRMAN. Gentlemen, the committee will come to order.

Will you please give your name and official connection to the reporter for the purpose of the record?

STATEMENT OF ROBERT M. HUNTER, SPECIAL ASSISTANT TO THE ATTORNEY GENERAL, DEPARTMENT OF JUSTICE

Mr. HUNTER. My name is Robert M. Hunter. I am, and have been since 1925, on the faculty of the college of law of Ohio State University. During the past year I was on leave of absence serving as a special assistant to the Attorney General in the Antitrust Division of the Department of Justice. I joined the Division in December of last year, assigned to the Standard Oil-I. G. Farben investigation in Newark, N. J.

After I had been there a few weeks, I took over the synthetic rubber phase of that investigation and had that as my particular work from that time on.

This fall, I have gone back to teaching my classes at Ohio State, but I am still on a part-time basis with the Department of Justice, coming to Washington a few days at a time.

The CHAIRMAN. Your investigation of the Standard-I. G., I. G. Farben, and Standard Oil cartels and joint corporations, did that give you a pretty close picture of the synthetic rubber program?

Mr. HUNTER. I feel that it did, because of the very prominent part that the Standard Oil Co. (New Jersey) played in the synthetic rubber development in this country, from the very beginning. They have been closely allied, from the very beginning, with I. G. Farben,

and the two companies together have held the dominant position with regard to synthetic rubber since the synthetic rubber program took on any consequence at all, and therefore, with the files of the Standard Oil Co. (New Jersey) available to me, I feel that I had a very good opportunity to see what was going on in the synthetic rubber field.

The CHAIRMAN. I do not know whether you are familiar with this phase or not, but did this control—through their control of the basic patents, of course—was that the basis of a practical monopoly in the synthetic rubber field—did those basic patents go to coal and alcohol, as well as to petroleum?

Mr. HUNTER. You mean the making of synthetic rubber from coal and alcohol?

The CHAIRMAN. Yes.

Mr. HUNTER. So far as coal was concerned, the I. G. Farben process starts with coal.

The CHAIRMAN. I knew that.

Mr. HUNTER. As far as alcohol is concerned, there is undoubtedly a very large number of patents which were dealt with by I. G. Farben and Standard Oil, patents relating to alcohol covered by I. G. Farben or Standard Oil (New Jersey).

Standard Oil (New Jersey) made a public statement within the last few months that they had such patents and would be glad to have them utilized. However, the patents which have been discussed and made use of in the Government's program are the patents which involve the change from petroleum to butadiene and other materials and the creation of synthetic rubber, the production of synthetic rubber from that.

The CHAIRMAN. And you found it necessary, in order to get to these records, to procure subpoenas from the Federal court, did you not?

Mr. HUNTER. They had been issued before I joined the Division; a subpoena from a grand jury, in the Federal court in New York, had been issued, and pursuant to that subpoena certain documents had been produced.

It was quite apparent that the documents that were forthcoming under that subpoena were not all that the Division was looking for, and therefore an arrangement was worked out between the counsel for the company and the Antitrust Division, under which members of the Antitrust Division went into Standard Oil Co.'s files and pulled out documents that were thought to be of interest.

That had been done and a certain number of documents bearing on synthetic rubber had been pulled out, or brought into the Antitrust Division files, but along in February it became apparent that there was much more material on synthetic rubber than that which we had been given photostatic copies of, and I went in, about the middle of February, with an assistant, and we pulled something over a thousand additional documents out of the file of Mr. Frank Howard, vice president of Standard Oil (New Jersey).

The CHAIRMAN. He was vice president in charge of research?

Mr. HUNTER. No, sir; he was president of Standard Oil Development Co.

The CHAIRMAN. He was vice president of Standard Oil (New Jersey) in charge of patents, then?

Mr. HUNTER. He was a patent attorney at one time, and president of Standard Oil Development Co., which is an organization that has to

do with patents; and also from the office of Dr. M. B. Hopkins—he had a rather peculiar status—he was not listed as an officer of either Standard Oil Development Co. or Standard Oil Co. (New Jersey). However, he was characterized as being the staff executive, or staff head of the synthetic rubber program, and in charge of the Standard Alcohol Co., which was partially owned by Standard Oil Co. (New Jersey); but for some reason he was put in charge of the synthetic rubber program, and the officials of the Standard Oil Development Co. who were working directly with synthetic rubber reported directly to him and he was the recognized staff head on that work.

The CHAIRMAN. Have you ever had, or done prior to that time, any studying or made any studies of chemistry?

Mr. HUNTER. No; I took an elementary course in chemistry, but that was a good many years before I got into this, and I have not any chemical training at all. It happens that Newark, being the center of the chemical industry, they have a very well equipped public library there, and, of course, that is just across the river from New York City, and I put in a great deal of time in the Newark and New York public libraries, reading what books and periodicals and literature I could find on the subject, so that I did get some familiarity with the terms used in this subject, although I am not a chemist.

The CHAIRMAN. In other words, like most lawyers who are not qualified as experts in a particular matter, before entering into the trial of a case or the consideration of a case they make a serious and a deep study so that you might say they specialize in that special matter.

Mr. HUNTER. Yes, sir; that is right.

The CHAIRMAN. And so, you studied chemistry in the case of that company?

Mr. HUNTER. Yes, sir.

The CHAIRMAN. What was the result of the Standard Oil investigation that was carried on?

Mr. HUNTER. Well, the negotiations were entered into, looking to the entering of a consent decree, and on March 25, 1942, that was finally worked out. It took this form: A bill of complaint in equity was filed in the District Court for the District of New Jersey, and at the same time, in a criminal information charge, the Standard Oil Co. (N. J.) and six of its subsidiaries and three of its officials were charged with having violated the antitrust laws, and on the same day those 10 defendants pleaded nolo contendere and were fined \$5,000 each, and on the same day a consent decree was entered in the civil equity case which enjoined the carrying on of the conspiracy between I. G. Farben and Standard Oil Co. and its subsidiaries, and obligated the defendants to do certain things in the future which would help to remedy the situation that had been created by the conspiracy which was found to exist.

Those things which were to be done in the future included the compulsory licensing of a great many of the patents which had been a part of this patent pool in which Standard Oil (New Jersey) and I. G. Farben had been parties, and among those patents were a great many having to do with synthetic rubber.

The CHAIRMAN. Part of that agreement to that consent decree was brought about by the fact that a Senate committee investigating the national-defense program rather widely publicized the activities of the

Mr. HUNTER. The testimony of President Farish of the Standard Oil Co., and other officials of that company, and the publicity released by the company to the press have been to the general effect that the tie-up between the Standard Oil Co. and I. G. Farben have been immensely valuable to the country; that in this time of crisis we have a great many developments that we would not have had if it had not been for the relationship between those two large companies—and by the way, the Standard Oil Co. (New Jersey) is the largest industrial corporation in the world, if I am correctly informed, and I. G. Farben Co. is the largest industrial company of Germany and very close to being as large as Standard Oil Co. (New Jersey), and the relationships between those two companies commenced back in the latter part of the 1920's, and on November 9, 1929, there were executed four agreements at New York, or across the river in New Jersey—it is not entirely clear where the meetings actually took place—which have had the general effect of binding these two immense corporations into a program of mutual aid and also of dividing up the fields, the Standard Oil Co. to have dominance in the petroleum field and I. G. Farben to have dominance in the chemical field, outside of the petroleum industry.

The CHAIRMAN. Now, that was a world-wide dominance, was it not?

