

Report on the Investigation of I.G. Farbenindustrie A.G.

Prepared by
Division of Investigation of Cartels and External Assets
Office of Military Government, U.S. (Germany)
November, 1945

Table of Contents

Preface	p.1
Summary	p.1
Chapter I – What I.G. Farben is	p.31
Size and Capacity	p.31
Organization and Management	p.37
Ownership and Control	p.40
Chapter II – I.G. Farben’s World Empire	p.44
Chapter III – I.G. Farben’s Role in Arming Germany for War	p.56
Introduction	p.56
Union with the Wehrmacht	p.57
Expansion for War	p.66
Production for War	p.70
I.G.’s Knowledge of Germany’s Intent to Wage Aggressive War	p.75
Chapter IV – I.G. Farben’s Role in Economic and Political Warfare	p.80
Introduction	p.80
Economic Warfare Through Cartel Connections	p.81
Intelligence Services and Espionage	p.84
Propaganda	p.90
Foreign Exchange	p.92
Chapter V – Acquisition by Conquest	p.94
Introduction	p.94
Austria	p.98
Czechoslovakia	p.102
Poland	p.105
France	p.110
Chapter VI – I.G. Farben’s New Order	p.123
Chapter VII – I.G.’s Military Potential at the Close of Hostilities	p.130
Appendix	p.131

To: Office of Military Government, U.S. (Germany)

This is a report on the investigation of I.G. Farbenindustrie Aktiengesellschaft, Frankfurt am Main, Germany. The investigation is one of a series initiated by Financial Branch, G-5 USFET and the Finance Division, U.S. Group Control Council, with respect to the international asset position of Germany. After certain functions of the Finance Division had been transferred to the Division of Investigation of Cartels and External Assets, the investigation was continued and this report prepared by the latter Division.

A basic purpose of this investigation was to uncover as much information as possible concerning the nature and location of the farflung and carefully concealed external assets of I.G. Farben. The investigation was, therefore, an important phase of the program adopted by the Allied Powers at Potsdam to strip Germany of all of her external assets in the interest of future world security and to use such assets for the relief and rehabilitation of countries devastated by Germany in her attempt at world conquest.

As the investigation proceeded, it became apparent that because of the size and significance of I.G. within Germany and because of its influence in the chemical and related industries throughout the world, the company's external assets could only be properly identified and appraised within the framework of I.G.'s structure as a whole. Accordingly, as the basis for a statement and evaluation of the significance of Farben's extensive and varied foreign holdings, this report attempts to present a picture of the complex financial and industrial Farben structure. Since the primary purpose of the Allied Powers in acquiring all German holdings in other countries is to prevent their use by Germany in waging a third World War, the report also sets forth certain evidence uncovered during the course of the investigation concerning the integration of Farben's activities with the military needs of the Reich in preparing for and waging a war of aggression. The report describes the methods used by I.G. Farben in penetrating into the economic life of foreign countries as a means of achieving world domination of the chemical industry, as well as the cloaking devices designed to conceal Farben's external investments and interests. The story of the growth of the Farben empire by looting of foreign industrial enterprises and properties following military conquest is also described.

The bulk of the information was obtained from records of I.G. Farben, which were collected from its various offices and storage places throughout Germany, and those retrieved from secret caches, which had been used when the American occupation seemed imminent. The remainder of the information was obtained through interrogations of leading I.G. personnel who have been placed in custody since the institution of the investigation. It is significant that this is the first investigation of this scope ever conducted in Germany of Farben records and Farben officials. During the period of both the Weimar Republic and the Third Reich, this proud and powerful firm was never thoroughly investigated even by its own government.

Page 4

A preliminary report was issued on September 12, 1945. however certain of the evidence disclosed in that report cannot be made public because of the possible prejudice which might result to the interest of this Government. Accordingly, it was necessary to prepare this revision which excludes the information in question. Moreover, as a result of further analysis made in connection with the revision, it has been possible of further analysis made in connection with the revision, it has been possible to add material not contained in the original report. This report is fully documented.

The team assigned to this investigation was headed by Mr. H. B. Ritchin, and consisted of Messrs. Neil A. Devine, H.K. Dreman, Bernard Glaser, Shepard J. Hollander, Lawrence Linville, John J. Purcell, Abe Weissbrodt, 1st. Lt. Edwin M.Cage, II/Sgt. Eberhard Gunther, T/Sgt. Frank M. Harvin, S/Sgt. William Freundel, S/Sgt. Ralph H. Goldner, S/Sgt. Paul N.Weil, T/4 Fred A. Williams, T/3 Nothen H. Volkman, and Pvt. Alexander Stevenson, Miss Belle Mayer of the Treasury Department assisted in the writing of this report.

Lt. Albert I. Edelman, USCGR, Chief to the External Sssets Investigations Branch, and Orvis A.Schmidt, Deputy Director of Finance Division, assisted the undersigned in the direction of the investigation.

B.Bernstein
Colonel, GSC
Director, Division of Investigation of
Cartels and External Assets
Office of Military Government

November 1945

Summary

In 1927 Chancellor Stresemann, then head of the “democratic” German Government, appraising Germany’s economic potential stated: “What have I as a trump in my hands aside from I.G. and the coal people?” The I.G. referred to was I.G. Farbenindustrie A.G., the largest, most powerful chemical combine in the world. What the chancellor did not have to say, as this report conclusively demonstrates, is that without the trumps of I.G. Farben and the rest of German heavy industry Germany could not have prepared for and launched a destructive war against peace-loving nations of the world. And I.G. Farben, its size more than doubled in 12 years of tremendous expansion after 1927, was a trump which, together with the remainder of Germany’s industrial potential, almost enabled Hitler and Goering to extinguish the flame of freedom and human decency everywhere.

I.G. Farben, nominally a private business enterprise, has been and is, in fact a colossal empire serving the German State as one of the principal industrial cores around which successive German drives for the world conquest have been organized. With a net worth of RM. 6,000,000,000 at the very minimum, its domestic participations comprised over 380 other German firms. Its factories, power installations, and mines are scattered all over Germany. It owns its own lignite and bituminous coal mines, electric power plants, coke ovens, magnate, gypsum, and salt mines. Its foreign participations, both admitted and concealed, number over 500 firms valued at a minimum of Rm. 1,000,000,000. Its holding companies and plant blanket Europe; and its house banks, research firms, and patent offices are clustered around every important commercial and industrial centre in both hemispheres. In addition to its numerous foreign subsidiaries, IG’s world-wide affiliations included

Seite 6

hundreds of separate non German concerns and ranged over a score of industries. Its cartel agreements numbered over 2,000 and included such major industrial concerns as Standard Oil (New Jersey), the Aluminum Co. of America, E. I. du Pont de Nemours, Ethyl Emport Corp., Imperial Chemical Industries (Great Britain), the Dow Chemical Co., Röhm & Haas, Etablissements Kuhlmann (France), and the Mitsui interests of Japan.

Not only did Farben furnish Germany with the sinews of war, but it constituted one of Germanies most effective weapons of economic and political warfare against the other nations of the world. So tremendous and complex were its operations, however, that their full significance and scope may never be known. This report does not pretend to tell the complete story. In anticipation of Allied victory, thousands of Farben's secrets went underground along with other German resources to lay the foundation for World War III; and thousands of its important files were, according to the testimony of its responsible officials, destroyed just prior to the advent of the Allied troops. The investigation reported herein, however, has confirmed what heretofore have been mere speculations; and has uncovered a wealth of evidence proving conclusively (1) that without I.G.'s immense productive facilities, its intensive research, and vast international affiliations, Germany's prosecution of the war would have been unthinkable and impossible; (2) that Farben not only directed its energies towards arming Germany, but concentrated on weakening her intended victims, and (3) that this double-barrelled attempt to expand the German industrial potential for war and to restrict that of the rest of the world was not conceived and executed "in the normal course of business." The proof is overwhelming that I.G. Farben officials had full prior knowledge of Germany's plan for world conquest

and of each specific aggressive act later undertaken pursuant thereto, that they planned their operations accordingly and anticipated expanding their empire on the plunder acquired. There follows an outline of some of the more significant specific disclosures contained in the report:

1. Farben made Germany self-sufficient in material which she previously lacked

It was Farben's task to make Germany self-sufficient in certain critical war materials which Germany lacked and which are indispensable to modern warfare – rubber, gasoline and lubricating oils, magnesium, fibres, tanning agents, fats, explosives, and so forth. The nature and purpose of I. G.'s technical bureau and one of the principal technicians responsible for carrying out this assignment, in a speech exhorting increased production of synthetic gasoline. Dr. Struss explained:

Italy won the Abyssinian war by modern weapons. In modern wars the consumption of gasoline for motorized troops, tanks, airplanes, is immense.

Although provisions had been made beforehand, it was impossible to store these enormous amounts of gasoline needed in the Italian territories on the coast before the war. As Italy has no petroleum of her own, she was relying on the continual import from abroad.

“Nearly all the petroleum in the world is controlled by the United States of America and the countries that are members of the League of Nations. If therefore gasoline had also been included in the sanctions, as proposed by England and France, the war would have come to an end very soon. Italy could win the Abyssinian war and build her empire only because England and France could not carry into effect their intentions.

“This example will make it clear to you that it is quite out of question that Germany will run the risk of a similar situation and for this reason also the German demand on fuel has to be covered by Germany herself before long.

Between 1933 and 1943 vast sums were devoted to an extraordinary intensification of I.G.'s research activities designed to develop substitutes for products not available to Germany and processes for the expansion of production

Seite 8

from indigenous raw materials. These are a few examples of what was done. To compensate for Germany's deficiency in bauxite, the raw material necessary in the manufacture of aluminium. I.G. concentrated on the development of magnesium. To make Germany independent of rubber imports, I. G.'s experts developed the famous Buna process for the manufacture of synthetic rubber. Whereas, prior to 1936, Germany had obtained all pyrites from abroad, I. G. built a plant at Wolfen for the production of sulphuric acid from German gypsum. Lacking America's wealth of natural oil, I. G. with its famous hydrogenation process, manufactured motor fuels and lubricating oils from coal.

