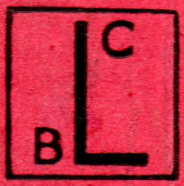
PATENTS FOR HITLER

by

GUENTER REIMANN



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become partners in agreements with national states as some kind of 'private empire' or 'economic state'. They were an expression of the idea that economic power has attained peculiarities which we otherwise used to connect only with the political state. . . . Economic states which are not restricted by national boundaries will try to repress the national state as an economic factor so that they have absolute power in their hands."[1]

The Nazi economist, Dr. Fritz Werr,[2] extensively quoted A. Marcus as his authority on "the economic state". He particularly referred to the great oil powers, the Standard Oil Company of New Jersey[3] and Royal Dutch Shell—companies with world-wide interests and great financial stakes in many countries where they constituted first-rate political factors.

"The agreements between the big oil companies, in particular, show that any law of the state becomes meaningless for them, and that all forms of jurisdiction of the national state are done away with. . . . Most treaties are 'gentlemen's agreements', and if one party abrogates such a contract or does not fulfil his obligations, the other party does not insist upon rights or laws accorded him by the legislation of a national state. He brings forth, instead, considerations of 'fairness'. . . . This refers not only to agreements between the oil trusts themselves, but to an even greater extent to agreement between these trusts and (national) states."[4]

The rise of the totalitarian state inevitably resulted in a decline of private world empires. Their financial structures, however, still remained in existence. These companies were still firmly entrenched in the non-totalitarian world, but, as we shall see, came *partly under control of the Nazi regime.*

In this situation, Hitler was convinced that he could break the resistance of foreign states "from within", for the economic states could be compelled to co-operate with him.

[1] A. Marcus, Kreuger and Toll, Zuerich, 1932, pp. 3–4.

[2] Fritz Werr, *International Economic Combinations (Cartels and Concerns) and States as Partners*, Berlin, 1936.

[3] For the sake of brevity the Standard Oil Company (New Jersey) is often referred to in these pages as "Standard Oil" or "the Standard Oil Company". It is not to be confused with other oil companies bearing the word "Standard" in their corporate designations. Wherever "Standard Oil" is employed without modifying words, reference is to the Standard Oil Company of New Jersey.

[4] *International Economic Combinations*, p. 113.

enterprise that was expanding and would not brook subordination to any kind of authoritarian power. The inherited wealth of these early titans, however, now consists of absentee capital seeking safe and secure fields of investment. The new corporation executives were administrators, lawyers, diplomat-businessmen who wanted strong governments abroad for protection of vested interests and a national regime that would not interfere with their private monopolies. Their role encouraged the Nazi strategists in their belief that they could win world supremacy without real war against the old capitalist world. This was an illusion which should have collapsed with the enforced retirement of one of the outstanding private "emperors".

Sir Henri Deterding had built up Royal Dutch Shell as his private world empire. He was respected and protected by foreign governments as the sovereign manager of that gigantic enterprise. He was interested in discovering and fostering those forces which would eliminate once and for all the danger of social or colonial revolutions. Therefore he was one of the earliest financial backers of the Fuehrer—long before Hitler came to power. In later years, when Nazi Germany rearmed, he was an ultra-appeaser. He made great donations (at the expense of Shell) to the Nazis, and he personally offered to supply the Third Reich with foodstuffs and vital raw materials, the acquisition of which was to be financed by foreign credits which he would undertake to arrange. The British Admiralty, however, which had a stake in Shell's oil resources, wanted to make sure that in case of war with Germany and Japan, oil supplies vital to Great Britain should not be made available to the enemy.

Sir Henri, who did not object to the Nazi regimentation of private business, tried to defend the "rights of private enterprise" in Britain. This confirmed the suspicions of the British Admiralty concerning Sir Henri's reliability in the event of a world war. He was ousted from his chairmanship, and finally was compelled to resign from Shell's world organization altogether. He lived out his last few years in Holland, an embittered old man, stripped of influence, making strenuous efforts to regain Dutch citizenship.

The Nazi strategists might have learned from this experience, but they were blinded by their own fixed ideas. Deterding's setback was a prelude to the failure to produce the appeasement policy which the Nazis expected from the British government.

The American counterpart of Shell pursued a foreign policy

"Memorandum on Meeting of March 21st, 1929.

"Mr. Teagle stated that we were willing to be junior partners in the chemical field provided our minority interest was sufficiently large.

"Dr. Bosch (I. G. Farben) replied that they would offer us 49 per cent."