Mr. HUNTER. That is right, outside of Germany. The reservations were made clear, in all agreements, that within Germany I. G. Farben retained its dominance, even in the field of petroleum, but outside of Germany the division of fields was of the character I have just indicated, and there was one of the four agreements of November 9, 1929, called the Division of Fields Agreement, and that was its purport.

Included in that realm of chemical products, outside of the petroleum industry; that is, outside of the field of things which are marketed by petroleum companies, was the synthetic rubber agreement, and for that reason I. G. Farben retained, at least until the outbreak of the present World War, control over the synthetic rubber patents which were included in the partnership arrangement that was worked out between the two companies.

As to whether the country as a whole has greatly profited from that arrangement is, of course, a matter of opinion. There is good reason for doubting that it has worked out to the best interests of this, our country, as a whole. It is my personal opinion that it has not, and that, I think, can be substantiated by a good many facts.

After Hitler came into power in 1933, it seems to me that this arrangement between the Standard Oil Co. and I. G. Farben took on the appearance of a one-way street, in which, in very large part, the advantages moved to Germany, without any compensatory return from Germany to this country.

The CHAIRMAN. I want to interject a question right there. I do not know whether you are familiar with it or not, but as a part of this pooling, was the hydrogenation process for making 100-octane gasoline a part; is that not right?

Mr. HUNTER. That was a very much later development; that is, so far as 100-octane gasoline is concerned—that came many years after this series of agreements were executed. The hydrogenation of petroleum was really the commencement of the relations between

Standard Oil Co. and I. G. Farben, back in 1927. Then Standard Oil Co. had learned of the process which I. G. Farben had worked out of hydrogenating petroleum, as well as hydrogenating coal, to make petroleum products, and they made a contract, the two companies entered into their first contract in 1927, which was simply a contract giving to Standard Oil Co. the American rights for exploiting the patents having to do with hydrogenation of petroleum, starting with crude oil, and by the process of hydrogenation getting certain usable products.

Hydrogenation, by the way, means the addition of hydrogen to the starting material and thereby changing the content of it.

Well, after that contract had been executed in 1927, both parties saw some desirability in going further. From the documents which I have seen I am led to believe that I. G. Farben thought that they had pulled a boner in giving Standard Oil the right to use their American patents for hydrogenating oil and giving them a "know how," that they had really turned over to Standard Oil the means by which Standard Oil could use the Standard processes for hydrogenating coal, although that had been excluded with the original agreement.

The CHAIRMAN. Right there, Mr. Hunter, tell me, have you ever seen the hydrogenation plant of Standard Oil at Baton Rouge, La.?

Mr. HUNTER. No, sir.

The CHAIRMAN. It might be rather interesting to comment at this point that the hydrogenation machinery in use down there, all of the technically made machinery, the pumps, and so forth, were originally made by Krupp, in Essen.

Go ahead, sir.

Mr. HUNTER. Standard Oil also saw an advantage in changing this arrangement of 1927, and getting the sort of agreement that was eventually reached with the Division of Fields agreement, which had for its effect keeping I. G. Farben out of the petroleum industry, outside of Germany, except as a junior partner of Standard Oil, so this series of agreements was worked out in November of 1929, which gave to a newly formed corporation, Standard-I. G. Co., the patents which were to be used in the petroleum industry, and shortly after that another jointly owned corporation called Jasco, Inc., owned 50-50 by I. G. Farben and Standard Oil, was created and had for its function the exploitation of the patents outside of the petroleum industry. There were three which were put in within a fairly short space of time, and eventually, after the World War II had started, the Buna rubber patents were put into that Jasco, too. That arrangement was worked out before Hitler came into power and was taken advantage of, in my judgment, by Hitler to further his program for domination of the world.

The documents are quite clearly to the effect that Hitler clamped on a censorship and embargo against the exportation of either ideas or processes after he came on the scene, and what Standard Oil got thereafter was very meager in comparison to what it would have had, had Hitler not taken that action, and what it gave to Germany, in my judgment, far outweighed, in significance, anything that came to this country from abroad after Hitler came into power.

Among the things that went to Germany from Standard Oil after Hitler was in power was the full information and samples concerning

butyl rubber. Those were given to the officials of I. G. Farben by Frank A. Howard, vice president of the Standard Oil Co. (New Jersey), on March—in a letter of transmittal from London dated March 15, 1938, which was 4 days after Hitler had invaded Austria and when it had become obvious to persons of any intelligence in this country that Hitler was a force to be reckoned with in the world.

The CHAIRMAN. Now, another interruption: As I recollect it, the butyl was—is—a rather quicker, cheaper way of making rubber.

Mr. HUNTER. That is exactly true, it could be made for a fraction of the then cost, in this country, of natural rubber, and could be made much more cheaply than Buna rubber could be made.

The CHAIRMAN. In other words, its chief component was isobutylene, which was a net byproduct of oil refineries, is that right?

Mr. HUNTER. That is right, and relatively cheap when compared with the butadiene, which is the main ingredient of Buna rubber. That butyl rubber, which had been kept a very closely guarded secret, or any information regarding it, in this country, was turned over to the officials of I. G. Farben in March of 1938.

The CHAIRMAN. Let me interrupt again at that point:

Was it a fact that it was kept so closely guarded that when a naval officer, or naval chemist, went to the Standard Oil plant with an idea of finding out how it was made, so that the Government might put money into the development, a memorandum was later exchanged about the matter saying that the company thought they had steered him away from any essential information—or, do you remember that memorandum?

Mr. HUNTER. I believe that the gentleman who came was not a naval officer, he was an employee of the Navy Department.

If you care, Senator, I would like to read that memorandum into the record at this point, so that there will not be any question of my quotation of it.

The CHAIRMAN. I wish you would. And that was after, or about the same time that the butyl information had been transmitted to Germany?

Mr. HUNTER. It was a year and a half afterward.

The CHAIRMAN. Afterward?

Mr. HUNTER. After the information had been forwarded to I. G. Farben in Germany.

The memorandum which you have just mentioned is dated November 21, 1939, on the letterhead of the Standard Oil Development Co., P. O. Box. 243, Elizabeth, N. J., marked "Personal and confidential," addressed to Dr. M. B. Hopkins, 26 Broadway, New York, N. Y.

(The material referred to was marked "Exhibit No. 35" and follows:)

EXHIBIT No. 35

DEAR DR. HOPKINS: Some time ago we received a rather detailed report on the preliminary work carried out by the Navy's Mare Island Laboratories on the evaluation of the three synthetic rubbers submitted to them, i. e., Buna S, Perbunan, and butyl rubber. Last week, Mr. Werkenthin of the Navy's Bureau of Construction and Repair in Washington, spent the day with us here at Bayway to discuss the Mare Island Laboratories results, and to get some first-hand information on the compounding and general handling of these synthetic rubbers.

Mr. Werkenthin was particularly interested in ascertaining how far we had proceeded in the development of butyl rubber. He seemed rather favorably impressed by the properties of this product as brought out by the movie and with the work in general, but perhaps he was somewhat disappointed to find that we

are not closer to commercial production as he seems to be particularly impressed by the properties of butyl rubber.

Because of the possible application of butyl rubber to some of the Navy's requirements, Mr. Werkenthin had been instructed also to look into the manufacturing process. You will recall that I took up this question with you before his arrival. As agreed upon, I took Mr. Werkenthin over to the "K" plant when it appeared that I could not very well steer his interest away from the process. However, I am quite certain that he left with no picture of the operations other than that a considerable amount of distillation and refrigeration is involved in the handling of the light hydrocarbons, and that refinery gas rather than straight butadiene is the raw material.