Certain processes and materials which I.G. could not present to the Nazis directly from its own laboratories and stock piles, it procured for them from its cartel cohorts in foreign countries. From America I. G. obtained the newly discovered method for the production of iso-octane and its utilization for motor fuels. This process, according to one of I. G.'s leading scientists, originated-

In fact entirely with the Americans and has become known to us in detail in its separate stages through our agreements with them (Standard Oil, New Jersey) and is being used very extensively by us.

The process for producing tetraethyl lead, essential for the manufacture of aviation gasoline, was obtained for the Nazis by I. G. Farben in exactly the same way. Of this important acquisition, an I.G. official stated:

It need not be especially mentioned that, without lead-tetraethyl the present method of warfare would be unthinkable. The fact that since the beginning of the war we could produce lead-tetraethyl is entirely due to the circumstances that shortly before, the Americans had presented us with the production plants complete with experimental knowledge; thus the difficult work of development (one need only recall the poisonous property of lead-tetraethyl which caused many deaths in the United States of America) was spared us, since we could take up the manufacture of this product together with all experience that the Americans had gathered over long years.

It was moreover, the first time that the Americans decided to give a license on this process in a foreign country (besides communication

Seite 9

of unprotected secret experimental knowledge) and this only on our urgent request to Standard Oil to fulfil our wish. Contractually we could not demand it, and we found out later that the War Department in Washington gave its permission only after long deliberation.

I.G. exploited its cartel connections with American firms not only to obtain these important processes, but also to obtain certain critical materials themselves. Because of its relations with Standard Oil of New Jersey, I. G. acted as agent of the German Government in contracting for \$20,000,000 worth of high-grade aviation gasoline and lubricants. (Actually \$14,000,000 worth was delivered.) This fuel was transported to Germany and stored there; and the foreign exchange necessary for payment was supplied by the German Government. And, in 1938, when Germany had not yet begun to produce tetraethyl lead, essential to aviation gasoline, Farben, at the request of the Air Ministry and in conjunction with one of its Swiss subsidiaries, arranged to borrow 500 tons of the lead from the Ethyl Export Corp. of the United States. Farben, of course, did not return the borrowed lead to the American company and willingly forfeited the \$1,000,000 which it had put up to secure the return of the lead. Farben not only procured critical raw materials for the German war effort, but also acted as custodian of such materials. As early as 1935 I.G. began stock-piling materials for the various branches of the Wehrmacht. For example, by order of the Luftwaffe, I.G. had projected plans for huge magnesium were stored in the form of incendiary-bomb casings by order of the Ministry of Economics and the Ministry of War. Not only did I.G. stock-pile its own production but at the same time it purchased large stocks of magnesium from the Dow Chemical Co. of America to build up its reserves for the Luftwaffe.

From 1936 on, I.G. began accumulating stabilizers for explosives from all parts of the world; and so far as the stockpiling of chemicals was concerned the Wehrmacht actually ordered I.G. Farben to accumulate as large stocks of phosphorous and cyanides as they could possibly obtain.

2. Farben Production was indispensable to German War Effort.

The German war machine was not merely dependent upon Farben for obtaining the critical raw materials essential to modern warfare. It could not have functioned without the products manufactured for it by Farben. Of the 43 products manufactured by Farben, 28 were primary concern to the German armed forces. I.G. manufactured all of the synthetic rubber produced in Germany, all of the methanol, the serums and lubricating oils. I.G. provided 95 percent of the poisonous gases and well over 90 percent of the nickel and plastics. Eighty-eight percent of the magnesium used by the Luftwaffe in its aircraft and incendiary bombs came from Farben, as did most of the nitrogen and explosives for the buzz bombs and V-2.

Not only did Farben produce practically the entire German supply of those and other essential war materials, but all other German chemical companies and numerous strategic German industries were almost totally dependent upon Farben for war materials, for intermediate products, and for technical assistance. Above all, these other German war industries could not have functioned effectively without the I.G. Farben know how which was supplied to them.

In order to enable I.G. to execute this tremendous war production job there was, of course, a great expansion of its manufacturing facilities.

In the years preceding the war, more than 4 ¼ billion Reichsmarks, supplied principally by the German government itself, were invested in new plants,

mines, and power installations. Just as the expansion of I.G.'s research activities was backed by the Germany government, so too was the expansion of its productive facilities. Thus, for example, as early as 1936 the Wehrmacht which had requested the construction of numerous types of plants guaranteed the purchase of all production there from.

A compelling example of the special services performed by I.G. for the German armed forces in the production of weapons of war is the case of poison gases. In 1938 the German government, dissatisfied with the progress made in the development and production of poison gases, called upon Farben to handle the problem. New I.G. plants for the production of these gases swung into operation and eventually, as indicated above, I.G. achieved 95 percent of the total production of poison gases. By order of the German Government many of these plants were completely destroyed before the occupation by the Russians; and all "fore and products" were destroyed. But at least one of these terrible secrets which the Germans hoped to save for the next war has been uncovered. This investigation has disclosed that an I.G. Farben official at Wuppertal-Elberfeld developed the deadliest poison gas in the world. This gas, unknown to the military authorities of the Allied Nations, could have penetrated any gas mask in existence. I.G. originally carried out its poison gas experiments on monkeys; later on human beings. For the latter purpose, inmates of concentration camps were selected, and I.G. Farben officials, concerned only with creating weapons capable of assuring German world conquest, were unmoved by this use of human guinea pigs. Dr. ter Meer, one of I.G.'s leading scientists, who will be described in detail at a later point, justified the experiment not only on the grounds that the inmates of concentration camps would have been killed anyway by the Nazis,

but also on the grounds that the experiments had a humanitarian aspect in that the lives of countless "Aryan" workers were saved thereby. Needless to say, these gases were not only used on helpless people during the stage of experimentation, but were later used to exterminate whole groups in concentration camps such as Auschwitz.

The facts disclosed by this investigation concerning I.G. Farben's part in supplying the German armed forces with weapons of destruction, make it clear that Dr. con Schnitzler, member of I.G. Farben's Managing Board of Directors and Chairman of its all-powerful Commercial Committee, was not boasting when he stated in an address of welcome to the Spanish Ambassador on February 10, 1943:

"But only during the war could German chemistry prove itself worthy of the task. It is no exaggeration to say that without the services of German chemistry performed under the "Four-years plan", the prosecution of modern war would have been unthinkable."

3. Farben was a Nazi Agency for World wide Military and Economic Espionage.

I.G. Farben's organization, both domestic and international, served the Nazi Government as a principal agency for military and economic espionage throughout the world.

I.G.'s N.W. 7 office in Berlin, originally organized in the 1920's as I.G.'s liaison office with the various governmental agencies in Berlin was transformed by Dr. Max Ilgner into the economic intelligence arm of the Wehrmacht. Ilgner was the nephew of Hermann Schnitz, I.G.'s President, and was also a member of I.G.'s Managing Board of Directors. This organization is described in detail infra, but some indication of its tremendous expansion in preparation for and during the war may be gathered from the fact that its expenditures in 1942 were RM 7,000,000 as compared with RM 997,000 in 1932.

The largest and most sinister department of N.W.7 was the so-called statistical department (VOWI) which was formed by Dr. Ilgner in 1929. This department was obviously unjustified from a business point of view, and the purpose and nature of its research and market inquiries were evidently mystifying to some of the commercial employees of I.G. who were not in on the secret. Dr. Ilgner received the strong support of top I.G. officials and the government, and soon his brain-child was flourishing under the expert direction of one Dr. Reithinger. Reithinger was particularly well qualified for this job of super espionage. In addition to his outstanding ability as a statistician, economist and analyst, he had travelled extensively in many foreign countries, including the United States, England, France and Russia. During his travels Reithinger had carefully cultivated the friendship of persons and institutions influential and important in the fields of economics and statistics, and "had arranged an intense exchange of statistical work with the various statistical organizations in Germany and abroad."

Reithinger's department was staffed with men of recognized ability. They began immediately to compile comprehensive statistics dealing with the economic, financial and social life of many foreign countries. This department's tremendous compilation of data on foreign populations, unemployment, production, consumption, agricultural and industrial capacities, currency circulation, taxes and duties, deposits and capital of banks, capitalization of important private companies, etc., most of which obviously had no value to I.G. as a chemical and dyestuffs manufacturer was indispensable to the government of a country preparing for world conquest.

The statistical agency reached its prowar peak of activity when in 1937-38 it became the central agency for collecting and correlating economic

intelligence gathered throughout Germany. Through the boundless energy of Dr. Max Ilgner social gatherings of prominent economists of the world were arranged, and from their priceless opinions and information were obtained on such topics as international foreign trade developments, the international raw-material situation and methods of international trade. Moreover, as a result of these meetings, the already close relationship between N.W.7 and many German Government agencies became even closer. N.W. became in fact a recognized collaborator of the Statistische Reichsamt, the Reichsbank, the Ministry of Economics, the Foreign Office, the Ministry of Agriculture, and the Ministry of Finance.

With the outbreak of war, N.W. 7 became the focal point of request for economic intelligence from many Nazi agencies. It began to look like what it actually was – an adjunct of the German Government. Many of the VOWI employees were ordered to military service with the Wehrwirtschaft- und Rüstungsamt (office of War Economics and Armament), but actually performed the same duties with Dr. Ilgner's office. The vast fund of information gathered by Dr. Reithinger and his staff proved invaluable to the OKW (Army Supreme Command). In fact, VOWI was so highly regarded by the high command that at the outbreak of war it considered taking over the entire agency. However this was resisted so strongly by other government agencies which requests of the OKW with such rapidity and so completely, that it remained part of the N.W. 7 office.