In later years Standard Oil defended the far-reaching privileges conceded to I. G. in 1929 by explaining its anxiety over the possible early exhaustion of America's oil resources. But other considerations were of even greater importance. I. G. astutely played one private empire against another. For instance, I. G. continued negotiations with du Pont in America, with Imperial Chemical Industries, Britain's leading chemical concern, and with the British–Dutch Shell trust, discussing with the latter the establishment of a common European front against America's oil companies. Furthermore, I. G. also implied that her mass production of synthetic oil could be immediately started, and that other synthetic chemical processes would soon supersede old raw-material monopolies. I. G. offered its assistance in bolstering the waning power of the old raw-material monopolies. They were to participate in the control of new monopolies in synthetic or chemical production before any competitor could enter this sphere of production.

Standard Oil, in addition to surrendering so large a share of the world market in the industries of the future, paid a tremendous price for patents and processes which were based on paper formulas without experiments or tests to indicate their practical value. I. G. received $30,000,000 in cash and stocks which could be turned into cash. This huge amount, which saved I. G. Farben from acute financial difficulties, did not buy the patents which I. G. possessed. Standard Oil did not even obtain the right to exploit I. G.'s patents in America. Standard Oil was to discover it had to spend in addition over thirty million dollars on research for the I. G. processes. Thus Standard Oil made an outlay of over sixty million dollars for the development of processes which were patented by I. G. and which remained largely the property of the German chemical trust.

But Standard Oil executives believed that they had outgeneralled Deterding and Shell by signing exclusive agreements with the German chemical trust. The latter had also negotiated with Shell, skilfully exploiting the Shell–Standard Oil rivalry.

Mr. Teagle's report, given at a meeting of the executives of Standard Oil, on his negotiations with Sir Henri Deterding, expressed satisfaction at the apparent victory over his rival; as a result of his deal with I. G., Deterding had to "come in" as a minority partner if he wanted to have peace with Standard Oil.

Mr. Farish, president of Standard Oil, denied the existence of a world-wide cartel with I. G. Farben when he was questioned by Senator O'Mahoney before the Truman Committee (April 1, 1942):

SENATOR O'MAHONEY: ". . . The policy of the company is to nurture and to stimulate the business in which you are engaged and to proceed with the policy to which you are committed, of a worldwide division of territory under a cartel arrangement with I. G."

MR. FARISH: "No, sir."

SENATOR O'MAHONEY: "What was the contract of 1929?"

MR. FARISH: "It was not a world-wide cartel arrangement."

But British and French competition had to face a united front of Standard Oil and I. G. Farben, for the agreement expressly provided for closest international co-operation against any other Powers which were "unfriendly" to Standard Oil or I. G. Farben.

We shall later see that the advantages which I. G. Farben could derive from the agreement were in other respects, too, much greater than those of Standard Oil.

These contracts enabled I. G. Fardenindustrie to impede or stifle, especially in the field of synthetic production, new technological developments which may revolutionize our entire industrial structure.

W. S. Farish, president of Standard Oil of New Jersey, in his testimony before the Senate Committee to Investigate the National Defence Programme (Truman Committee), declared:

"I wish to assert the conviction that whether the general contracts made with I. G. did or did not fall within the border set by the present statutes of the Sherman Act, they did inure greatly to the advance of American industry and more than any one thing have made possible the present war activities in aviation gasoline, toluol, and explosives and in synthetic rubber itself."

The author's contentions, on the contrary, are:

1. The pre-war alliance of I. G. Farben–Standard Oil impeded rather than promoted in America the chemical revolution on which the effectiveness of war economy greatly depends.

2. I. G. Farben was able through these agreements to get the

better of Standard Oil. I. G.'s *quid pro quo* consisted essentially of the aid it promised to Standard Oil for the latter's attempts to gain a privileged position in the United States.

3. The collaboration between I. G. Farben and Standard Oil aimed at the common conquest of new world monopolies. The goal ultimately was to gain control of new strategic positions in the world economy and "appeasement" of the Third Reich as the *supreme* world power.

4. This world control to paralyze the advancement of chemical revolutions was not effective in pre-war Germany. The Nazi state organized and subsidized chemical industries which were essential in totalitarian war, and at the same time it supported I. G. Farben's foreign policies which curbed chemical developments outside Germany. This is particularly true of the new synthetic processes which were utilized by I. G. Farben to gain a leading world position.