We will continue our active contact with the Navy as far as the development of uses for Perbunan and butyl rubber are concerned, but no further work will be done on Buna S. At the request of the Navy's Bureau of Construction and Repair we are sending an additional 50 pounds of Perbunan and 25 pounds of butyl rubber to the Mare Island Laboratories.

The Navy's report as well as the points brought up at the time of Mr. Werkenthin's visit are discussed in further detail in the attached memorandum by Mr. Lightbown.

I trust that you will call to Mr. Howard's attention any phase of this that you think may be of interest to him.

Very truly yours,

And it is signed "Per K. Frolich, Chemical Laboratories, PKF: hf, Memorandum, carbon copy to Messrs. E. V. Murphree and H. W. Fisher."

Mr. Murphree was head of Esso Laboratories, where Mr. Frolich was located, and Mr. Fisher was head of the commercial department of the Standard Oil Development Co.

The explanation has been given to the patents committee that this was purely private curiosity on the part of Mr. Werkenthin that prompted him to want to know about the manufacturing process. It seems to me that that is refuted by the very language of Mr. Frolich's letter, one sentence of which I will read again:

Because of the possible application of butyl rubber to some of the Navy's requirements, Mr. Werkenthin had been instructed also to look into the manufacturing process.

The CHAIRMAN. That was a year and a half after the process had been transmitted abroad?

Mr. HUNTER. Full information of it, with all necessary explanations, had been given to I. G. Farben, with samples of the material, so that they could be working on it.

The CHAIRMAN. And that also was after the invasion of Austria?

Mr. HUNTER. That was 4 days after Austria was invaded by Hitler.

In justice to certain of the officers of the Standard Oil Co., it should be said that periodically, beginning in July of 1938 and extending over a period of nearly a year, they kept urging Frank A. Howard, the president of Standard Oil Development Co., to make contact with some rubber company in this country to expedite the development of butyl rubber, but for one reason or another no such contact was made until June of 1940, when, for the first time, any of the companies received butyl rubber with which to experiment in connection with the development of it as a tire material.

The CHAIRMAN. Do you remember from your record at the time or from the record you got hold of at the time, what royalties were demanded of these tire companies?

Mr. HUNTER. So far as butyl rubber is concerned, that has never yet come into the picture. The royalties discussed were royalties to be charged for the use of Buna patents. So far as butyl rubber is

into court and say we did not know we were infringing on the patents, and I think this bill might make an "honest woman" out of us, giving us an honest way of infringing on a patent for the benefit of the Government as a whole, and it might furnish a method of getting around that very thing they had trouble with on butyl, and if the agency built up the confidence of the people in the way that it should and would build it up if it, or they, as the case may be, were properly maintained and staffed, there is no question about the help it would be.

Mr. HUNTER. There are a couple of additional things that I would like to say.

The CHAIRMAN. Go right ahead.

Mr. HUNTER. When I came in the last time and heard the latter part of the testimony of the people who were from the Chemical Foundation, I wondered whether it had been explained to you what a very remarkable job the Chemical Foundation had done, particularly Mr. Francis Garvin, who is the founder, and the first director—the work they had done in warning us of the danger of just what ultimately developed.

I first ran into that when I discovered, in my reading in connection with my research work, a little book called *The Riddle of the Rhine*, written by a man by the name of Le Febvre, which was reprinted in this country by the Chemical Foundation, and it dealt with the danger of allowing I. G. Farben to get into our scheme of living, to carry out plans which I. G. Farben had for impenetrating our industry and conquering the United States through the accrual of the patent processes. If you will read that little book, *The Riddle of the Rhine*, you will get a warning of what subsequently happened and it is startling. The credit for that publication should go to Mr. Garvin and the Chemical Foundation, and it gives a full story of how I. G. Farben through its manipulations and interests in various corporations in that country and ultimately, through combinations of policies, might do the same thing in this country and retard the development in this country, if it were permitted to go forward as it did in Germany.

Mr. COLLINS. What is the date of that issue?

Mr. HUNTER. It was written in 1920, immediately after the World War. The man had been an officer in the British Army and after the war he published this book, and in 1923 it was reprinted by the Chemical Foundation.

The only other comment I wanted to make is as to another book which has come out quite recently, called *Patents for Hitler*, by a former German named Reimann. He points out the fact in this book (page 14) that the I. G. Farben had the greatest patent library in the world, and the greatest facilities for knowing exactly what had been patented and what was patentable throughout the entire world, and these little fellows, such as this old chemical inventor and these other fellows, are up against that sort of a thing. You might notice that in this extraction from oil shale, that it was several years after he had applied for his patent that the butyl came out, and that is the sort of thing the small inventors run into, where the large industrial concerns, the combination, staffed with the ablest technical assistance in the patent field, and backed by one of the largest industrial concerns in the world, if not the largest—you can see what chance the small inventor would have.

Along that line, I have two letters here, photostats of two letters, about which I would like to comment. This first letter is from a subsidiary of Standard Oil (New Jersey), the Standard Oil Development Co., chemical laboratories. I want to insert both letters in the record, if I may, but would like to submit photostats later this afternoon because these are the original photostats we received from the company.

Here is a letter written by this same Dr. K. Frolich, November 27, 1939, and this written to Mr. E. V. Murphree, and I will read two or three paragraphs from it:

In going over Mr. Gaylor's abstracts, I have been particularly impressed both by the thoroughness with which the I. G. have covered the field and the clever way in which the claims have been drawn. So far, the patents issued to others have only brought to light a very limited number of omissions of any consequence.

Even if some of the I. G. claims should be too broad to make it possible to enforce them, the patent structure as a whole is so impressive that it may well serve as a guide to us in our effort to build up a strong position on butyl rubber.

In line with the above it would seem that the I. G.'s patent structure should give us very good protection in the Buna field. Although it is reasonable to assume that the other companies who have been active along these lines for some time may have worked out specific improvements in the manufacturing operation, it is difficult to foresee how it would be possible for them to process and apply emulsion copolymers of this type without licensing under the I. G. patents.

It is not going to be easy for us to digest all this information, but I am asking Dr. Vanderbilt to start immediately to assemble and classify all the available patents. It would be of great help if Mr. Gaylor could cooperate with us on this.

And then, a month later, on December 29, 1939, this same Dr. K. Frolich wrote to Dr. B. M. Vanderbilt, in which he states, in the last paragraph:

On reading through the list of patents attached to Dr. Hopkins' letter I was again struck by the clever way in which the I. G. had phrased their claims. By covering themselves in so many different directions and by placing so much emphasis on significant features of the polymerization process, it would seem that they have gone a long way toward eliminating competition as far as this specific type of synthetic rubber is concerned. I quite agree with Mr. Murphree that we should study the I. G.'s patent procedure very carefully from the standpoint of using the same method of attack in dealing with our own copolymer process.

I wanted those to go in the record to indicate the way the poor struggling inventor of this country is treated, what he is up against when he has the most powerful, financially the most powerful, industrial corporation in the world, linked with a corporation of the type of I. G. Farben, and with their history of all patents, their facilities for research work, their unlimited legal talent, you might say, it is easy to see how the average inventor feels that he might be behind the eight ball, as you might say, in even trying for a patent on some of these things.

The CHAIRMAN. You will furnish us with photostatic copies of those documents?

Mr. HUNTER. Yes, sir.