From 1937 on Dr, Reithinger and his entire staff concentrated on the preparation of surveys of factories in foreign countries. These surveys were prepared under direct orders from the Wehrmacht and were used by the Luftwaffe

in selecting bombing targets. The VOWI also carried en extremely important investigations with respect to all European countries, and particularly England, concerning the capacity and location of facilities for the production and transport of aircraft, munitions and other armament, the raw material situation in these industries, and oil imports, exports and refineries. This information was also used by the Nazi high command for bombing and other purposes. Said Dr. von Schnitzler, "For all European countries they made up plans," – plans of death, destruction, complete annihilation, which almost achieved complete success.

In order to carry out its many tasks, VOWI needed a well—organized international intelligence network. This it possessed in Farben's vast conspire of foreign holdings and connections. With German ownership carefully concealed in most cases, it furnished an ideal organization for the super spy job assigned to it. In some cases, Farben's foreign subsidiaries were owned outright. More often, however, I.G. strived to maintain a semblance of legal independence though, in fact, it exercised complete control over the firm. The company cloaked its direct and indirect ownership and control of hundreds of its foreign subsidiaries by utilizing every conceivable device known to the legal and "extra-legal" mind, including the use of nominees, option agreements, pool agreements, endorsement in blank, escrow deposits, pledges, collateral loans, rights of first refusal, management contracts, service contracts, patent agreements, cartels, and withholding know-how. Geheimrat Hermann Schnitz, I.G.'s President, was known throughout the industrial world as "the master of financial camouflage." He more than justified this designation; and in 1940, I.G. Farben was able proudly to inform the German

Government that “our measures for camouflage have proved to be very good during the war, and have even surpassed our expectation in numerous cases.”

After the outbreak of war in September 1939, the Anglo-French navicert control system threatened to cut off German exports to South American and other parts of the world, thereby depriving Germany of foreign exchange, and also of imports vitally needed for the prosecution of war. The manner in which I.G.'s hundreds of ostensibly independent national concerns having no apparent ties with the Axis were used to combat this blockade is by now fairly well known. What is not so well known is the role these I.G. cloaked companies played in supplying VOWI, and thereby the Nazi High Command, with economic and political intelligence.

Chemnyco, Inc., the American economic intelligence arm of I.G., is an excellent example of these effective espionage methods. In the guise of an American company Chemnyco was able to supply the Wehrmacht with facts and figures concerning the American economy. Utilizing normal business contacts Chemnyco was able to transmit to Germany tremendous amounts of material ranging from photographs and blueprints to detailed descriptions of whole industrial developments. In 1940 in the midst of a government investigation, Rudolf Ilgner, the company's vice-president and brother of May Ilgner, ordered the destruction of a considerable part of the company's files. Max Ilgner in an interrogation stated that the reason must have been apprehensive of U.S. Government security statutes.

The field organization of the N.W. office was called the I.G. Verbindungsmänner. The Verbindungsmänner, in the main, were officials of the leading I.G. firm in the particular country. One of the principal duties of these Verbindungsmänner was to submit monthly reports pertaining to

economic, political and military matters. With respect to politics, the reports included such subjects as internal political developments, the opposition of new governments, the effects of the Proclaimed List and the British Black List, inter-American security, labor, immigration, political reactions within the respective countries to current events, pro-Axis and anti-Axis propaganda and the purposes of special diplomatic missions. Matters of vital military interest contained in these reports included a discussion of additions to the merchant navies in various Latin American countries, a reporting of ship movements (including convoys), statistics concerning tonnage in ports, port facilities, construction of new highways and bridges, the condition of rail transportation between the Latin American countries, the operations of Pan American Grace Air Lines, shipments of war materials to the United States and Great Britain, the Argentine military mission to the United States, rearmament in Chile, and the acquisition of air and naval bases by the United States.

4. Farben was a Spearhead of the Nazi Psychological and Economic Warfare Programs.

(A) Dissemination of Propaganda

I.G. Farben performed tremendous services for the Nazis in financing and disseminating propaganda designed to create disunity among various foreign nations and among various political, religious, and racial groups within such countries. I.G. Farben performed equally great services for the Nazis in undermining the war potential of foreign countries by means of its cartel agreements, monopoly position, and its penetration of the chemical and related industries throughout the world.

I.G. organized for its large scale part in the Nazi propaganda program in the same careful efficient way it had in the case of other war operations.

It first acted to assure that I.G. Farben agents abroad were thoroughgoing Nazis. On September 10, 1937, the all-important Commercial Committee of the Board of Directors of I.G. Farben passed a resolution which stated in part as follows:

“It is hereby understood that in no case will men be sent to our foreign companies who do not belong to the German Labor Front and who do not possess a positive attitude towards the New Order. The men who are to be sent should make it their special duty to represent National Socialistic Germanhood. Especially are they to be instructed that upon entering our companies they are to make contact with the Ortsgruppe of the respective Landesgruppen (organizations of the Nazi Party within the various countries) and regularly participate in their meetings as well as in the Labor-front. The sales departments should also see to it that an appropriate amount of National Socialistic Literature is given to them. The cooperation with the A.G. must become more organic. It appears practical, together with the A.G., to work out a uniform plan, for the purpose of detecting defects still existing in our foreign companies to the end that they can be eliminated.”

Needless to say, this policy was faithfully executed. Moreover, as was pointed out above, the Verbindungsmänner were, in all cases, highly trusted agents carefully selected by N.W.7 and approved by the Auslandsorganisation (the foreign organization of the Nazi Party).

A few examples of I.G.'s propaganda will suffice to indicate the nature and importance of its services to Nazi psychological warfare.

I.G. worked directly with the “Aufklärungsausschuss”, the overseas propaganda department of the German Government, in disseminating anti American propaganda in Argentina. Thus in 1939, Farben reviewed for this German propaganda organization a series of 381 articles against the United States for publication in Argentine newspapers, suggesting the names of newspapers such articles. For this purpose, Farben made available to the German propaganda department the services of Heinrich Herrmann, I.G. Verbindungsmann for Argentina.

Farben which had for years been engaged in the dissemination of pro German propaganda in Latin America through the schools, the press, and libraries, was particularly effective in securing wide distribution of Nazi propaganda. One of its customary devices for obtaining publication of propaganda was the club of its advertising. Thus, for example, in February 1938, the pharmaceutical department of I.G. agreed on the following advertising policy: "Advertising in journals hostile to Germany shall on all terms be avoided. Commercial and advertising considerations have to be put in the background as compared with the more important political point of view."

(B) Furnishing other propaganda Agencies with Foreign Exchange

Not only did I.G. engage directly in the dissemination of propaganda, but it was also a principal agent for furnishing foreign exchange to German governmental agencies engaged in this and related psychological and economic warfare operations abroad. In Brazil, alone, during 1940 and through January 1942, the I.G. Bayer agencies furnished the equivalent of RM 3,639,343 to the German Embassy and to representative of the NSDAP: In Spain when the German Embassy wanted Spanish pesetas, the company raised credits from the Spanish banks and paid back these credits with subsequent peseta receipts. A telegram dated September 2, 1939, from I.G. to the Cin. General de Anilinas, S.A. Mexico City, stated:

"In case of war Legation asks firms Mexico to let them have monies on a loan basis amounts shall be refunded by German Government stop. Please authorize monthly payments Pesos 10,000 on behalf of all I.G. agencies stop Mexico press must be influenced. Propose monthly amount all I.G. agencies Pesos 200 please wire."

A notation on the bottom of this telegram states: "Board Agreeable Dr. Overhoff informed!" These payments abroad were of tremendous importance to the German Government in the acquisition of critical raw materials and

in the financing of sabotage, espionage, and propaganda.

All of the I.G. Latin American firms maintained, unrecorded in their books, secret cash account in banks in the names of their leading official. These accounts were used to receive and to disburse payments of a confident nature as, for example, the proceeds of sales to firms who did not want to be discovered dealing with the Proclaimed List I.G. companies. These are famous S accounts and S Finance Offices, of which little has been known in the past. The assets thereby secreted, ostensibly unaffected with an Axis taint, were free to finance espionage and propaganda, to bribe, to pay the salaries of Nazi foreign agents and to give them the wherewithal to carry out their work.

In assessing the importance of these services performed by I.G. Farben for the Nazis abroad, it is important not to overlook the tremendous financial aid given by I.G. in bringing the Nazis to power and maintaining them in power in Germany. Not only did I.G., together with the other German industrialists, make possible Hitler's rise to power by financial and political support, but they maintained the Nazis in power for twelve long years. Each year, Farben made vast annual contributions to the various activities of the Nazi Government and party, including a special annual grant to enable Heinrich Himmler to finance some of his "special" projects.

(c) Undermining Foreign Economics

Germany's foreign economic policy was aimed at undermining the economic strength of countries with which Germany "anticipated" conflict. In direct testimony, high Farben officials not only admitted to that policy, but also stated that they had played an important part in its formulation and execution. As succinctly stated by one of these officials;

“The foremost purpose of the Nazi Government and I.G. and all other industrialists was to keep the Wehrmacht all powerful vis-à-vis all other countries including the U.S.A.”

The successful execution of this policy was entrusted to a special agency of the German Government, the Reichwirtschaftsministerium, which controlled all foreign economic relations of German industry and finance. Represented in this organization, together with other German industrial concerns, was I.G. Farben.