These conclusions must be drawn from a study of the material collected by the Truman Committee, the Senate Patents (Bone) Committee, the Antitrust Division of the Department of Justice, and by private sources. Essential parts of the overwhelming evidence, proving the correctness of the above points, will be quoted in other chapters of this book. The point which should be stressed here is that the secret contracts of 1929 were the beginning of a new era in the relationship between corporations with world-wide interests, a retreat of America's biggest corporation and the reappearance of a German trust in the world arena. The new expansion of I. G. Farben as a private world empire did not strengthen the position of private corporations with world-wide interests. On the contrary, it was the beginning of the end of the private world empire, though the façade remained intact.

CHAPTER VI

TRANSFORMATION OF I. G.

UNDER THE Third Reich, I. G. became the most important transmission belt for Nazi strategy in America; it was to play an important role in the bid of German imperialism for world rule because of the particular importance of chemical production in

Company, stated expressly on January 20, 1941, that the new agreement with I. G. should acknowledge Nazi control of markets in South America and Japan.

> "It should be noted that we cannot presume inability of the I. G. to deliver. It is, therefore, necessary to refer South American and Japanese customers to the I. G."

With each new stage of the war, a re-division of the world was decided as if a separate peace between the private empires were possible.

I. G. Farben, for instance, expressed at the beginning of February, 1941, "the keen desire to have France included in the area in which hydrogenation patents are reserved to them rather than in the area in which hydrogenation patents are reserved to the Hydrogenation Patents Company".

The Royal Dutch Shell Company, which had a minority share in the control of the oil processes, "seemed reluctant, or perhaps under pressure of the British Government has been unable, to entertain favourably this proposal". Mr. Howard, in the name of Standard Oil, however, "believes matters had reached the point where they may yield". In other words, as a result of the conquest of France, the German chemical trust had gained control of the French markets, and this should be acknowledged as a permanent affair. An inter-office memorandum of Standard Oil on the results of a meeting of the Executive Committee of Standard Oil on February 24, 1941, declared, as revealed by Thurman Arnold, in a statement made before the Truman Committee: "Committee felt it would be advantageous to effect the arrangement suggested by the I. G."

When, after the defeat of France, the war did not end with a victory for Hitler, the Nazis still made great efforts to utilize the former business associates of I. G. in foreign countries in order to reach a second Munich agreement.

I. G. was allowed to expand in conquered countries as a "private" trust. The French and Czech and other chemical works of conquered and "hostile" countries were not "expropriated", but "bought up" by I. G., and were paid for with bills requisitioned by the German Army or freshly printed in the occupied countries. Then Mr. Farish considered it good policy to transfer Standard Oil properties in France to I. G. Of course, I. G. could not take over American property without a special permit by the Nazi authorities.

Many facts quoted in this book lead to the conclusion that I. G. had offered some kind of separate peace to Standard Oil: "You will appease us, and in return we shall grant you a privileged protection of your interests in countries controlled by us, besides giving you exclusive participation in the exploitation of our patents and helping you to gain special rights in your own country".

A strange situation arose. Germany was blockaded. The United States was closely allied with Britain before war between the United States and the Reich had been officially declared. I. G. was turning out explosives and other vital war materials with which the Nazis tried to control the seas, to cut off Britain from America, and to establish their new world rule. During this period I. G. still sent its cables to New York instructing Standard Oil concerning patent agreements with other American firms—agreements which were of vital importance for America's war economy.

What could the I. G. Farben executives have thought when they, from their headquarters in Berlin, amidst a world at war, still found it possible to use their American patents to interfere with the production of strategic materials in America? It was apparent that the will to appease the Third Reich was very strong indeed on this side of the Atlantic.

The German chemical trust, for its part, had concluded its war-time agreements as a kind of assurance against war risks. Such agreements represented an attempt to ensure that, whatever the outcome of the world conflict, the I. G. world empire would survive.

Did some of the leading executives of Standard Oil harbour similar ideas? If so, when did they discard such conceptions?

W. S. Farish, president of Standard Oil, stated at the stockholders' meeting on June 2, 1942: "I never had any idea that the I. G. Farbenindustrie, as an organization, was hostile to the United States". This statement was made in answer to a question of Mr. Howard W. Armbruster, holding a proxy of a minority stockholder, who had asked Mr. Farish, "Would you or the other officers of the company desire to state to this meeting when you first became convinced or suspicious that the activities of the German I. G. Farben in its relationship to Standard Oil of New Jersey were hostile to the national security of the United States? At what time did you first become suspicious of that fact?" Mr. Farish thought that the question was not "proper"; Mr.

sufficient supplies of aviation gasoline. This promise could not be fulfilled.