The CHAIRMAN. They may be introduced in the record at this point.

(The two letters referred to were marked "Exhibit No. 36" and follow:)

The CHAIRMAN. In that case, thank you very much, Mr. Hunter. We have enjoyed this morning very much. Will you give your prepared statement to the reporter for the record. (The material referred to was marked "Exhibit No. 37" and follows:)

EXHIBIT No. 37

PREPARED STATEMENT OF ROBERT M. HUNTER, SPECIAL ASSISTANT TO THE ATTORNEY GENERAL, DEPARTMENT OF JUSTICE

At the time of Pearl Harbor America was unprepared for an all-out war. Probably the most glaring instance of its unpreparedness is found in the situation with regard to rubber. Almost totally dependent upon a continuing supply of natural rubber from the Middle East, the cutting off of that supply has left us floundering.

This was an eventuality which the Army and Navy Munitions Board had been discussing for at least 2 years. Neither that Board nor any other Government agency was equipped to do anything about the problem if and when it should arise. Small quantities of synthetic rubber were being produced in the fall of 1941. Two of the four major rubber companies had commenced the small-scale manufacture of tires and other rubber products from synthetic rubber of their own development. The other two major rubber companies, being less advanced in the art of synthetic-rubber manufacture had taken licenses under the patents which I. G. Farben had taken out, had never used, and had finally, after the commencement of World War II, assigned to the Standard Oil Co. (New Jersey). The du Pont Co., the Thiokol Corporation, and the Standard Oil Co. (New Jersey) (through its subsidiaries) were making small quantities of their specialty oil-resistant rubbers, neoprene, thiokol, and perbunan. Such was the status of the synthetic-rubber industry in October 1941 when the Standard Oil Co. (New Jersey) subsidiary, Jasco, Inc., sued to prevent the B. F. Goodrich Co. from continuing to make synthetic rubber in violation of the I. G. Farben buna patents and when notice of a similar suit was given to the Goodyear Tire & Rubber Co. Such also was the status 2 months later when the blow fell at Pearl Harbor. It seems strange in retrospect that no Government agency saw in the synthetic-rubber situation a problem of vital national concern.

The simple fact is that prior to Pearl Harbor there was no agency technically equipped to deal with such a problem. As a result the fortunes and safety of a hundred and thirty million Americans were dependent upon the proper action being taken by a small group of corporations for some of which at least the problem was one of patents and profits. It is only the most elemental horse sense that the Nation should take immediate steps to insure against any possible recurrence of this type of situation. Legislation should be enacted which will provide for the establishment of governmentally financed and controlled technological agencies to deal with such problems. Never again should the national interest be solely dependent upon the possibility that private research and initiative will happen to coincide with that interest.

Much has been said before the various Senate and House committees about the advanced state of research in Germany and the necessity of our relying upon the Germans for essential scientific developments. As a case in point the Standard Oil Co. (N. J.) has repeatedly stated that, had not that company made its deals with I. G. Farben in 1929 and subsequently, this country would be in a worse position than it now is with regard to synthetic rubber. This may or may not be true. There is good reason to believe that after Hitler came into power the I. G. Farben-Standard Oil relationship was used to greatly retard synthetic rubber production in this country while it was being pushed with all possible speed in Germany. Be that as it may, it now seems all too clear that the one glaring fault in our set-up was the lack of a competent technological staff in the employ of the Government and where primary concern would be the national interest.

An incident which has recently come to the attention of the Department of Justice serves to illustrate this lack. In the spring of 1926 an aged chemical engineer in the western part of the United States applied for a patent on a process which he had developed for producing synthetic rubber from the oil shale which is to be found in large quantities in that part of the country. This was before any deal between I. G. Farben and Standard Oil was made and before I. G. Farben

Colonel BORDEN. I think the Ordnance Department recognizes that that is a problem, and the Ordnance faces—well, we will have to face that problem when we have won the war.

Senator JOHNSON. Based on your experience prior to the war, do you feel somewhat optimistic about your research facilities and opportunities, and accomplishments?

Colonel BORDEN. Senator, within the funds that were made available to the Ordnance Department, I think that the Department has done a remarkable job, and the success of the equipment in the hands of our troops today, from the reports that we are receiving, encourages us greatly, as to the work that has been accomplished.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. Well, it is 5 minutes of 6. Do we have any more witnesses?

Mr. AMBERG. No, sir; not at this time. We have covered the two branches of the service, the Air Force and Ordnance, which cover a very large part of the Army's research and development work.

Of course, if there is something else that you would like to hear in regard to, say, the Signal Corps, or the Chemical Warfare Service, we could bring up additional witnesses for you.

The CHAIRMAN. I think I have made clear the purpose of the meeting in trying to get some constructive criticism.

I am convinced that both in war and in peace we have need of some central agency, unless we want to do like the Germans have done and turn the whole technological development of the Nation over to a single firm, like Germany did to I. G. Farben, and I do not think we want to do that.

We need a technological set-up, an agency set-up such as this, to promote our national welfare in peacetime, as well as in war, not only the Army, the Navy, and other branches of the armed forces, but from the viewpoint of the good of this Nation, because, frankly, I think this world is getting into a situation where only the fittest will survive, and that will particularly apply to industry.

Mr. AMBERG. We will be very glad to give you any further views that we may have, at an executive session, at your convenience, Mr. Chairman.

The CHAIRMAN. Of course, I am speaking of the whole subcommittee.

Mr. AMBERG. Yes, sir; that is understood.

The CHAIRMAN. Do you have a chart showing the technical organizations of your various branches—that is, divulging no secret information?

Colonel BORDEN. We have, sir.

The CHAIRMAN. If you could let us have a summary of how you are organized technically, for the benefit of the record, we would appreciate that; and an explanation of these charts, which could be sent in at an early future date.

(The material referred to was marked "Exhibit No. 47" and follows.)

The CHAIRMAN. Thank you, gentlemen.

The committee will now adjourn, subject to the call of the chairman.

(Whereupon, at 6 p. m., the subcommittee was adjourned, subject to the call of the chairman.)

Total war does not give us time to dicker with totalitarian corporate empires at home which in effect claim that while men are being drafted, their corporations must be assured not only fat profits now, but also various guarantees of monopoly and special privileges now and in the future, to boot.

Recently, Standard Oil of New Jersey was found by the Antitrust Division of the Department of Justice to be conspiring with I. G. Farben Co. of Germany. I. G. Farben, through its maze of international patent agreements, is the spearhead of Nazi economic warfare. By its cartel agreements with Standard Oil of New Jersey, the United States was effectively prevented from developing or producing any substantial amount of synthetic rubber.

The penalty administered on Standard Oil for its part in this obstructionist arrangement was a court "consent decree" which provided a \$50,000 fine and a temporary—strictly temporary—and only partial suspension of the monopoly patent privileges which estopped full United States use of granted patents. The action—and I emphasize this—did not free the use of patents applied for and pending, which may be even more vital to the war effort.

In my opinion, the patents committee should look into all the patents applied for which extend the processes covered by the 2,000 patents now included in the Standard Oil consent decree. The so-called release of technology by the decree may be less of a victory, even on paper, than it now appears on its face.

It seems to me that the Standard Oil of New Jersey consent decree is a real victory for the Standard Oil Co. The record shows that I. G. Farben selected Standard Oil to handle its patents in case of war. All the consent decree does, if I understand it, is to guarantee that Standard Oil will hold those patents for I. G. Farben Co., with an immunity against interference granted by the decree, until the day when Standard Oil can render an accounting to I. G. Farben, and return the patents. That situation, in my opinion, should not be tolerated for one minute, much less for the duration of this war, which may prove to be a very long one.