An outstanding example of the manner in which Farben executed this German policy was its successful effort, by means of cartel agreements with Standard Oil, to delay the development and use of buna rubber in the United States until at least 1940 while at the same time producing sufficient buna in Germany to make the German Army and German industry independent of rubber imports. This investigation has fully confirmed the detailed description, heretofore presented to Committees of the Congress by the Department of Justice, of this transaction which so seriously imperilled the war preparations of the United States. The story in short is that because of Standard Oil's determination to maintain an absolute monopoly of synthetic rubber developments in the United States production by dissuading American rubber companies from undertaking independent research in developing synthetic rubber processes. This Standard accomplished by falsely creating the impression that it had already received the buna process from Farben and was attempting to work out a scheme for licensing the process to the American rubber companies. In fact Farben had told Standard that it could not then make such process available to Standard. But Standard know that if the rubber companies realized the situation they would proceed with independent research thus preventing

Standard from ever having a monopoly in the field. The disbolical manner in which Farben was able to use the monopoly desires of Standard Oil to accomplish its purpose is clearly revealed by the fact that Farben was able to keep Standard satisfied until 1939 merely by telling Standard that Farben could not yet turn over the buna process to Standard as required by the terms of their cartel agreement because the German Government would not permit it. The investigation has brought to light one new and amazing indication of the manner in which Standard allowed itself to be used by Farben. As indicated above, Standard for sometime successfully stalled off the American rubber companies by given them the false impression that Standard had already received the buna process from Farben and was about to license it to the rubber companies. But as time dragged on and the licenses were not forthcoming, the clamor of the rubber companies became so intense that Standard, not wanting to reveal the true situation, turned in desperation to Farben for an excuse to give the rubber companies. An official of Standard, in October 1939, at a meeting with I.G. representatives in Basle, stated that he had to be provided with an excuse for not getting the know-how. I:G. obligingly cabled Standard Oil to the effect that the authorities would not permit the information to be given to the American firm.

5. Farben was Germany's Greatest Single Source of Foreign Exchange.

I.G. was the dominant factor in the important German chemical export trade. It accounted for approximately 10 percent of the Country's total exports of all products and approximately 50 percent of Germany's total exports of chemicals and allied products. In the different sectors of that trade its position varied considerably, being strengest in pharmaceuticals, dyestuffs, and photographic materials in the order named. In 1937, 70 percent of I.G.'s

total production of pharmaceuticals, 65 percent of its dyestuffs, and 70 percent of its photographic materials were exported. Its exports greatly exceeded its imports, and its net income from royalty payments and sales of patent rights also was considerable.

These transactions made I.G. Germany's largest single corner of free foreign exchange. Without this foreign exchange (a) Germany could not have purchased the strategic raw materials, equipment, and technical processes unavailable in Germany and essential to Germany's rearmament, and (b) the German government could not have financed its espionage, propaganda, and other military and political activities abroad in the preparation for and prosecution of the war.

Government pressure on German industry, and in particular on I.G., to increase their procurements of foreign exchange, was always strong. With the beginning of the Four Year Plan this pressure became acute; but I.G. cooperated fully with the government in making available all possible foreign exchange for government purposes. The numerous examples of this have been set forth in detail under the preceding point. I.G. also evaded the United States dumping statutes to secure foreign exchange. Finally, when the foreign exchange situation became absolutely desperate, I.G. even sold some of its investments abroad.

6. Farben's Dream of World Conquest

There is and can be no doubt that from the day of its accession to power the Nazi Government planned and prepared for a war of world conquest. This investigation has demonstrated beyond all doubt that the policy of the Nazis was not only known to I.G. Farben and its officials but that it was always a policy with which I.G. fully agreed and which it supported to the

full extent of its power and resources. In this words of Dr. von Schnitzler “the development of I.G.during the last 12 years can’t be separated from the government’s foreign policy.” It is equally clear that I.G. expected that the New Order which this policy was to achieve would bestow upon I.G. the title and power of absolute ruler of the world chemical industry.

The marriage of I.G. Farben to the Wehrmacht took place shortly after the advent of the Nazi regime in Germany. One of the first steps taken by Farben to solidify this early union, which is described in glowing terms by Dr. von Schnitzler, infro, was the establishment of an office which concerned itself entirely with military liason. This was the so-called Vermittlungsstelle W. In a report on the functions of this organization dated December 31, 1935, it was clearly stated that:

“The aim of this work is the building up of a tight organization for armament in the I.G. which could be inserted without difficulty in the existing organization of the I.G. and the individual plants. In the case of war, I.G. will be treated by the authorities concerned with armament questions as one big plant which in its task for the armament, as far as it is possible to do so from the technical point of view will work in this direction was in principle agreed upon with the Ministry of War (Wehrwirtschaftsamt) and from this office with the Vermittlungsstelle W, belongs besides the organizational set-up and long range planning, the continious collaboration with regard to the armament and technical questions with the authorities of the Reich and with the plants of the I.G.”

By the admission of i.G. officials, this office was established because by 1934, transactions between I.G. and the Wehrmacht had become so numerous and the I.G. Wehrmacht relationship had grown so intimate that coordinated liason was required. It also was established at the suggestion of the German military authorities and “occupied itself principally with problems in connection with a possible war.”

Prior to the Allied occupation, I.G. officials destroyed the files dealing with Vermittlungsstelle W matters according to Dr. Struss, who as head of the Secretariat of I.G.'s Technical Committee (Tea Büro) and top assistant to Dr. ter Meer, who directed the affairs to Division II, discussed below, was the responsible official.

At approximately the same time that the Vermittlungsstelle W was established, I.G. received orders from the government to prepare production plans in the event of war. "I know" said Dr. Struss, "that a representative of the Ministry of Economics, Dr. Lens, and a representative of the Ministry of War, Dr. Mureck, assisted in the making of these plans. I remember that Dr. Mureck often told us that the Ministry of War want the plans drawn up in such and such a way."

Pursuant to these instructions I.G. Farben in 1935 began to mobilize for war. Every I.G. plant prepared its production plans for war and turned them over to the Vermittlungsstelle W which submitted them to the Ministries of War and Economics. By early 1939, these plans, the so-called "WOB" plans for the production of essential military goods, were approved by the Ministry of War and ready to be executed. According to Dr. Engelbertz, Manager of I.G.'s plant in Griesheim which produced many vital war chemicals such as intermediates for explosives, carbon electrodes for aluminium and chlorine electrolysis, his plant received the approved "WOB" plans for its products in March or April 1939 with the understanding that they were to be put into operation at the outbreak of war.

By the middle 30's, I.G. had become so preoccupied with war that the facilities of all its plants were devoted to "war games" (Kriegsspiele) and to "maneuvers in the technical problems which may come up" in the event of

war. According to Dr. Struss, the war games or Kriegsspiele began in 1934 or 1935 under the supervision of Wehrmacht officials. These games were described in detail by Dr. Struss as follows:

“It is true that since 1934 or 1935, seen after the establishment of the Vermittlungsstelle W in the different works, theoretical “war plant games” had been arranged to examine how the effect of bombing on certain factories would materialize. It was particularly taken into consideration what would happen if 100 or 500 kgs. bombs would fall on a certain factory and what would be the result of it. It is also right that the word “Kriegsspiele” was used for it. The “Kriegsspiele” were prepared by Mr. Ritter and Dr. Eckell later on partly by Dr. von Brunning by personal order of Dr. Krauch’s own initiative or by order of the Air Force, it is not known to me. The tasks were partly given by the Vermittlungsstelle W and partly by officers of the Air Force. A number of officers of all groups of the Wehrmacht (Navy, Air Force and Army) participated in these “Kriegsspiele”. The places which were hit by bombs were marked in a map of the plant so that it could be ascertained which parts of the plant were damaged, for example a gas meter or an important pipe line. As soon as the raid finished, the management of the plant ascertained the damages and reported which part of the plant had to stop working; they further reported what time would be required in order to repair the damages. In a following meeting the consequences of the “Kriegsspiele” were described and it was ascertained that in the case of leuna plant the damages involved were considerably high; especially it was found cut out that alterations of the pipe lines were to be made at considerable cost.”

It is significant to note that in all these preparations for war I.G. Farben did more than merely comply with orders and requests of the Wehrmacht and Nazi Government agencies. It functioned, in fact, as though it were a research organization of the German Government itself, charged with the responsibility of discovering all possible means of increasing the military might of Germany. Farben voluntarily initiated many projects for the Wehrmacht and then proceeded to convince the Wehrmacht of the importance of such projects. This aspect of I.G. Farben’s operations is clearly disclosed in a report of Farben’s development and experimental work. The report states that “A whole range of problems had been worked at by the I.G. for its own account and only later, after certain results of experiments could already be seen, the offices of the Army were interested in these problems.***

The cases were respectively rare where the Army for its part approached the I.G.” The reports estimates that about 40 to 50 percent of the military projects worked on by I.G. “were submitted to the Army by I.G. on its own initiative” and that only a few of them “would have come in directly from the Army”.

Thus, before the Nazi Army attacked Poland, I.G. and the rest of German heavy industry was mobilized and ready after long years of preparation. In describing how perfectly the “MOB” plans worked when put into operation, Dr. von Schnitzler stated, in part, as follows:

“All the German industries were mobilized in summer 1939 and in the summer 1939 the Wirtschaftsgruppe Chemie issued an order that the plans for war were in action. In June or July 1939 I.G. and all heavy industries as well knew that Hitler had decided to invade Poland if Poland would not accept his demands. Of this we were absolutely certain and in June or July 1939 German industry was completely mobilized for the invasion of Poland.”

These activities of I.G., standing alone would leave no room for doubt that Farben knew for many years that the German government intended to wage war. Furthermore, as will be shown in detail, *infra*, I.G.’s leading officials assisted in the formulation and execution of the internal and external policies of the Nazi regime. Its president was a member of the Reichstag. Its leading scientist was one of Goering’s chief assistant under the Four Year Plan. Its statisticians and economists prepared intelligence for the Nazi High Command. Scores of its technicians were constantly on loan to the Air and War Ministries. According to Dr. von Schnitzler, the war was “only the last step of a long prepared evolution” of the Nazi policies.

Not only did I.G. have knowledge of Germany’s intention to wage aggressive warfare but it was officially informed almost with exactitude of the time table of the attack of Poland. Months before that attack, Goering’s

office had informed I.G. that the Nazi war machine would invade Poland in September 1939. Before Hitler's moves against Czechoslovakia, I.G. took steps to take over its lending competitor in that country.