How are we to explain the fact that in the field of synthetic oil production the American partner of I. G. was not prepared for mass production? Oil was the basis for the world-wide success of Standard Oil of New Jersey. It controlled the oil patents outside of Germany, and was able to prevent competitors from developing similar processes of their own. For many years Standard Oil had been promising that its hydrogenation had freed us from the danger of a shortage of high-octane or aviation gasoline. When the war began one could have assumed the demand for these high-grade gasolines would rise sharply. The question remained whether new facilities for production should be created outside the domain of Standard Oil enterprises. But Standard Oil announced that it could meet all needs.

It must be emphasized that processes similar or even superior to I. G.'s have been discovered in other countries. I. G.'s only advantage was that of claiming some basic patents at an earlier date than any competitor. I. G. attempted to use these patents in order to make the powerful Standard Oil finance both further experimentation in synthetic-oil production inside Germany and Nazi imports of oil.

Another competitive process which Standard Oil completely neglected in the past has already become of even greater practical importance. This is the Houdry process, which is competitive with Standard Oil and is used by numerous plants today. It seems to shorten the time for the expansion of production and to reduce costs for gasoline. Standard Oil has in the past declined to make use of this process, which has been developed by an independent inventor and applied by Sun & Socony. Quick expansion of the capacity to produce synthetic gasoline is possible under two conditions: If the facilities of the entire oil industry are used, and if the whole chemical industry is allowed to participate in the task of creating a new industry. It seems that the vast experiences of chemical works are not utilized for this purpose.

Chamberlain's "appeasement" of the Third Reich was apparently only a pale shadow of the appeasement policies of Standard Oil and Shell according to recent charges made by the United States government.

The German chemical trust was to be granted a share in royalties on high-octane gas equal to that of Standard Oil.

This tax was to be paid by consumers of the "strategic" aviation gasoline throughout the entire world. The royalties were decided upon just before the outbreak of the war, and the grotesque situation arose whereby the Royal Air Force paid a royalty to I. G., and thus to the Nazis, for its aviation gasoline. The war-time transfer of this money was difficult, so a temporary arrangement was prepared by which Standard Oil acted as I. G.'s trustee, retaining the German company's share in royalties "for the duration"—to be paid after the war.

This may, indeed, sound fantastic. But the government's charges are explicit.

The international control of hydrogenation and synthetic-oil developments by I. G. and Standard Oil had been endangered by new discoveries made by independent groups. Thus the plan for the formation of the C. R. A. (Catalytic Refining Association) arose. The short history of the C. R. A. is perhaps the most revealing oil story of World War II. According to the Department of Justice, Standard Oil promoted the C. R. A. in 1938, to "acquire control of the new catalytic cracking, refining and reforming process, and to utilize its position in H. P. [Hydro Patents] and its domination of the hydrogenation process and its possession of the present and future backing of I. G. to extend the control and the restrictions of the hydrogenation agreement to the broad field of new refinery operations covered by the new process".

The idea was to agree upon an exchange of information of patent rights, on favoured royalty rates, and of course in defence of their own "patent rights against competitors and infringements". Indirectly, the Anglo-Iranian Oil Company, Shell, and Texas were also participating in these negotiations. Standard Oil strategy at this point, beginning in October 1938, tried to bring together Standard Oil, Shell, and I. G. Such a combination could apparently not be challenged by an outsider. The second draft of the charter of the C. R. A. (August 15, 1939) provided for Shell, Texas, and Universal to join the C. R. A. as active partners.

Competitive development of the new production was to be prevented. But how was this possible if the patent monopolies were not sufficient safeguards against equally effective or even better competitive processes? In a few cases potential competitors were persuaded to hand over their patents or processes to the C. R. A. or to join it as members. But this watering of the international monopoly could not be permanently continued without reducing the share of the original founders of the C. R. A.

"Under the terms by which I. G. had authorized Standard to continue the C.R.A. negotiations, I. G. was protected against further disclosures of information, but I. G. continued to receive information from Standard. In the course of the further negotiations with the C. R. A. partners, the decision was arrived at by March 18, 1940, to discontinue further disclosure to I. G. At the time this was decided, and instructions sent out on March 18, 1940, we noticed that Dr. Beller of I. G. was at that very moment in the Standard laboratories and had to be informed of this decision."