If this result was due to action in the executive branch of the Government, I say let this committee find out who it was that forced acceptance. If the result was due to lack of statutory means, it affords one more compelling reason for action on this bill.

In my judgment, Mr. Chairman, the people are not in a frame of mind to be gentle with industrial treason at home while American boys die on battlefields scattered all over the globe.

I believe the hearings on this bill will show that the efforts of our own and other anti-Axis countries to prepare for war were impaired if not hamstrung by giant cartel agreements which crossed national boundaries and thwarted announced governmental policies. I believe it will be revealed before we are done that even the advent of war did not prevent a continuation of this damnable situation.

In our fight to preserve democracy at home and to achieve ultimate victory, the issues involved in these bills represent only one segment of the domestic front. The drive to release the productive effort of the United States has been given impetus by the Truman committee and the Murray Committee on Small Business. It is my confident hope that the Patents Committee is today launching a drive which will put an end to economic penetration of America by Nazi firms.

alternative for the cheap and abundant natural rubber. Despite this, after its 1929 hydrogenation agreement with I. G. Farben, a SONJ affiliate had embarked on building facilities at Baton Rouge, Louisiana, for various new processes and products, including synthetic rubber.¹⁷⁶

In 1930, I. G. Farben organized the United States & Transatlantic Service Corporation, to be renamed in April 1931 Chemnyco, Inc. This company was deputized to act through "appropriate" legal channels to obtain the return of I. G. Farben properties still held by the World War I Alien Property Custodian and to seek compensation under the 1928 Settlement of War Claims Act for its World War I losses. Indeed, according to the research of Kathryn Steen, on January 23, 1931, the War Claims Arbitrator (appointed under the 1928 legislation) issued his final decision granting I. G. Farben an award of \$537,555.69, which with interest since 1921 (the date of the official end of the war between the United States and Germany) came to \$739,175.89. In May 1931, I. G. Farben received one-quarter of the award, but with the Hoover Moratorium (June 1931) and the breakdown of international exchanges, there were no further payments.

However, Chemnyco remained and served as a liaison office for I. G. Farben and negotiator with many American firms; it provided I. G. Farben with a window on "financial and industrial conditions in the U.S.A." Chemists from I. G. Farben, who came to America for short stays, would work out of Chemnyco's New York office at 521 Fifth Avenue or, alternatively, would be dispatched from there to SONJ's new hydrogenation operations at Baton Rouge or to other locales. Chemnyco, supported by a retainer fee from I. G. Farben, handled the U.S. expenses of I. G. Farben employees on their brief visits to this country; it acted as "a kind of traveling [travelers'] office." This became ever more important as foreign exchange restrictions were imposed by Germany. Chemnyco also took charge of the correspondence from various U.S. companies to I. G. Farben in Germany—and vice versa. Thus, in the numerous negotiations between American enterprises and I. G. Farben, someone at 521 Fifth Avenue was available to facilitate the communications (and translations) and field whatever queries (legal or technical) might arise. Chemnyco became an information-gathering firm. The retainer paid to it was approved by the German government, so as foreign exchange controls impeded travel and discussions, this office would cope with the complications. Chemnyco became and continued on through the 1930s a hub for the development of I. G. Farben's U.S. business.¹⁷⁷

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On June 21, 1930, at the annual meeting in London of the “Shell” Transport and Trading Company (the British counterpart of Royal Dutch and joint owner with the latter of the American affiliate, Shel-

Union Oil). Lord Bearsted reported that the Royal Dutch/Shell Group had been "giving great attention to processes for the manufacture of synthetic benzine" from coal or oil: "We have now arranged to join hands with the Standard Oil Company of New Jersey and the great German chemical company known as the I. G." Experience and patents on hydrogenation would be shared and "worked out conjointly."⁷⁸ On April 10, 1921, ICI joined the alliance—and an "international treaty" known as the Hydrogenation Cartel came into being. Although these arrangements (covering business only outside of the United States, for antitrust reasons) technically did not involve the new I. G. Farben joint ventures in the United States or I. G. Farben's new service company, they had broad implications for Standard I. G. and Jasco, as well as Chemnyco.⁷⁹

In addition, I. G. Farben in the early 1920s made further "connections" in the United States. Since Jasco would be generating new products, I. G. Farben wanted to be sure that those related to chemicals were commercially developed by the Germans' own existing (or newly established) U.S. domestic sales organizations. Thus, for example, as output of acetic acid (used as a solvent) went up at SONJ's pilot plant in Baton Rouge, I. G. Farben organized the Advance Solvents & Chemical Corporation (ASCC) to handle the sale of imports and the American-made (by SONJ) solvents as well as other organic and inorganic chemicals. Herman Metz—still active in the I. G. Farben "family" in America—was president of ASCC.⁸⁰ In 1923, Metz was writing The Chemical Foundation that Advance Solvents desired to import certain vinyl products covered by a Chemical Foundation patent. The goods were not made in the United States, and "Our customers assure us that they cannot use the products which have been offered by domestic manufacturers." Metz asked for confirmation that "we are at liberty to import these materials, subject to a royalty to you of 10 per cent."⁸¹ When the SONJ Baton Rouge plant started producing, Union Carbide (as one-third owner of the Niacet Chemical Corporation—see Chapter 5) was informed by William von Rath of American I. G. Chemical that the Baton Rouge plant would be making acetic acid.⁸² It was all very cozy and would get even cozier.⁸³

In 1931, I. G. Farben formed with Pennsylvania Salt Company a fifty-fifty joint venture sales company, *Pen-Chlor*, Inc., to distribute within the United States a bleaching concentrate known as Perchloron. Because of high U.S. tariffs, *Pen-Chlor* began to manufacture in America in 1933.⁸⁴ Meanwhile, in March 1932, I. G. Farben and Aluminum Company of America (Alcoa) set up a fifty-fifty joint venture, the Magnesium Development Corporation (MDC). It was to develop and exploit processes in the magnesium and electrolytic field. Alcoa had in 1923

purchased the stock of the American Magnesium Company (Alcoa was the largest U.S. consumer of magnesium used to make hard aluminum alloys). On a worldwide basis, I. G. Farben was the greatest producer of magnesium, having obtained its interest in magnesium when Criesheim Elektron joined the group in 1925. With Metalgesellschaft, I. G. Farben shared a joint interest in an aluminum plant in Germany. I. G. Farben had substantial technological know-how that it offered to MDC. In February 1932, I. G. Farben also became the fifty-fifty partner of Alcoa in American Magnesium Company (AMC), now a processing company that received its inputs from Dow Chemical Company.¹⁵⁷

With Iasen, Ben-Chlor, MDC, and AMC, I. G. Farben had during 1930–1933 entered into four important U.S. joint ventures, enlarging the German enterprise's role in America. Beyond this, it had formed the new Chemnyco and the Advance Solvents & Chemical Corporation. In February 1931, Hermann Schmitz, Wilfrid Greif, and Max Hgner (all I. G. Farben directors on the board of American I. G. Chemical) visited Wilmington, Delaware, to meet with Lénée du Pont, Lammot du Pont, and Jasper Crane. Nothing special came of this gathering, although undoubtedly the Germans briefed Du Pont officials on their conversations earlier in the month with Walter Teagle and Frank A. Houston of SDNI and on their general U.S. plans.¹⁵⁸