Farben not only planned and prepared for war, but it also planned and prepared for the future when Germany would have conquered the world. In particular, it planned Farben's in the New Order and for the use of the spoils which Farben was to receive.

In June 1940, with half of Europe already under the Nazi heel and with the downfall of France imminent, Hitler's plans to conquer the world seemed capable of early fruition. I.G., too, had dreams of world empire, dreams which it translated with painstaking clarity into a document appropriately entitled "Neuordnung" (New Order). The document was submitted to the Ministry of Economics. The letter of transmittal which accompanied the document stated that I.G. anticipated the German conquest of Europe, felt that a "new order" for the chemistry industry of the world was required to supplement Hitler's "New Order," and further stated that it was fitting its plans within that framework. The immediate objective of the document was to insure the full cooperation of the chemical companies of the conquered countries. The second objective envisaged the complete incorporation of the chemical industries of Europe, including the British Empire, within the framework of Hitler's "New Order". The third objective preparing to utilize again its vaunted economic warfare weapons, cartels, capital investments and know-how, in anticipation of a possible conflict between Germany and the U.S.A. Although the "New Order" was never finally achieved, much of Farben's plan was put into operation after the Nazi conquest of Austria, Czechoslovakia, Poland, and France. Said Dr. von Schnitzler

“It must be remembered that in preparing the “Neuordnung” we were following the lines of the so called “Gross-Raum-Politik” laid down by the government. We were looking to the overwhelming downfall of France and eventual capitulation of England when we prepared the document. It must be remembered that we knew the aims and policies of the government and we knew that it was the intention of the government to improve its strength in relation to the countries outside of the European sphere. This meant, of course, the United States because outside of Europe the United States was the only strong country with which Germany had to reckon. Therefore, we wrote in the “Neuordnung” that we intended to keep Germany as strong as possible militaristically in relation to the United States. We could accomplish this only by limiting the production of armaments in Latin America. We did not want in the event of an eventual conflict with the United States to permit Latin America to supply the USA with war materials. It should be remembered that I.G. had to follow the lines of the Nazi government.”

Having made a major contribution to the Nazi war potential, I.G. reaped the profits of aggression. The signed confession of the head of I.G.’s dyestuffs legal department recites:

“To my full knowledge, I.G. Farben, its directors and officers fully approved the Nazi aggression against Poland, Czechoslovakia and France. I.G. profited considerably from these conquests.”

Even prior to the Nazi conquest, I.G. was the major chemical firm on the continent. Yet I.G.’s acquisitions as a result of conquest were tremendous. Its acquisitions of chemical and dyestuffs firms in the conquered countries totalled approximately 350 million Reichsmarks. One after the other, it absorbed or eliminated its competitors in the dyestuffs company remained. It also absorbed major chemical firms. And by building new war plants in the conquered countries, I.G. increased its capital investments by approximately 700 million Reichsmarks. Every plant of I.G. in the conquered countries devoted itself to war production. Furthermore, I.G. so increased the technical dependence of industry in the conquered countries on I.G. that it is confident that despite German defeat it can be regain its position of control. As stated by von Schnitzler, I.G.’s leading commercial director, on September 7, 1945:

Page 30

***they will need the constant technical help of I.G.'s scientific laboratories as they do not own appropriate installations within themselves."

In conclusion, in the words of Dr. von Schnitzler:

"Thus, in acting as it had done, I.G. contracted a great responsibility and constituted a substantial aid in the chemical domain and decisive help to Hitler's foreign policy, which led to war and to the ruin of Germany.

"Thus, I must conclude that I.G. is largely responsible for Hitler's policy."

Chapter I - What I.G. Farben is

I. Size and Capacity

I.G. Farbenindustrie, AG. was the largest, most powerful trust in the world. As such, it represented the most vital segment of Germany's industrial potential. With a net worth amounting to RM 6 billions at the very minimum, 1/ its domestic participations comprised over 380 other German firms. 2/Its factories, power installations and mines are scattered all over Germany. 3/ There is hardly a raw material or an auxiliary product required in its manufacturing operations that I.G. did not produce in significant quantities within its own organization. 4/It owned its own lignite

1/ An accurate appraisal of I.G.'s net worth can be made only after an exhaustive audit of the books of its companies and the books of its participations both acknowledged and camouflaged. The booked net worth of the company was RM 4,025,000,000 but it has been customary for German companies, and particularly I.G. Farben, to undervalue their assets. Mr. Paul Dencker, I.G.'s chief accountant, has estimated that an additional RM 1,337,000,000 were in hidden reserves not shown on the books. (For an explanation of how the estimates of these hidden reserves were arrived at, see Exhibit No. 1). Even his estimate of RM 5,402,000,000 for the net worth of I.G. cannot be accepted as a reasonably accurate figure. It includes only participations which are shown on the books and does not include the company's patents and licenses of approximately RM 200 millions. Standard Oil Company (New Jersey) paid \$30,000,000 for only the United States rights to I.G. hydrogenation patents. Both Dr. von Schnitzler and Dr. Frank-Fahle of the Central Finance Administration of I.G. thought Mr. Dencker's estimate for hidden reserves "conservative."

2/For a detailed list of known direct and indirect participations of I.G., see Exhibit No.2. These participations are shown graphically on Chart No.1

3/Chart No.2 is a map showing I.G.'s plants keyed to normal labor requirements and to classes of products produced in each plant. I.G. controlled mines in eastern, central and western Germany are shown on Chart No.3.

4/For details on inter-plant dependency within I.G. for raw materials and intermediate products, see Exhibit No.3. See also Chart No.4 for a graphic representation of the interdependency in raw materials and in intermediate products within Division 2 of I.G. (dyestuffs, chemicals, plastics, light metals, pharmaceuticals, etc.)

and bituminous coal mines, coke ovens, magnesite, gypsum and salt mines. I.G.'s world organization included over 500 firms, both acknowledged and camouflaged, valued at a minimum of RM 1 billion. 5/Its holding companies and plants blanketed Europe, and its house banks, research firms and patent firms clustered around every important commercial and industrial center in both hemispheres.

The origin of this industrial giant can be traced to the beginning of the present century. In 1904 Badische Anilin- und Soda-Fabrik, Ludwigshafen, Farbenfabriken vorm. Friedrich Bayer und Co., Leverkusen, two of the most powerful chemical firms in Germany, together with the Aktiengesellschaft für Anilinfabrikation, Berlin, entered into agreement to pool their profits and share them according to a pre-arranged formula. 6/In the same year Farbwerke vorm. Meister, Lucius and Brüning, Höchst, and Leopold Cassella und Co. also concluded an agreement to pool and share their respective profits. Soon thereafter Badische (Ludwigshafen) and Hoechst came to an agreement on the marketing of synthetic indigo, which had recently gone into large-scale production, and over which a competitive struggle was developing. In 1916 the two groups came together, along with two other firms, comparatively smaller but important in their own special fields, Chemische Fabrik Griesheim Elektron, Frankfurt a.M., and Chemische Werke vorm. Heiler ter Meer, Ürdingen, in the "Interessengemeinschaft der deutschen Teerfarbenindustrie" (community of interests of the German coal-tar dye industry). The firms remained independent corporate entities, agreeing to pool and share their profits according to specified quotas. By special agreements, Kalle und Co., Biebrich, and Farbenwerke Mühlheim, Mühlheim were induced to make special agreements with Höchst and Cassella respectively. In 1925 these 9 firms were joined in a thorough going financial merger and the present "I.G." was born. This merger marked the beginning of the final phase of a process of concentration which had been going on since the beginning of the century. Thereafter, that process took the form of a "rationalization" of production and sales organizations, and expansion pursuant to one overall plan. By an important series of agreements in 1926, I.G. secured control over the greater part of the German explosives industry especially Dynamit Actien Gesellschaft, Troisdorf (DAG) and Rheinisch Westfaelische Sprengstoff, A.G., major producers of explosives and munitions. Thus, "I.G. represented the combined forces of firms which even before the merger in 1925 were the strongest and the most active ones in the chemistry field in all of Europe, if not the world. They constituted the cells from which the whole technical expansion of I.G. originated.

5.

6.

7.

Even at the time of its formation, however, the Interessengemeinschaft Farbenindustrie A.G. was more than a “Community of Interests of Dye Industries”, as this name would indicate. It was also the largest producer of heavy chemicals such as acids and caustic soda. It enjoyed a virtual world monopoly of both the young and rapidly growing pharmaceutical industry and the high pressure chemical industry, typified by the great synthetic nitrogen capacity which had been built up in Germany during the first World War.

In subsequent years, I.G.’s industrial domain expanded still further into many related and unrelated fields such as plastics and synthetic resins, light metals, rayon and other cellulose productions, detergents, synthetic tanning materials, synthetic rubber, synthetic gasoline and lubricating oils, rare gases, coal and even iron and steel. It had acquired this domain partly through the expansion of existing plants, partly through the construction of new facilities and partly through its network of participations.

All in all, I.G. produced between 30 and 55 per cent of Germany’s total production of chemicals and allied products. It was responsible for approximately 40 per cent of Germany’s total turnover in these fields. In 1943 it accounted for 100% of German synthetic rubber production; 100% of methanol production – indispensable in the manufacture of plastics, synthetic resins and rubber; 100%, lubricating oils; 100%, serums; 92% of the plasticizers; 90% of the organic intermediates; 90% of the plastics; 88% of the magnesium; 64% of the explosives; and 75% of the nitrogen. A more detailed description of I.G.’s extraordinary productive achievements is set forth below in Chapter III.