Even after having subscribed to this decision, I. G. was still able to control the use of C. R. A. patents in America, and Standard Oil still felt bound to the former agreements with I. G. On July 3, 1940, Standard Oil sent the following cable to I. G. in Berlin: "On the whole, we think agreement is still practically workable and satisfactory but we are increasingly concerned over the basic legal situation".

One week later, Mr. Howard spoke to Mr. Ringer in Berlin over the telephone and "secured his approval to the C. R. A. agreements in the form in which they were initialled by all parties and left with me [Howard] yesterday. The agreements will therefore be released today and the co-operation of parties under the agreements will begin at once."

A special assurance was given by Mr. Howard to a British oil representative in August, 1940, that payments of royalties [in connection with the C. R. A. agreements] would be made to a new company, identified as The Special Company, to be set up and owned 50 per cent by Jersey and 50 per cent by Shell. "No payments are to be made by The Special Company to any German corporation or to any corporation in which any German national or corporation is a shareholder."

The real nature of this promise was commented on by Mr. Gibson before the Patents Committee as follows:

"All of the statements as to stock ownership and as to the immediate recipients of the payments are quite beside the point. Since 1929 the substantial interests in S. I. G., that is, Standard Catalytic Corp., have been governed not by stock ownership but by overriding contract. The ultimate recipients of the payments, Standard and I. G., themselves arranged by contract the corporate intermediaries to receive payments.

In other words, Standard-I. G. turned back to I. G. all patent rights on gas polymerization, thus withholding them from the American oil industry. I. G. was fully co-operative in a secret deal to raise the claims to royalties at the expense of the other American and British business partners. Of course Standard Oil had to recompense I. G. for the latter's participation in such a secret arrangement.

The business procedure just described indicates an extremely intimate relationship.

I. G. succeeded in obtaining from Standard Oil a private recognition of conquests which the United States government never acknowledged. Thus in March, 1940, I. G. asked for an extension of its right to use synthetic gasoline patents freely within German areas with the specific understanding that these areas included Austria and the former territory of Czechoslovakia. This question came up when I. G. asked Standard Oil to communicate the latest technical secrets or patent rights for the refining of lubricants. Standard Oil had pooled the corresponding patents and technical secrets with three other leading American oil companies (Union Oil Company of Indiana, Standard Oil of Indiana, and Kellogg). The technical experience of these companies was also given to I. G. before and after the beginning of the Second World War. As a result, I. G. or the Nazi government could manufacture more and better lubricants in Germany, Austria, and Czechoslovakia. The latter territories were especially well situated for the construction of strategic works because they cannot be so easily reached by British bombers as targets within the former boundaries of the Reich.

A few days before the "official" outbreak of the war—and when German troops were about to march into Poland—I. G. transferred its holdings of Standard-I. G. stocks to Standard Oil. As a result, Standard-I. G. became a hundred-per-cent American-owned company. A supplementary agreement was concluded, insuring I. G. against any loss in its claim for royalties. These were to be fully paid to I. G. if it remained a partner—the war was not to separate the former associates. This last-named "special agreement" was concealed by Standard Oil from other partners—especially from the British Shell Company, which might have objected to making the British pay royalties to I. G. while the latter was to supply gasoline in preparation for German air raids over Britain. The fact was that part of the money the American Army and Navy—and, in part, also the British—paid

for their aviation gasoline was to be set aside on behalf of the Nazi trust.

If we may credit additional charges in the same case against the Standard Oil Company of New Jersey brought by the government, the Third Reich even obtained, with the connivance of Standard Oil, processes which were guarded as important secrets by American and British companies. We refer in particular to further improvements in the manufacture of aviation gasoline, without which the Nazi air fleet might have been handicapped.

Shortly before the "official" beginning of the war an important discovery was made. Better aviation gasoline can be manufactured if the process of sulphuric acid alkylation, "for making a high-quality blending agent", is applied. It is most extensively used "because of its high economy in operation and its high yields".

The process was a British invention owned by the Anglo-Iranian Oil Company, and controlled jointly with two American companies, Texas and Universal. Standard Oil did not own any patents in this field. It simply threatened to infringe the patent and start independent production, unless it were admitted to the new patent pool. After obtaining, in this way, full knowledge of the new process, Standard Oil, according to the United States Department of Justice, promptly communicated it to I. G. for use in German plants without the knowledge of the original inventors of the process and owners of the patents.