On this trip to America Hermann Schmitz stopped by the White House and talked (on February 25) with Hoover.¹⁵⁹ (This was when reparations negotiations were going forth, and American bankers were warning that if Berlin refused further reparations payments, German credit would be in trouble.)¹⁶⁰ What is important about this meeting is not what Schmitz told Hoover (I do not know), but that it took place at all—that I. G. Farben officials had such access.¹⁶¹

In the late 1920s, to avoid taxes, like many other companies, I. G. Farben had used foreign (Dutch and Swiss) holding companies for its international business. After 1931, as German restrictions on foreign exchange transactions multiplied, it became increasingly difficult for German firms to engage in business abroad. I. G. Farben (like other German concerns) used these same holding companies in Holland, Switzerland, and elsewhere to circumvent foreign exchange controls.¹⁶² The holding companies were financial architecture with no impact on the way international business operations were conducted. Legal structures notwithstanding, I. G. Farben managers treated their American companies as part of a multinational enterprise. Francis Garyan—the longtime critic of I. G. Farben—in 1932 had a translation prepared of Heinrich Winkler's book, *I. G. Farbenfabrik, Die Stadt der Städte* (I. G. Germany, A State within a State). He read the contents carefully, underlining key passages.¹⁶³ Americans, who knew the pre-World War I role

of the German chemical industry in the United States, watched nervously as I. G. Farben's activities in America grew. I. G. Farben was by far the most significant foreign enterprise in the American chemical industry. It made major technological contributions. Its investments combined knowledge providing and knowledge seeking. In this time of economic hardship in Germany and the United States, its American presence expanded.

There seems little to report on the Swiss affiliates in the U.S. chemical industry in these years: Ciba, Geigy, and Sandoz remained involved in dyestuffs and a range of other products. There was at least one new German entry, the soap company Henkel & Co., which in 1932 (along with two of its German subsidiaries, Deutsche Hydrierwerke, AG, and Boehme Fett Chemie, GmbH) formed a patent holding company, the American Hyalcol Corporation (AHC). The patents were for "soapless soaps," and this prefigured the introduction of the new age of detergents and soapless shampoo. In the 1930s, AHC would license Procter & Gamble, National Aniline & Chemical Co. (a subsidiary of Allied Chemical), and D. Puel to produce under its patents.¹⁵ Procter & Gamble boasted of its many new products that were emerging: synthetic detergents, shampoos, and liquid dentifrices.¹⁶ Charles Tennant & Co., Ltd., Glasgow, through its subsidiary American British Chemical Supplies Company, combined two late 1920s investments into the newly formed (1930) Kay Fries Chemicals Inc., which built a modern plant at West Haverstraw, New York (Fries' Cincinnati plant was shut down).¹⁷

A remark from the U.S. chemical industry was that of the London headquartered Rio Tinto Company, which had over the years 1925–1931 invested £678,000 (\$3.3 million) in its own Wilmington, Delaware, plant; the Davison Chemical Company; and the Silica Gel Company. None of these projects prospered. Rio Tinto shut down the Wilmington factory in January 1932. Davison Chemical was bankrupt by 1932; and when it reemerged from the receivership in December 1935 as the Davison Chemical Corporation, I have no evidence of any Rio Tinto (or other foreign) participation. As for the highly innovative Silica Gel Company, in 1930 Rio Tinto's management decided to withdraw, convinced that it "should not have entered the business."¹⁸

What is remarkable, however, was the almost complete disappearance of French interests from the U.S. chemical industry. In the early 1930s, the principal French chemical enterprises—Rhône-Poulenc and Kuhlmann—had no branches, subsidiaries, or affiliates in America. Saint Gobain had a minor role in glass, but none in chemicals. The once-important Cempair des Textiles Artificiels (CTA) no longer had any direct investments in the United States: Edmund Gilet, president of

America—the last remaining U.S. business in which it held a controlling interest.¹⁵⁹ ICI retained, however, a sizable, although entirely passive, stock holding in General Motors and its far smaller, also passive, ones in Du Pont and Allied Chemical & Dye Corporation. The value of these stock market-traded securities (especially those in General Motors) fell dramatically. Sir Harry McGowan told the group gathering at the ICI annual meeting in April 1932, “My colleagues and I have been convinced believers in the long-range wisdom of international agreements as instruments of world rationalization of industry.”¹⁶⁰ In keeping with this approach, McGowan was often back and forth across the Atlantic—staying informed on what was happening in America.¹⁶¹

In contrast with ICI, the Belgian Solvay & Cie., the largest single shareholder—through Solvay American Investment Corporation—in Allied Chemical, became more involved in the American business. Like ICI, its management endorsed international cartels; indeed, for years Solvay & Cie. had resented Allied Chemical’s independent president, Orlando Weber, who sought to set his own agenda. In 1930, the International Nitrogen Cartel had been organized, headed by Hermann Schmitz of I. G. Farben, which included Solvay & Cie. and ICI.¹⁶² Weber, however, had built a huge nitrogen-fixation plant in Hopewell, Virginia, and had insisted on enlarging it in the early 1930s. Worse still, the plant began to export when worldwide demand was at a new low.¹⁶³ Weber’s defiance of these cartel arrangements snapped the patience of Solvay & Cie. executives, who soon would start intervening to change the leadership and to force the rogue Allied Chemical into compliance with the “negotiated environment.”¹⁶⁴

In 1929–1933, Royal Dutch Shell was a relative newcomer to the U.S. chemical industry, having in the late 1920s embarked on chemical research and production in America. In 1930, it began building a new synthetic ammonia plant in California.¹⁶⁵ During the economic downturn, Shell Union became for the first time important in oil- and gas-related chemicals.¹⁶⁶ As it did so, other firms in the international chemical industry paid heed. They sought (successfully) to bring Shell Union into their cooperative accords; the parent, Royal Dutch Shell, was amenable.

Of all the European big businesses in chemicals, I. G. Farben was

Of all the European big businesses in chemicals, I. G. Farben was the most innovative, with multiple roles in the U.S. chemical industry. At the heart of its U.S. business was the **American** I. G. Chemical Corporation (organized in April 1929), a holding **company** with two principal subsidiaries: (1) Agfa-Ansco Corporation, the film manufacturer, and (2) General Aniline Works, the dye maker; General Aniline, in turn, held a 50 percent interest in Winthrop Chemical **Company**, a producer of pharmaceuticals. At the depth of the Depression, Agfa-Ansco Corpo-

ration, which had never been financially strong, hovered on the brink of bankruptcy; in 1932 I. G. Farben considered shutting it down, but instead the German giant reorganized and strengthened Agfa-Ansco.¹⁶⁷ It did so at a time when the German economy was in deep trouble, yet it was able to find the resources to aid its **American** business. Unlike Agfa-Ansco, General Aniline had no comparable problems. Aided by the protection granted by the 1930 Smoot-Hawley Tariff, technologically at the cutting edge, General Aniline was able to gain market share and to prosper.¹⁶⁸ General Dyestuff Corporation—a separate firm—did all the U.S. marketing for I. G. Farben's imported as well as for its domestically produced (by General Aniline) dyes. The ratio of I. G. Farben's sales of made-in-America to imported dyestuff rose as General Aniline expanded its manufacturing and import substitution occurred.¹⁶⁹ I. G. Farben kept its earlier **joint** venture with Sterling Drug in Winthrop Chemical **Company**.¹⁷⁰ To all of these businesses, I. G. Farben dispatched German chemists and chemical engineers, who transferred

skills and new technologies on a regular basis; other highly trained German immigrants found these companies a congenial place for employment.¹⁷¹