Not only did I.G. have a monopoly in Germany in a great number of finished products, but other German companies and numerous strategic industries were either totally or largely dependent upon I.G. for many raw materials, intermediate products, and for technical assistance. The German soap industry was entirely dependent on I.G. for its supplies of detergent raw materials. The tanning industry obtained approximately 50 per cent of its synthetic tanning agents from I.G. The

-
- 8.
 - 9.
 - 10.
 - 11.
 - 12.
 - 13.

paint and varnish industry locked to I.G. for 65 per cent of its raw materials (synthetic resins, solvents, plasticizers). In the plastics field Röhn und Haas, Darmstadt, the only other independent producer, was totally dependent on I.G. for certain important types of intermediates. Similarly dependent was the only other producer of dyestuffs in Germany, Geigy, Gernzach.

The German chemical and related industries were particularly dependent on I.G. for patents and know how. For instance, in the synthetic gasoline field I.G. actually produced only 33% of Germany's total production. Yet if we include the synthetic gasoline plants in Germany which were operated under I.G.'s licenses and managed by I.G.'s technical personnel, the company would have been responsible for approximately 90 per cent of Germany's total output of synthetic gasoline. I.G.'s domination of German chemical and related fields became even more pronounced during the period of preparation for and the prosecution of the Nazi war of aggression.

During the rearmament and war periods I.G.'s sales increased tremendously year by year. In 1936 its total sales amounted to RM 786,006,000; in 1943 the all-time peak of RM 3,115,667,000 was reached. During that year I.G.'s German subsidiaries accounted for sales valued at an additional RM 1,000,000,000 and of these at least 50 per cent were made by Dynamit A.G. alone. Among approximately 4,000 chemical firms spread all over Germany, the closest competitor to I.G. in terms of sales was Henckel et Cic.; Düsseldorf, manufacturers of soap and allied products, with a turnover of approximately RM 200,000,000. The only other chemical companies in Germany with a yearly turnover of RM100,000,000 were Deutsch Solvay Werke (of which I.G. owned 25 per cent); and Schering A.G, manufacturers of pharmaceuticals. These firms and the remainder of the German chemical industry could compete with I.G. in only narrow segments of the latter's production activities.

Foreign sales were particularly significant. I.G. was the dominant factor in the German chemical export trade. It accounted for approximately 10 per cent of the country's total exports of all products and approximately 50 per cent of Germany's total exports of chemicals and allied products. In the different sectors of that trade its position varied considerably, being strongest in pharmaceuticals, dyestuffs and photographic materials in the order named. In 1937, 70 per cent of I.G.'s total production of pharmaceuticals, 65 per cent of its dyestuffs and 40

-
- 14.
 - 15.
 - 16.

per cent of its photographic materials were exported. Its exports greatly exceeded its imports. It received important returns from foreigner investments. Its net income from royalty payments and sales of patent rights was also considerable. These transactions made I.G. Germany's largest single source of free foreign exchange, providing an average of at least 10 per cent of the country's total supply.

I.G. has been an extremely profitable concern. Even during the "great" depression it did not lose money. As its sales increased in the rearmament and war period, so did its profits. Gross profits on total operations rose from RM 47m 958m 997 in 1932 to RM 231,007, 044 in 1937m RM 363, 038,997 in 1939 and RM 821,626,559 in 1943. Net profits publicly announced for the same years were RM 47,013,427, RM 48,53,329, RM 56,071,000 and RM 81,700,000, Net profits announced in the balance sheets are not, however, an adequate indication of the financial condition of the company, especially in a country where a legal limitation had been placed upon dividend rates. They certainly understate the company's earning power. To determine the actual profitability of the company an exhaustive analysis of the books would be required, which cannot be undertaken here. Suffice it to point out that in the later years very large sums were transferred to reserves, and that it cannot be determined to what extent profits announced in the balance sheet include part or all of the income from participations in subsidiary and affiliated companies since it was customary for these also to reinvest their profits in their own operations. Dyestuffs were the biggest consistent source of profits to I.G., producing returns ranging from approximately 30 to nearly 40 per cent on sales yearly. In recent years chemicals and pharmaceuticals have accounted for a rising share in total "raw profit" and in the latter category the rates of return were over 30 per cent.

- 17.
- 18
- 19.
- 20.
- 21.
- 22.
- 23.
- 24.

“The industrial position of I.G. in Germany had no parallel with any other enterprise.” It has been estimated that it alone accounted for approximately 5 per cent of Germany’s total industrial activity. In 1943 it employed approximately a quarter of a million people. Vereinte Stahlwerke, the great German steel producer, employed more people, and the state owned Hermann Goering Werke had absorbed so many companies that its capital and turnover might have been higher than I.G.’s but “their domain of activity and earning capacity and scientific performance were incomparable smaller”.

Dumont de Yemours in the United States is the only other chemical company in the world of even comparable size. While Imperial Chemical Industries, England numbers third to Dupont’s second and I.G.’s first, it cannot even be classed with the first two companies. On the continent of Europe there were only three other fairly large chemical companies, Montecatini in Italy, Kuhlmann in France, and the Aussiger Verein in Chzechoslovakia, named in the order of size. I.G.’s field of activity was far wider member of the Managing Board and Chairman of the powerful Commercial Committee:

“No single individual company had so large a field of progressive scientific enterprise as I.G.... Dupont was highly Celanese, as well as Eastman Kodak Company, but all those enterprises were much more specialized than I.G. and did not cover so large a field of research work as I.G. did.”

The industrial strength of I.G. originated in its laboratories, and has always been based on its research and technical knowledge, protected by aggressive patent tactics. The company was built by technical men like Duisberg and Bosch, who always, at least until Bosch’s death in already widely exploited by other firms in the industry, but developed importance in the chemical and related fields in Germany were made primarily by I.G. and “research work on a large scale in the chemical field was exclusively done by I.G.”

- 25.
- 26.
- 27.
- 28.
- 29.
- 30.

Vast sums were devoted to research. In the period between 1932 and 1942 I.G. spent slightly less than RM 1,000,000,000, averaging an expenditure of rather more than 4.1 per cent of average annual gross sales. A significant percentage of these expenditures went into research on products not yet in commercial production, and constant attention was also paid to novel applications of products. Well over 1,000 highly qualified men and women were regularly engaged in research work. In addition, the firm financed research work in many universities and scientific institutes.

II. Organization and Management

The company was divided into three technical Divisions or groups (Sparten). Division 1 concerned itself with high pressure chemistry, including the production of nitrogen, synthetic gasoline, oils and also coal. Division 2, the largest, comprised the old inorganic or "heavy" chemical industry, the main branches of the organic chemical industry, dyestuffs, pharmaceuticals and plastics, and the electro-chemical industry, mainly typified by the production of the light metals. Division 3 dealt with cellulose chemistry, covering the fields of photographic materials and artificial fibers. Technical planning and control was in the hands of the three Division chiefs, Dr. Christian Schneider, successor to Dr. Carl Krauch who became chairman of the Supervisory Board, Dr. Fritz ter Meer and Dr. Fritz Gajewski, respectively. If problems arose on which the Division Chiefs could not make independent decisions these problems were referred to the Technical Committee. This body, of which Dr. ter Meer was chairman, consisted of the three Division Chiefs, a number of plant managers and leading technicians. It reported directly to I.G.'s Managing Board of Directors.

The various managers of the main plants were responsible for actual control of production in their own plants and in various subordinate factories. These subordinate plants were usually either situated close to the larger works or constituted their "colonies" which had developed in the "Drang nach Osten" which characterized the expansion of the

- 31.
- 32.
- 33.
- 34.
- 35.

rearmament and war periods. In order to assure uniformity of management in an organization of such size and complexity as Division 2, its plants were divided into 4 “works combines”, Upper Rhine, Main Valley, lower Rhine, and Middle Germany, under the supervision of Drs. Wurster (Ludwigshafen-Oppau), Lautenschläger (Höchst) Kühne (Leverkusen) and Bürgin (Bitterfeld/wolfen) respectively.

The complicated structure of the chemical industry in general and of I.G. in particular is reflected in the intricate technical control developed in I.G.. Many of the plants manufactured products of more than one Division, so that an individual plant manager was often subordinate to more than one Division Chief. Dr. Wurster, for example, was plant manager of Ludwigshafen-Oppau, and head of its inorganic department. Under him were Dr. Ambros, head of the organic department, in charge of Ludwigshafen which manufactured mainly inorganic chemicals, organic intermediates, and oxidants, dyeing auxiliaries, plasticizers, synthetic resins, synthetic tanning agents, formaldehyde, solvents, plastics, synthetic rubber and dyestuffs; and Dr. Müller Conradi, head of the high pressure department and charge of Oppau, which manufactured mainly nitrogen products, but which all did extremely important research work in the field of synthetic oil products. Thus Dr. Wurster was subordinate to Dr. Schneider of Division 1 in matters concerning high pressure chemistry, but to Dr. ter Meer in matters concerning Division 2. Again Dr. Kühne at Leverkusen, which produces inorganic chemicals, organic intermediates, dyestuffs, pharmaceuticals and photographic papers reported mainly to Dr. ter Meer, but also to Dr. Gajewski of Division 3.

36.

37.

38.

.

The sales organization of I.G. was no less complicated. Questions of sales policy which concerned the company as a whole were handled by the important Commercial Committee (Kaufmännischer Ausschuss) of which Dr. von Schnitzler was chairman, and of which the main sales executives were members. This Committee was responsible to the managing board. I.G. products were disposed of through five main sales combines, the dyestuffs combine, the chemicals combine, the pharmaceuticals combine, the photographic supplies, aromatic chemicals and synthetic fibers combinem and a special combine through which the products of Division 1 were sold. Dr. von Schnitzler was chairman of the first and second groups, "General Konsul" Mann of the third, which included the products bearing the famous "Bayer" trademark, Dr. Otto of the fourth, which included products marketed under the trade name "Agfa", and Dr. Oster, of the last. The huge chemical sales combine was subdivided into metals under Dr. Haeflinger, inorganic products under Herr von Heider, and organic chemicals under Herr Borgwardt. Just as in the case of technical matters, individual plant managers would often had to deal with more than one Division chief, so in commercial matters they frequently had to deal with the heads of several sales combines. The leading idea behind this sales organization, a product of the "rationalization" following the 1925 merger, was that products of broadly similar chemical character and similar lines of application should be grouped together.