There was, however, always the fear that the other competitors might go into new synthetic production. Therefore, conferring on the possibility of the production in China of synthetic oil from coal, Mr. W. A. Carlisle of Standard Oil wrote to Mr. P. W. Parker of Standard Vacuum Oil [a company owned 50-50 by Socony Vacuum and Standard Oil] on March 18, 1937:

> "In general the production of oil from coal (or tar) is uneconomic. Such anti-economic production is against the interests of the Oil Companies; that in general, therefore, it is in order that the Oil Companies should try to prevent countries getting interested in uneconomic production of motor fuel. If, nevertheless, the Government should be interested in going ahead with synthetic production then the best solution is to apply the I. H. P. process rather than any other solution. That, in other words, if the Oil Companies think it feasible and de-

sirable to start any action to prevent China from going in for synthetic motor-fuel production, they should be very careful not to get from the smoke into the fire, namely if—failing success of the Oil Companies' action—synthetic production should be carried out by competitors, *e.g.*, Fischer, instead of under licence from I. H. P."

This Fischer process was finally absorbed by the Oil International as a result of an agreement among "the principal parties, Standard Oil, Shell, Ruhrchemie, I. G. Farben and Kellogg". Thus two American oil concerns and the leading British-Dutch oil concern were combined with the German chemical trust and the leading German magnates of the Ruhr, the heart of German armaments productions, where the main funds for the financing of Hitler's ascendancy to power had been raised. Again the Nazi concerns kept for themselves their exclusive rights for the unlimited exploitation of the new processes within the Reich, while I. G. remained a leading partner in the companies which controlled the new industrial developments in America and the rest of the world (outside of Germany). The American rights were taken over by a newly founded Hydrocarbon Synthetic Corporation, with 50 per cent of the stock of the new company going to Standard-I. G., 25 per cent to Kellogg, and 25 per cent to Shell. Ruhrchemie was satisfied with a mere share in royalties.

The rights outside of the United States, Canada, and Germany were transferred to a Dutch company, International Hydrocarbon Synthetic Corporation (I. H. S.), which was under German control (50 per cent Ruhrchemie, 50 per cent I. H. P.), with I. G. participation in royalties.

Standard Oil, I. G., Shell, Kellogg, and Ruhrchemie A. G. (under the control of Germany's steel magnates) agreed that the last-named's coal-oil patents (Fischer-Tropsch process), for instance, should be assigned to a newly formed enterprise, Hydrocarbon Synthetic Corporation. This process is especially suitable for small-plant conversion of coal into oil. Hydrocarbon Synthetic Corporation was under common control of Standard Oil, I. G., Kellogg, and Shell, while Ruhrchemie A. G. was otherwise compensated. This happened in October, 1938, shortly after Munich, when the Nazi power seemed to be invincible. What price was paid to the German steel industrialists by Standard Oil, Shell, and Kellogg for the refusal of Ruhr-

chemie to sell licences for the coal-oil patents outside of Germany? This question has been left unanswered.

Something must be said here about the scope of the Hydro Patents Company. This company, founded by Standard Oil, had sold licences on hydrogenation patents to other American oil companies under the condition that they became stockholders in the Hydro Patents Company.

We quote from the "Information" of the Antitrust Division, Department of Justice, sent to the District Court of the United States for the District of New Jersey in the complaint against Standard Oil and other companies:

> " 'The Mutual Licensing Plan of the Hydro Patents Company for the Hydrogenation Process was calculated (*a*) to prevent the utilization of coal for the production of petroleum products, and thus exclude coal operators from the oil business; (*b*) to prevent any person from utilizing the hydrogenation process to the detriment of Standard or I. G. by upsetting the existing *status quo* in the oil business; (*c*) to prevent competition among oil refiners; (*d*) to secure for I. G. in Germany and for Standard in the rest of the world, including the United States, the benefit of all present and future methods and discoveries in the practice of hydrogenation, then the only feasible method for the production of synthetic gasoline and other oil products, thereby preventing other oil companies from manufacturing and selling cheaper or better synthetic oil products in competition with I. G. in Germany and Standard in the rest of the world, including the United States; and (*e*) to prevent oil companies from utilizing the hydrogenation process for the manufacture of chemical products."

A special arrangement was to guarantee that Standard Oil and I. G. would always control further technical developments in the new industrial field. All licensees of Hydro Patents were obligated to employ a subsidiary, the Hydro Engineering & Chemical Company, "to prepare and supervise the necessary plant design and engineering". A fee of 4 per cent of the total capital expenditure for the hydrogenation plant and equipment was to be paid for these services. The arrangement enabled I. G. and Standard Oil to acquire the technical experience of all other companies. For as pointed out by "Information" of the Antitrust Division:

Hydrogenation Patents Company. The licence covered both hydrogenation and polymerization, and U. O. P. and I. H. P. agreed that they would split the total royalties received fifty/fifty. Japan Gasoline K.K. made a payment on account of the licence granted by both parties of $300,000 for which they had the right to manufacture 300 barrels per day of iso-octane. They have an option, however, which incidentally expires on July 1, 1939, on payment of a total of $600,000, *i.e.*, $300,000 over and above the $300,000 which has already been paid, to receive an excl. licence under the rights of both of these parties for Japan.