As for I. G. Farben's ties with Standard Oil Company of New Jersey (SONJ), the two companies came into closer harmony. The two recognized that the 1929 division-of-fields arrangements were unrealistic and decided to organize in the United States a fifty-fifty joint venture to develop so-called borderline processes (those in both the oil and chemical industries). In 1930 they formed Jasco, Inc., the Joint American Study Company. I. G. Farben "lodged" in Jasco its worldwide rights (outside of Germany) to numerous patents, including some on synthetic rubber. Each project that Jasco undertook was separate, and the company (I. G. Farben or SONJ) "turning over an invention would retain control of it as well as a five-eighths financial interest."¹⁷² Jasco undertook research on synthetic rubber and other products, with I. G. Farben and SONJ sharing the costs.¹⁷³ In 1931 Jasco got involved with Procter & Gamble in developing a method of synthesizing fats from petroleum.¹⁷⁴ Jasco was I. G. Farben's second "high-tech" joint venture with SONJ (the first had been in 1929, with the Standard-I. G. Company).

Jasco's plans for synthetic rubber research took form when the price of this commodity was at a new low. SONJ, I. G. Farben, and Du Pont had begun considering the prospects for synthetic rubber in the middle of the 1920s, when crude rubber prices had soared under the impact of the 1922 Stevenson Plan (a cartel designed to help crude rubber producers).¹⁷⁵ By the end of the 1920s and early 1930s, as rubber prices had tumbled, for Americans there was no urgency in creating an

Union Oil), Lord Bearsted reported that the Royal Dutch Shell Group had been "giving great attention to processes for the manufacture of synthetic benzine" from coal or oil: "We have now arranged to join hands with the Standard Oil Company of New Jersey and the great German chemical company known as the I. G." Experience and patents on hydrogenation would be shared and "worked out conjointly."¹⁷⁵ On April 10, 1931, ICI joined the alliance—and an "international treaty" known as the Hydrogenation Cartel came into being. Although these arrangements (covering business only outside of the United States, for antitrust reasons) technically did not involve the new I. G. Farben joint ventures in the United States or I. G. Farben's new service company, they had broad implications for Standard-I. G. and Jasco, as well as Chemnyco.¹⁷⁶

In addition, I. G. Farben in the early 1930s made further "connections" in the United States. Since Jasco would be generating new products, I. G. Farben wanted to be sure that those related to chemicals were commercially developed by the Germans' own existing (or newly established) U.S. domestic sales organizations. Thus, for example, as output of acetic acid (used as a solvent) went up at SONJ's pilot plant in Baton Rouge, I. G. Farben organized the Advance Solvents & Chemical Corporation (ASCC) to handle the sale of imports and the American-made (by SONJ) solvents as well as other organic and inorganic chemicals. Herman Metz—still active in the I. G. Farben "family" in America—was president of ASCC.¹⁷⁷ In 1933, Metz was writing The Chemical Foundation that Advance Solvents desired to import certain vinyl products covered by a Chemical Foundation patent. The goods were not made in the United States, and "Our customers assure us that they cannot use the products which have been offered by domestic manufacturers." Metz asked for confirmation that "we are at liberty to import these materials, subject to a royalty to you of 10 per cent."¹⁷⁸ When the SONJ Baton Rouge plant started production, Union Carbide (as one-third owner of the Niacet Chemical Corporation—see Chapter 5) was informed by William vom Rath of American I. G. Chemical that the Baton Rouge plant would be making acetic acid.¹⁷⁹ It was all very cozy and would get even cozier.¹⁸⁰

¹⁷⁵ 1931 ICI Report to the Board of Directors, ICI Archives, 1931-1932, 66.

The ultimate deal reached by the two industrial giants in 1928 was that each agreed to respect the sovereignty of the other. IG Farben agreed to stay out of the oil business and Standard agreed to stay out of IG Farben's chemical businesses. IG Farben transferred the world patent rights for its coal-to-oil process to a new corporation, named the Standard-IG **Company**, though it kept the patent rights for Germany. Standard Oil got 80 percent of the stock and IG Farben got 20 percent. In addition, Farben received 2 percent of Standard Oil's common stock, then worth \$35 million.

In this deal, Standard Oil gained world control of a threatening technology, while Bosch kept the unlimited right for its use in Germany. IG Farben got the money it needed to develop the coal-to-oil process further.

In 1930, Bosch established the **Joint American Study Company** (JASCO) to develop synthetic rubber. Its stock was held 50-50 between the two companies. Under the terms of various contracts, the two companies were to share their knowledge and patents with each other, and neither was to use that knowledge without the approval of the other.

The synthetic rubber effort eventually became a major embarrassment for Standard Oil. Once Adolf Hitler took power in Germany, his Nazi government refused to allow the transfer of IG Farben's technology for making synthetic Buna rubber to JASCO. However, Farben insisted that Standard transfer to Germany its new technology to make Butyl rubber, which the U.S. **company** did. Meanwhile, in 1940 several U.S. tire and chemical makers, including Dow, tried to get Standard Oil to join them in developing synthetic rubber for the United States. Standard Oil stalled the U.S. effort, hoping to acquire IG Farben's technology and approval to share it with the other **American** companies. It never got either. Consequently, the U.S., which had previously received virtually all of its rubber from areas Japan had seized, had an acute rubber shortage when it entered the war, forcing the national rationing of tires.

In 1942, the United States Congress learned of the Standard Oil-IG Farben deal. *Investigative Committee on Economic Warfare* reported that the *Atlantic Bomber Command*

In 1942, the United States Congress learned of the Standard Oil-IG Farben deal, largely from German documents seized by the Alien Property Custodian. Members were outraged. Soon Standard Oil made another deal, this time with the Justice Department. Standard agreed to offer all its synthetic rubber patents and technology to any U.S. company royalty-free. The Justice Department

agreed not to press what would amount to industrial treason charges against the responsible executives, who were in any case quickly retired from the company.

Sharing the secrets of synthetic rubber is only one of the mistakes U.S. executives, operating through secret agreements, made with IG Farben. When Germany began to rearm in the 1930s, its engineers lacked the knowledge needed to produce tetraethyl lead, used in fuel for high-performance engines. The principal developers of that technology were Standard Oil and General Motors, which jointly owned the Ethyl Gasoline Corporation. Farben approached Ethyl in the mid-1930s about a joint venture to produce leaded gas in Germany. General Motors was willing, as was Standard Oil. The proposal was twice reviewed by the War Department, which inexplicably had no objection to the transfer of such vital knowledge to Hitler's Germany. Only the president of DuPont, then GM's largest stockholder, objected. DuPont's position was that "under no condition should you or the Board of Directors of the Ethyl Corporation disclose any secrets or 'knowhow' in connection with the manufacture of tetraethyl lead in Germany."

GM and Standard Oil ignored DuPont's warning, and the deal was made. The jointly owned Ethyl-Farben plants in Germany were almost complete when Hitler marched into Czechoslovakia. To fill the supply gap before that invasion, IG Farben bought \$20 million worth of tetraethyl lead from its new partner, Ethyl, and shipped that war matériel to Germany. As a result, the Luftwaffe had its leaded gas before Czechoslovakia was carved up. Afterward, using the American technology, IG Farben was able to manufacture leaded fuel for its fighter planes throughout World War II.

