

Justice Dept. Says Standard Oil Knew It Was Helping Nazis When It Held Up Production of Vital War Acid

Investigator Says Development of Acetylene Was Stifled Here By Cartel

PM's Bureau

WASHINGTON, May 1.—The Standard Oil Co. of New Jersey's defense of its patent deals with the German chemical trust was demolished yesterday by the Justice Dept. in testimony before the Senate Patents Committee.

Irving Lipkowitz of the Department's Anti-Trust Division revealed that Standard, through its deal with I. G. Farbenindustrie, knowingly contributed to stifling the development in the U. S. A. of a new process for making acetylene, a component of acetyl acid. Acetic acid is a raw material used in making rayon, plastics, film, paints and varnishes, pharmaceuticals and dyestuffs.

Although the process was developed in joint experiments at Baton Rouge, La., and resulted in what Standard regarded as the cheapest and best product in the world, the plant was closed down in 1935, and further experiments were conducted in Germany, Lipkowitz said. He declared that Standard was not even kept informed of subsequent improvements, and was prohibited from conducting further experiments here.

Standard permitted this kind of plotting by I. G. Farbenindustrie, he said, despite the fact that it had been warned in 1934 that the German Government was dictating company policy.

On Sept. 6, 1939, immediately after the outbreak of the European war, Standard agreed to authorize dismantling of the Baton Rouge plant and it was dismantled, "obviously for but one reason, the likelihood that the United States would be drawn into the war against Germany," Lipkowitz said.

"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."

Although the agreement to dismantle the plant was not concluded until Dec. 1, 1939, it was dated back to Aug. 31, 1939, the day before war was declared, Lipkowitz testified.

Standard's Oil

PM's Bureau

WASHINGTON, May 1.—W. S. Farish, president of Standard Oil Co. of New Jersey, before the Truman Committee, Mar. 31:

"I preface my discussion by saying that any charges that the Standard Oil Co. or any of its officers has been in the slightest respect disloyal to the United States is unwarranted and untrue. I repel all such insinuations with all the vigor at my command. I do so with indignation and resentment.

"Moreover, I wish to assert with conviction that they (contracts between Standard and I. G. Farbenindustrie) "did inure greatly to the advance of American industry and more than any other one thing have made possible our present war activities in aviation gasoline, toluol and explosives and in synthetic rubber itself."

Oil Company's Own Files Disprove Its Claim That Cartels Benefited Us

By NATHAN ROBERTSON
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WASHINGTON, May 1.—The acetylene story was told to the Senate Patents Committee, with dramatic detail from the files of the companies involved, to disprove the claim of the Standard Oil Co. of New Jersey, and other U. S. corporations, that their cartel agreements benefited the U. S. A.

The stock defense of these corporations, each time their story has been disclosed, is that their patent pools brought the U. S. A. scientific developments from abroad that otherwise would not have been available here.

Irving Lipkowitz, Justice Dept. spokesman, said the Standard story showed that "United States patents issued to cartel-minded corporations, such as I. G. Farbenindustrie of Germany, have been used with disconcerting frequency to improve their own international position by so manipulating them that production in this country was hampered rather than stimulated."

The high lights of his story, together with some of his interpretative comments, follow:

"Patents were instrumental not only in delaying (for 12 years) the establishment of the synthetic acid industry (in this country) but also in hampering the subsequent development.

Development Prevented

"By an adroit manipulation of these patents (on acetylene) and by clever use of its partnership with Standard Oil of New Jersey, I. G. Farben succeeded in preventing the full development and utilization of that process. How I. G. Farben kept this process on the shelf while the demand for acetic acid was rapidly expanding is a complex but revealing story. It shows how United States patents in the hands of a foreign interest, such as I. G. Farben, became a menace rather than a boom to the chemical progress of this country.

"In 1930, I. G. Farben and Standard organized a chemical company in the U. S. A. called Jasco, Inc., which was to develop and exploit new processes for making chemical products out of natural and refinery gases."

(This is the same subsidiary that held the synthetic rubber patents.)

"Although this joint venture was ostensibly a partnership, it was in truth under I. G. Farben's control. To the outside world, however, Jasco was an American corporation, and since it was half-owned by so powerful a company as Standard Oil of New Jersey, it was presumably operating under the influence and guidance of that company.

Control Camouflaged

"By first getting Standard Oil to accept the status of junior partner and then by giving it a 50 per cent interest in Jasco, I. G. Farben was able to establish this chemical company under the camouflage of an American enterprise, and yet was able to operate it for all practical purposes as an I. G. Farben subsidiary."