". . . I know that Mr. Howard is familiar with the discussions which took place between Mr. Nieuwehnhuis and Dr. Ringer.

"Sincerely yours,
"W. A. CARLISLE."

It is true that the above letter does not specifically mention 100-octane gasoline. But we must conclude either that Mr. Farish was quibbling or that the Japanese did get their 100-octane gasoline.

Japan's notorious lack of oil, and in particular of aviation gasoline, seemed a serious obstacle to any strategy involving mass air raids against far distant objectives. The mystery of such raids, however, can now be solved. Japan was able to utilize the synthetic processes of I. G., as well as of Standard Oil and other American companies, in preparing its air attacks against the United Nations.

The Survival of Liechtenstein

The story of the secret Oil International would not be complete without referring to Liechtenstein, Europe's mystery state.

Liechtenstein, with its capital, Vaduz, is the most remarkable country in war-time Europe. Situated in Central Europe, almost encircled by the Third Reich, it is the only place in the old world where people feel safe, with unprotected frontiers, with only a few policemen maintaining internal order—in short, an idyllic country. How did it escape Hitler's armies? With a population of only 12,000, it could never have tried to defend its national existence. But we must not forget that the administration of this tiny state offered hospitality to corporations which sought a

neutral centre for private empires, free from the struggle of national states and from taxation. This little country in war-torn Europe had been selected by I. G., by Standard Oil, and also by Shell as one of the centres for the super-national world empires. Its only apparent function is to enable private world empires or large corporations to escape from the risks of war and also from taxation.

The State of Liechtenstein, since it is "protected" by the Nazis, is sheltering an important international corporation which deserves our special interest, the International Hydrogenation Patents Co., Ltd. This company was founded by Standard-I. G. (now Standard Catalysts), *i.e.*, by Standard Oil and I. G. as partners. Later a third partner joined the company, British-controlled Shell.

The "neutrality" of Liechtenstein has been respected by Hitler. Consequently the International Hydrogenation Patents Company (I. H. P.) is still in existence. It had formed a subsidiary company in Holland, the International Hydrogenation Engineering and Chemical Company, "in order to give technical assistance" to other firms which may obtain a licence from I. H. P. This arrangement follows the usual pattern to form a special firm which becomes the sole owner of the "know-how" or of technical experiences vital for the use of complicated chemical processes. Such a device helps to extend the life of a monopoly beyond the time when patent rights expire.

I. H. P. was expected to play a great role; for it was intended to control the exploitation of I. G.'s synthetic-oil patents in the entire world, outside of Germany and of America. This long-term speculation did not materialize. For the only assets of I. H. P. were the I. G. hydrogenation patents. They were "sold" by Standard-I. G. to the new company in Liechtenstein for the sum of $11,500,299.10. At the same time Shell became the third partner in I. H. P. Thus the two biggest oil concerns in the world joined hands with I. G. in the control of the synthetic-oil patents. As producers of and traders in natural oil they were, of course, interested in curbing rather than promoting the new synthetic processes for production of gasoline from materials other than crude oil.

Shell, for instance, is the main supplier of oil for the British fleet and for the British home market. It is, therefore, not especially interested in the manufacture of synthetic oil from coal in England. But such a development would have been extremely

useful for Britain's economy. The British Isles lack deposits of crude oil. They have, however, an abundance of coal. Synthetic production of oil from coal would have been much more important for Great Britain than it was for Germany, and the greater financial resources of pre-war Britain would have made it relatively easy to finance a new synthetic coal-oil industry on an even greater scale than I. G. could do this in Germany. Such a development of new raw-material resources would have immensely increased the economic strength of England in wartime. The task of her commercial fleet would have been greatly eased if Britain had had domestic sources of oil. The control of the synthetic hydrogenation patents has stifled this new industrial development which would have strengthened the coal-mining companies and Imperial Chemical Industries, I. G.'s rival power in Europe.