From the description of its technical, production and sales organizations, it will be seen that I.G. operated as a single economic unit. No individual plant had its own sales organization, and none showed profits or losses. The huge task of controlling the financial affairs of the company fell to the Central Bookkeeping Department and the Central Finance Administration ("Zefi").

The latter was part of the office known as "I.G. Berlin, N.W.7", an organization which, with Dr. May Ilgner, a nephew of the President, as its chief, came to exercise in recent years an increasing measure of financial and economic control over the company. Besides the Central Finance Administration it contained an Economic Department under Dr. Reithinger ("Vowi") and a Political Economic Department ("Wipo"), under Dr. Terhaar.

39.
40.
41.
42.

These two Departments and the Office of the Commercial Committee (Büro des Kaufmännischen Ausschusses) assisted the company by providing excellent economic and statistical information and by acting as liaison with government departments. "N.W.7" expanded greatly under the Nazi regime, and its activities took on an increasingly sinister character. These activities will be described in detail below.

Patent departments were maintained at Höchst, Leverkusen, Bitterfeld-Wolfen, and Wolfen (Film), while the Central Patent Office headed by Dr. August von Knieriem, Chief Legal Counsel for I.G. and chairman of the important Legal Committee, was located at Ludwigshafen.

These in brief are the bare outlines of the technical and commercial organization of I.G. There remains for consideration the question of how over-all company policy was determined. The management of the company rested entirely with the Managing Board of Directors (Vorstand) and the Central Committee (Zentral-Ausschuss). Since the middle thirties the Supervisory Board of Directors (Aufsichtsrat) has exercised no actual authority, although according to the by-laws, it was responsible for supervising personnel matters and finance.

The Managing Board was presided over by the President, Dr. Hermann Schmitz, and was composed of 21 members. Eleven of these were chemists who were wither Division Chiefs or plant managers. 2 were legal advisers. 1 was the chief engineer of the company, and 5 were sales executives. Secen senior members of the Managing Board, Schmitz, von Knierer, Schneider, ter Meer, Gajewski, Hörlein and von Schnitzler made up the Central Committee, that is, the inner circle of top executives.

III. Ownership and Control

At the present time, the capital stock of I.G. Farben consists of 40,000 preferred shares having a par value of RM 40,000,000 and 3,928,838 common shares in bearer form having a par value of RM 1,360,000,000.

- 43.
- 44.
- 45.
- 46.
- 47.
- 48.
- 49.

Of the 40,000 preferred shares outstanding, 38,000 are registered in the name of Ammoniakwerk Merseburg G.m.b.H., a wholly owned subsidiary bearer form, are in the possession of I.G.'s camouflaged house bank, the Deutsche Länderbank.

The common stock is widely scattered among a minimum of 140,000 stockholders. An investigation made in 1934 by I.G.'s Central Financial Administration found that 87 per cent of the common stock was owned by corporations and individuals within Germany, while the remaining 13 per cent was owned abroad. The majority of the foreign holdings were as follows:

	I.G. Original stock shares in Mill. RM (nominal value)	Percentage of total capital stock
Switzerland	24.3	3.57
Great Britain	19.9	2.93
Holland	7.4	1.09
U.S.A.	4.8	0.71
Spain	3.1	0.46
Czechoslovakia	3.0	0.44
Belgium-Luxembourg	1.0	0.15

Dr. Max Ilgner, Director of I.G.'s Central Finance Administration, estimated that slightly over 6 per cent of I.G.'s common stock is owned by a combination of the following firms.

Francolor of Paris (51% of whose stock is owned by I.G.)
 Solvay et Cie. of Brussels
 Dupont de Nemours of Wilmington, Delaware
 Imperial Chemical Industries of London

-
- 50.
 - 51.
 - 52.
 - 53.

Because of the extreme difficulty involved in tracing the ownership of bearer shares, it has not yet been possible to check the accuracy of this estimate. It is also possible that some foreign interest were disposed of during the war.

Although the capital stock of I.G. is widely distributed, control of a decisive percentage of voting power is in the hands of I.G.'s Managing Board of Directors (Vorstand). Since the Central Executive Committee of this Managing Board nominated the members of the Supervisory Board of Directors (Aufsichtsrat) who, in turn appointed members of the Managing Board, the latter is, in effect, a self-perpetuating group which exercises complete control over the policies of the company. The Annual General Meetings were, accordingly, mere formalities. A very large percentage of the stockholders were represented there at by proxy holders who voted the stock. For example, in 1943, shares of a total par value of RM 865,128,300 were voted, of which RM 830,155,900, or approximately 96 per cent, were voted by proxy. German banks voted shares to the value of RM 805,839,400.55. Executives of the company and the Deutsche Länderbank, for example voted shares to the value of RM 10,500,000 for its own account and RM 107,568,200 worth of others. Mr Max Bangert in charge of I.G.'s Banking Department in Frankfurt voted RM 100,019,500 worth of shares held by the Dresdner Bank in Berlin for others. He also voted shares with a nominal value of RM 58,320,900 for various individuals and banks.

Dr. von Schnitzler described the meetings as follows:

“In the last 12 years, the general assembly (stockholders' meetings) of I.G. had become a pure formality; all the decisions were agreed upon unanimously on the proposal of the chairman and perhaps a total of half a dozen questions have been asked, mostly on sidelines of no decisive importance. The chairman, formerly Mr. Bosch and later on Mr. Schmitz, gave a short report about the general situation of the firm and then the legal formalities were fulfilled. With all the formalities, the counting of the votes, all lasted about one-half to three-quarters of an hour.”

It is worth noting that compared to the common stock, the preferred shares have multiple voting rights of 12.5 to 1, so that I.G.'s preferred stock, all directly or indirectly controlled by I.G. represents, potentially, 36.8 per cent of the total voting power. The word “potentially” is used because a German law prohibiting companies from voting

their own stock or that of their subsidiaries, prevented the 38,000 share held by Amoniakwerk Merseburg from being voted. Had it ever become necessary, however, for the I.G. management group to utilize the voting power of these 38,000 shares, the company, according to Hermann Schmitz, would not have hesitated to transfer them to one of its camouflaged companies.

Since the outbreak of the war the management group was in fact very largely Hermann Schmitz, who had been President of the company since 1935. At that time he succeeded Carl Bosch, who became chairman of the Supervisory Board of Directors. Although legally Schmitz had the highest authority in the company since 1935, Bosch continued to dominate the management until the outbreak of the war when he became seriously ill. At that time Schmitz took over and became, in von Schnitzer's words, "the weak dictator" of the company.
57.

Chapter II - I.G. Farben's world empire

I.G. Farben's economic empire extended throughout the world. Its non-German plants ranged from large works producing wide variety of chemical products to small installations where I.G. Farben products, imported from Germany, were merely finished and packaged. It also maintained sales agencies, often elaborate organizations giving expert technical service and advice to customers in practically every country of the world. Sometimes those were wholly or partially owned by the parent concern. More often I.G. strove to maintain a semblance of legal independence though, in fact, it exercised complete control over the firm. In addition, I.G. Farben owned participations in administrative companies and research organizations domiciled outside Germany which controlled important patents and technical knowledge in various sectors of the chemical industry.

I.G. Farben continued to hold, even in wartime, valuable inventories of high value products, notably dyestuffs and pharmaceuticals, in the warehouses of subsidiaries and dealers in all quarters of the globe. And one of the company's most valuable foreign assets was intangible, resting in long established trading connections and in the reputation of products bearing the trade name "Bayer", "Agfa" or "Indanthren".

The problem of determining the amount and location of I.G.'s external assets is complicated by the firm's long-standing habit of camouflaging or cloaking its foreign subsidiaries as independent national companies having no apparent legal tie to the parent concern. I.G. publicly admitted to ownership in only relatively few companies. To discover the rest requires painstaking investigation of the records relating to hundreds of companies situated in every corner of the globe.

The wealth of material now accumulated tells a fascinating story of the company's efforts to conceal ownership. Sometimes these efforts failed; sometimes they succeeded, either wholly or in part. At the request of certain agencies of this Government, however, most of the particulars of that story cannot be made public at the present time and the discussion must be confined to a description of the purposes, history and techniques of camouflage and to a general statement with respect to the estimated size, type and distribution of I.G.'s foreign assets.

The schedules of participations and assets of I.G. Farben contained in the appendix of this report represent the combined foreign assets as revealed in the central accounting records of the firm, in its Foreign Participations Report under Military Government Law 53, in the record of the former German Government Tax and Foreign Exchange Control offices, and from many additional sources.

In a paper read in Berlin before Farben's Legal Committee on October 2, 1940, Dr. Gustav-Küpper, chief lawyer for the dyestuffs department and one

of the principal camouflage artists, stated some of the main reasons for I.G.'s cloaking activities. Some of these reasons were of long standing others of comparatively recent appearance. At first the policy was adopted mainly for reasons of commercial or fiscal policy. In the years following the first World War, for example, the weakness of the Reich made it advisable, according to Küpper, to give to the foreign organizations of I.G. "the national character" of the respective countries. Customers sometimes preferred, especially after the world economic crisis of 1931, to buy from national firms so that camouflaging protected the subsidiaries from commercial discrimination. Again, camouflage of foreign branches more often resorted to for the purpose of avoiding the heavier taxes and (import) which various countries come to levy on foreign enterprises as the tide on economic nationalism rose. By this means I.G. saved large sums of money. For example, under a Spanish law designed to protect home industry, heavy taxes and duties were levied on Spanish companies of which more than 25 per cent of the capital was owned abroad. This would have meant that I.G. would have had to pay out large sums as a result of its 50 per cent participation in Fabricacion Nacional de Colorantes y Explosivos, S.A. (FNCE).