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Other U.S. industries and their executives also ignored the dangers of strengthening a potential enemy nation. Zeiss, the German optical instruments maker, had a long-standing secret patent and technology arrangement with Bausch & Lomb, the U.S. optical producer. In the early 1920s, Zeiss agreed not to build a plant in the United States, and Bausch & Lomb agreed to restrict its production of military optics. When Hitler took power, Zeiss refused to share its technological advances with its U.S. partner, while Bausch & Lomb foolishly kept Zeiss informed of its projects and advances it had made on behalf of the U.S. military. Thus, the U.S. entered World War II with only those militarily critical optical instruments that Nazi Germany had allowed Bausch & Lomb to provide: inferior range finders, periscopes, bombsights, telescopes, and binoculars.

Eventually, the United States gained full access to all that technology. After the U.S. declared war against Germany in December 1941, it seized all the patents and patent applications belonging to citizens of nations it was fighting, including those from Germany, Italy, Japan, Romania, Hungary, and Bulgaria. The U.S. also took over patents and patent applications from the enemy-occupied countries, including France, Belgium, the Netherlands, and Norway. Altogether, the U.S. appropriated almost 46,000 active patents, 4,800 patent applications, 800 inventions, 400 trademarks, and 200,000 copyrights, including Adolf Hitler's U.S. copyright on his book *Mein Kampf*. In early 1942, the Alien Property Custodian, who held and administered this large treasure house of intellectual property, licensed the items on a nonexclusive basis to any U.S. company or user for a flat fee of \$50, which eventually was reduced to \$15. The patents included everything from the IG Farben–Standard

THE U.S. PATENT AND TRADEMARK OFFICE'S SEIZURE OF FOREIGN PATENTS

Oil patents on synthetic fuels to patents on radios and household appliances. Among these were 8,000 active chemical patents, mostly German.

To promote the use of the foreign patents, the custodian created patent libraries around the United States staffed with skilled patent librarians. Of the 4,600 patent applications on file when the war began, almost 3,200 were eventually issued. The U.S. Patent and Trademark Office maintains a complete set of those seized patents in its Patent Search Room in Arlington, Virginia.

Germany, Italy, Japan, and the other Axis powers, of course, also seized U.S. patents and copyrights registered in their countries. The result was a great sharing of technology, license-free, between the warring powers. Ultimately, the United States was the primary beneficiary, as it won the war and could keep whatever technologies it wanted.

and ucalls.

On a wider scale, Pynchon sees the institutionalization of this world view in cartel building. The historic IG Farben was extensively involved in the creation of cartels, agreements among various companies with similar interests to limit competition, assign geographic exclusivity and set prices. The IG itself began as a cartel, the German dye industries joining together to protect their interests. As it grew in power, the IG instigated cartel arrangements with many non-German firms. Losing money in the short run, the IG gained important areas of influence in Germany's potential enemies and kept exclusive control of many of the processes that would give Germany an advantage in wartime. By 1939, the IG had ownership interest in or working agreements with hundreds of companies in dozens of countries. Richard Sasuly says, "Through the system of cartels . . . , a main center in Germany could virtually dictate the amount of chemical production in almost any country on the continent of Europe While relying on their own scientists to maintain technical leadership, IG could nevertheless keep constant watch on all new discoveries in other countries through patent pooling agreements" (90). Despite these pooling agreements, the IG zealously guarded its own patents in order to maintain exclusive control over its technology. Borkin and Welsh report, "Patents were applied for and obtained 'en masse,' in every country having a patent system, but largely in Germany, England, and the United States [They became] tourniquets on the economic vigor of Germany's likely antagonists" (43).

Among Germany's eventual enemies, the IG had cartel agreements in the Netherlands with Dutch Shell, in Britain with Imperial Chemicals, and in the United States with Ford Motor Company, Sterling Drug and Standard Oil of New Jersey. This last agreement was especially significant. In 1926, Standard Oil executives Frank Howard and Walter Teagle toured one of the IG's synthetic fuel oil plants; they were amazed at the sophistication of the technology, concerned about its potential effect on world oil prices, and aghast that Standard was not a part of it. In 1928, the two giant companies came to an agreement: for \$35 million, the IG turned over to Standard all non-German rights to the synthetic oil process. The immediate results of the agreement were that IG obtained the lump sum it needed to finish perfecting large-scale production of the process,

and the two companies created a joint company, Standard-IG Co., to oversee the working out of the deal (Borkin 47-51). In 1930, IG and Standard Oil reached a second agreement. This time, Standard was interested in IG's synthetic rubber process, and another company was formed, the Joint American Study Company (Jasco), "to test and license new processes developed by either party in the 'oil-chemical' field" (Borkin 51). However, the IG kept exclusive rights to the patents it developed, Buna rubber especially (Sasuly 148). This allowed the IG to keep a certain amount of control over United States research into synthetic rubber, and, despite the patent-sharing agreement, the IG continually stalled revealing its Buna rubber technology. (Of course, when the U.S. finally entered the war and its sources of natural rubber were occupied by Japan, the resulting rubber shortage severely curtailed the war effort.) As a further token of friendship, Standard President Teagle joined the Board of Directors of the American IG Corp. In addition to the tangible returns of this cartel agreement, the IG gained a great deal of influence and an important ally. As Sasuly sums up, "The biggest part of the payoff for IG Farben was support by Standard Oil of IG's chemical position all over the world, *including the United States*" (147). Further, just after the war began in Europe and the possibility of war between the United States and Germany became stronger, Standard Oil's Howard met at The Hague with IG representatives to discuss protecting their joint holdings in wartime. Standard purchased the IG's shares of Standard-IG Co. and Jasco for nominal amounts, and the IG assigned United States and Allied rights to all jointly held patents to Standard. Off the record, Standard agreed to hold 20% of all fees derived from these patents for IG, to be delivered after the War (Sasuly 149-50; Borkin 83-88). Standard was convinced (incorrectly as it turned out) that its dealings with the IG were sufficiently camouflaged to prevent the United States government seizure of enemy property and that its mutually profitable relation with the IG would be ready to resume, no matter which side won the war.

IG Farben also had a different sort of cartel arrangement with its own government. One of the influences behind the original formation of the IG was Walter Rathenau's insistence that all German industries cooperate to support the government's effort in World War I. After the war, Rathenau continued to encourage economic cooperation in service to the state. For the IG in particular, corporate goals and profits were tied up with government policy and programs. The line between government and business became even less clear during the years of the Weimar republic as business executives, including many employed by the IG, simultaneously held important policy-making cabinet posts (Borkin and Welsh 53). The IG and German business did not support Hitler immediately; his humble origins and lower class supporters offended those from traditionally aristocratic backgrounds (Sasuly 64-65). For his part, Hitler used the IG as a symbol of all that was wrong with big business, an "instrument of international

PATENTS

HEARINGS

Before the

COMMITTEE ON PATENTS UNITED STATES SENATE

SENATE HEARING ROOM

WASHINGTON

S. 2303

A BILL TO PROVIDE FOR THE USE OF PATENTS IN THE
INTEREST OF NATIONAL DEFENSE AND THE PROMOTION
OF THE WELFARE OF THE UNITED STATES

S. 2491

A BILL TO AMEND THE PATENT LAWS TO IMPROVE
THE METHOD OF EXAMINING APPLICATIONS FOR
PATENTS OF INVENTION AND TO PROVIDE FOR
THE REVIEW OF SUCH APPLICATIONS

PART I

JOINT SENATE AND HOUSE REPORT

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