The total state directed the foreign policies of German corporations and strictly supervised their activities. But they still could utilize their "individual initiative" in pursuance of private interests and in order to ally themselves with vested interests abroad. Thus I. G. Farben was permitted to utilize its synthetic-oil patents for a combination with Standard Oil. At the same time, the German steel industrialists, under the leadership of Krupp and Stahlverein, were enabled to promote a competitive process for synthetic-oil production, and to offer it to American competitors of Standard Oil. M. W. Kellogg Company, which had developed its own processes for synthetic-oil production, acquired the patents of Ruhrchemie A. G. Then Mr. Howard realized that he had deceived himself (or was deceived) when he believed that I. G. patents secured a basic control of synthetic-gasoline production. He wrote in a memorandum from Paris on February 11, 1936:

> "We must face the fact that the I. H. P. [International Hydrogenation Patents Company] has definitely lost its complete control over the production of synthetic oils. While it remains the most important factor in that it controls the only commercially demonstrated processes, and the only one producing a full line of liquid fuels, the combination of the Fischer process as a means of producing gasoline, and of the Pott and Uhde processes as a means of producing heavy oils, makes a very serious breach in the hitherto satisfactory control of the situation. We are therefore faced with the problem of what

programme we should adopt in the light of these changes in the situation."

This "admission" acknowledged the fact that the American development of synthetic-gasoline production did not depend on the ownership of I. G. patents, and that Standard Oil had acquired them under an erroneous assumption. They did not secure "satisfactory" control of the new industry. Whatever Standard Oil had paid to I. G. for the apparent monopoly rights was more or less based on a false speculation. Mr. Howard himself raised the question: What can we do next? The core of the problem was how to secure effective control of the entire field, Mr. Howard reported to the Executive Committee of Standard Oil on October 28, 1938:

> "The high points of the matter are that Jersey and Shell acquire sufficient effective control of the hydrocarbon synthesis process in the world outside of the United States so that their position as leaders in the entire field of synthetic petroleum production is assured."

I. G. and Standard Oil realized that they alone, relying merely on their patent rights, were unable to stem the drive for synthetic production of gasoline and of other new synthetics. On June 10, 1938, Frank A. Howard of Standard Oil wrote to Dr. Butefisch of I. G.:

> "We feel very strongly that it is to the advantage of our group to organize the first general plan of handling this catalytic development and licensing situation. If we can work the matter out along the lines indicated in these memoranda, we may find it to our advantage to offer the same general scheme, with any necessary adjustments of the figures, to some other strong and aggressive oil companies who may be expected to contribute something worthwhile to the catalytic cracking development within the very near future."

Standard Oil and I. G. could not prevent other companies from working independently on the development of synthetic production. Their aim was to combine the research facilities, experience, patent rights, and corporate powers of other corporations in an international cartel.

Such a strategic plan could only succeed if the governments in their own and foreign countries were "co-operative". The full aid of the Nazi government was secured by the fact that I. G. was a leading partner and that Standard Oil conceded to it the completely unrestricted independent development of synthetic production within the Third Reich. I. G. could take advantage of the combined experience and technical secrets of the foreign associates.

When British chemists of Imperial Chemical Industries (I. C. I.) discovered another process for synthetic oil similar to the process controlled by Standard Oil and I. G., the development of a British synthetic oil industry independent of the big oil Powers and of I. G. became possible. I. C. I. had obtained a number of patents which were competitive with I. G.'s Bergin process. Therefore Standard Oil and I. G. made a special deal with I. C. I., with the result that the latter surrendered all patents and operating rights outside the British Empire to I. H. P. In return, Imperial Chemical was allowed to utilize the I. H. P. patents with the specific obligation that I. C. I. would not erect a plant capacity in excess of 25 per cent of the total peacetime consumption of oil within the British Empire.

This agreement was signed in April, 1931. During later years, oil interests "convinced" the British government that it was "inadvisable to erect hydrogenation facilities in England for the production of synthetic fuel". The outbreak of the present war found England almost completely unprepared for synthetic production of oil.

Thus we see that whenever new processes for synthetic oil were discovered, Standard Oil and I. G. tried to bring the corresponding patents under their control and prevent the construction of competitive plants. All synthetic processes for oil were finally pooled, so that the new industry, even before it had come into existence, was already under complete control of one single group, with Standard Oil, I. G., and Shell as the dominant forces.

Documents and files which deal with these and other "agreements" between private empires and representatives of the Nazi state have been deposited in the vaults of lawyers and banks in Liechtenstein, the neutrality of which, we recall, is respected even by Adolf Hitler.