Jasco built a pilot plant at Baton Rouge, La., to manufacture acetylene by a new process which the Germans had originated. Considerable improvements were made by the research staff at Baton Rouge and by

1931 the problem arose of what to do with the acetylene.

Farbenindustrie consented to use it to produce acetic acid for another Standard subsidiary, but refused to sell it generally in competition with other acetic acids, because of commitments it had with other chemical monopolies in this country not to compete with them.

Farbenindustrie feared that if Standard competed with other U. S. companies in the chemical field, those companies would compete with Farbenindustrie abroad.

Standard Helped Nazis

"Standard Oil, by accepting these restrictions, not only helped I. G. Farben maintain its strategic position in the chemical world, but also helped it restrict chemical exports from this country to the rest of the world, and in that way restricted the development of the chemical industry generally."

U. S. exports were virtually nil until 1939, so "when the defense- and war-production programs were initiated here the United States was at a distinct disadvantage as against Germany and other foreign countries."

In 1935 Farbenindustrie decided to close down the Baton Rouge plant; Standard objected, but was overruled. The plant never operated again.

By 1936 I. G. Farbenindustrie had completed a plant using the Jasco process in Germany. From then on it conducted its research without participation by Standard technicians.

"I. G. Farben apparently made no pretense of keeping Standard Oil, or even Jasco, up to date in the German research being done. . . .

"In August, 1937, Japanese interests asked for information on the Jasco process. Standard Oil let Farben conduct the negotiations, instead of Jasco. Thus I. G. Farben was in a position to tell the Japanese more about the process and techniques than it revealed to its American junior partner, Standard Oil. . . .

"While I. G. Farben pursued its research activities in Germany unhampered by its Standard Oil ties, it very definitely discouraged similar research in this country, even when it was done through the jointly owned Jasco."

Treated as Tool

Standard tried vainly to get Farbenindustrie's consent to make a variety of different products at Baton Rouge.

Farben always made it appear that other American firms were objecting.

"Subsequent events proved conclusively that none of the American companies was opposed. . . .

"Standard Oil was treated by it (Farben) 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 policy being pursued by I. G. Farben, and was willing to go along with it."

British-Dominated Cartel Partner Helped Break War Blockade of Germany

PM's Bureau

WASHINGTON, May 1.—The Justice Dept. told the Senate Patents Committee yesterday that an American subsidiary of the British-dominated Dutch Shell Oil Co. had co-operated with the Germans in breaking the British blockade after war broke out between England and Germany.

The Shell company didn't break off the deal until May 13, 1940, the day Queen Wilhelmina fled from the Netherlands, and two days before Holland finally capitulated to the Germans.

The story was told by Irving Lipkowitz of the Anti-Trust Division, as part of the bigger story of I. G. Farbenindustrie's domination of chemical patents in the U. S. A. He said it showed "how the national welfare is endangered when international corporations continue to pursue their private business objectives in world markets during wartime."

The Shell Chemical Co., the U. S. subsidiary of the British-Dutch oil corp., obtained a license from I. G. Farbenindustrie, Lipkowitz said, in August, 1939, the month before the war started in Europe, to produce acetic, propionic and formic acids in the U. S. A. These are all important industrial chemicals.

Offered Nazi Deal

Under the agreement, the U. S. company was forbidden the right to export its products. But anxious to get into the export field, it offered on Sept. 15, 1939, two weeks after the war broke out, to supply acids to Farbenindustrie's foreign customers.

Farbenindustrie rejected the proposal on Sept. 29, Lipkowitz said, "apparently feeling confident that British blockades would be ineffective." But Shell was not discouraged. Again on Oct. 2, it wrote it would be glad to have Farbenindustrie reconsider "should any new developments put I. G. in a position to do so."

"By February, 1940," Lipkowitz said, "the Germans recognized that they were going to have considerable difficulty in supplying their foreign customers. Consequently I. G. Farbenindustrie reconsidered the Shell proposal and granted them permission to export formic acid."

Disregarded Blockade

"By initiating this proposal and then accepting the terms laid down by I. G. Farbenindustrie," Lipkowitz said, "Shell Chemical indicated that it was willing to maintain the foreign trade of I. G. Farben which the British blockade was trying to prevent."

On the day Queen Wilhelmina fled Holland, the Shell subsidiary finally wrote to the I. G. Farbenindustrie's American representative that "because of the recent political developments we are no longer in a position to discuss any arrangement as referred to in your letter of May 9."

"Thus," Lipkowitz commented, "ended Shell's effort to help maintain Hitler's foreign markets. The question still left unanswered is what would have happened if Shell's country of incorporation happened to be an ally of Hitler or at least not a victim."