Consequently, half of this holding was transferred to Unicolor, S.A., Colorantes y Productos, itself a camouflaged subsidiary, and by this subterfuge large sums were saved. Also, an uncamouflaged branch office or subsidiary might be forced to disclose details of I.G.'s balance sheet and profit and loss account; this was a risk I.G. did not wish to run. Furthermore, in the period when national restrictions on the transfer of foreign currency were spreading, I.G. officials thought that foreign branches or subsidiaries would be more closely controlled than national enterprises. Lastly, I.G.'s attempts to dodge the United States Anti-Dumping Act of (19...) resulted in the creation of camouflaged subsidiaries in Canada and Australia

-
- 1.
 - 2.

As early as 1937, when leading officials of I.G. saw the signs of impending war, really thoroughgoing measures of camouflage began to be taken to prevent the possible seizure or confiscation of I.G. assets in "endangered" countries. In the spring of 1939 I.G.'s legal committees discussed in considerable detail the measure which might be required to protect their foreign properties. Citing the experience in the first World War, the committee concluded that:

"The risk of seizure of the sales organization in the event of war is minimized if the holders or similar interests are neutrals residing in neutral countries. Such a distribution of holdings of shares or other interests has the further advantage of forestalling any conflicts which may trouble the conscience of an enemy national who will inevitably be caught between his patriotic feelings and his loyalty to I.G. A further advantage is that the neutral, in case of war, generally retains his freedom of movement, while enemy nationals are frequently called into the service of their country, in various capacities, and therefore can no longer take care of business matters."

It was therefore recommended that neutral influence in I.G.'s foreign agencies be strengthened by the transfer of shares or similar interests to neutral holders.

This scheme was put into practise by I.G. officials all over the world. The specific legal devices used to place ownership apparently in the hands of independent persons and yet at the same time to retain effective control for I.G. were many and varied. For instance, sometimes they required the buyer of the shares to sign an option agreement giving I.G. an irrevocable right to repurchase his shares without notice. Often the prospective buyer chosen by I.G. would not have sufficient funds to acquire the shares. In such cases I.G. would lend the money to him and require him to sign, in addition to the option agreement:

- (a) an acknowledgement that the funds used had been loaned to him by I.G., and that I.G. was authorized to acquire his shares in cancellation of the loan; and
- (b) a dividend agreement whereby the shareholder (who usually paid I.G. an interest of six per cent on his loan) agreed to pay to I.G. any dividends received on his shares in excess of six per cent, while I.G. agreed that the shareholder would receive a dividend rate of not less than six per cent.

It should be noted that by camouflaging companies in which I.G. had a direct interest, any subsidiaries of these companies were by the same taken also camouflaged.

3.

4.

Many other examples could be cited in which the most varied legal (artifices) were used: nominees, fictitious or intervening transfers, pool agreements, endorsements in blank, escrow deposits, pledges, collateral creditor's rights, withhold know-how and other devices. One reason (adven..) by officials of I.G. for the extreme lengths to which the technique of camouflage was carried was that Herrmann Schmitz made every effort to live up to the sobriquet ascribed to him by some of his leading associates, "the master of finance camouflage."

At least in the early years of the war, the architects were satisfied with their handiwork, for in 1940 they were able to inform the German Government that their measures for camouflage "have proved to be very good during the war, and have even surpassed our expectations in numerous cases."

It is very interesting to note that the German tax authorities themselves were not informed of the details of these protective measures and from time to time attempted to assess the extent of I.G.'s foreign holdings. On the occasion they were urged by the company's lawyers, however, that injury to German interests could easily result from prosecuting such inquiries, and in the end the authorities did refrain from further investigation.

"The reason for the refusal given at the time (to the tax authorities by I.G. officials) were that they feared most severe economic damage would result which must also have a detrimental effect on the German economy and on the German supply of foreign currency if such information were divulged. *** we therefore abstain from investigating further how far the location of the management of these *** firms could be assumed to be in Germany."

Although I.G. officials used great ingenuity in camouflaging the ownership of the company's many foreign branches and participations, they were well aware both of the limitations of the techniques used and of the risks of discovery which they ran during the war. They realized that if their camouflaged ownership of a firm were detected, the entire assets of prepared a second line of defense and sought to conceal sizeable portions of the surpluses earned by the cloaked firms - - - surpluses which they often could no longer transfer to Germany even if they so wished --- thus spreading

the risk of discovery of the firms, and at the same time providing a fund which could later be used to rebuild I.G. organizations. Various methods were used, ranging from the use of false invoices, fake funds bonus payments to employees, to the camouflaged investment of company funds in cattle ranches, houses and various other types of real estate.

In addition to the foregoing, all of the I.G. Latin American firms maintained, unrecorder in their books, secret cash accounts in banks in the names of their leading officials. As early as 1935 Farben recognized that such devices were essential to the operations of their camouflaged agencies in Latin America. Thus, according to her Collischonn, one of its agents accounts known as the "S cash accounts" in order to transact confidential payments which if carried through foreign representations would have impaired apart from the bookkeeping systems of the I.G. firms and constituted a means by which confidential payments could be made without incurring the risk of detection.

Although I.G. did possess many manufacturing plants abroad, a very large part of its camouflaged assets was, as has already been noted, in the form of companies which were mainly sales agencies for dyestuffs, chemicals, pharmaceuticals, photographic and other materials produced and exported by I.G. and sold by the camouflaged firms. Without a continuing supply of imports, these firms could not continue to exist. In other words, an important part of I.G.'s foreign assets was "good will", the value of which was to a considerable extent dependent upon the continuance of I.G. exports.

6.

7.

After the outbreak of war in September 1939, the Anglo-French (navi..) control system, designed to prevent the export of German goods to enemy (Germany) firms in overseas countries and thus to shut off German foreign exchange supplies, threatened to cut that life line and by the same token to destroy these valuable assets. The German company took two main courses of action to combat these measures and thus retain control over its assets. First it attempted indirectly to nourish its offspring, especially in Latin America, by arranging for deliveries to them by firms in neutral countries notably the United States, the only neutral able to supply such goods in any quantity. Second, I.G. attempted to maintain its exports to foreign agencies by running the blockade.

The story of I.G.'s attempt to support its Latin American agencies by arranging for imports from neutrals is largely the story of the activities of Alfredo B.Moll, one of the managers of Anilinas Alemanas, Buenos Aires. Moll at first acted as an under-cover purchasing agent in New York. Later after the Proclaimed List and Export Licensing system went into effect he transferred his activities to Buenos Aires. The story of Moll's operations can best be told from excerpts of correspondence and from statement of I.G. officials.

The plan to have Moll act as intermediary in the United States was discussed in detail at important conferences on cloaking policy hold in Italy and Switzerland early in 1940. The manner in which Moll was to open is revealed in the minutes of the conferences:

"A detailed discussion has proved that a delivery of goods of neutral firms to dummy addresses of whatever kind cannot be upheld for any length of time. Therefore in future purchases of neutral goods only through reliable customers directly, who will retain part of the goods, purchased in this manner for themselves, the larger part will however, be resold to the agency. There were also no objections raised against this arrangement for the delivery from the States by Mr Schmitz and Dr. Duisberg. In this manner there exists for the neutral suppliers the least risk imaginable. According to the opinion of Mr.M. customers will be found in practically all the Latin American States for carrying through these transactions. ..

"The correspondence with the neutral suppliers would therefore have to be done by their customers and should be started by saying for instance that German goods are no longer available on the market and that therefore an offer in counter products at the ruling market prices would be required, etc.

"The individual suppliers who would be available have been discussed with Mr. M.

"The most important source of delivery in the very near future will undoubtedly be USA. As the matter stands, Fozandio & Sperrle may appear as suitable suppliers which receive the goods from GAW (General Aniline Works) and GDC (General Dyestuffs Corporation),

and also in accord with Messrs. Halbach and Mill shall buy from the dealers and remaining producers. By Fozandic & Sperrle the whole shipments are sent to Latin America under neutral domination, i.c., also not under I.G. registered trademarks, such as Indanthron, Rapidogen, Igepon, etc. The agencies sell all the foreign goods under their own denomination. By this way an endangering of our trademarks is not be feared.

“...In any case Herr M. will endeavour that the suppliers agree to cif.-terms and effect the insurance in the States as transportation of goods of U.S. property, is thus safer ...

“Should expectations of supplying customers from the States by a firm like Fozandic & Sperrle not be possible, it might be necessary to establish our own companies for resale. In such cases small undertakings, or if necessary, one man companies would serve the purpose. They need not be established in all countries. For the time being, the following groups would do:

1 for Brazil

1 for Argentine (supplying at the same time Uruguay and Paraguay and eventually even Chile; our previous Paraguay agent Scavonc.)

1 for Peru, Bolivia and Ecuador

1 for Colombia and Venezuela

1 for Mexico, Central America and the West Indies.”

“Proprietors of these companies may be neither Germans nor shareholders nor leading employees of our agencies. It might be possible, however, to engage a salesman or technician to look after the customers...”

Moll travelled from Italy to New York on March 9, 1940, where he undertook the task of obtaining merchandise for the I.G. firms in Latin America. By October 1940, I.G. had heard that “deliveries were progressing smoothly” but had received no general report. Richard Metz, an America citizen who in 1940 was connected with I.G.’s Central Finance Administration in Berlin, was travelling to the United States in October of that year, and was asked to deliver a message requesting that Moll forward a report of his activities. (Metz is the son of Hermann A. Metz, deceased, formerly a principal I.G. figure in the United States). I.G. in its request to Metz stated:

...It would be very suitable if this report was sent off from Mexico or even made out in Mexico for reforwarding in neutral form via Peru or Brazil. It would be advisable for Mr. Noll to make use of a short leave to travel by auto to Mexico....”

Pursuant to instructions Moll journeyed to Mexico, in December 1940 and from there he sent I.G. two reports. In the first he wrote:

“I Believe I can assure you that it was possible by means of patient and persistent work to arrive at a normal and lasting relationship between New York and all important centers in Latin America by suggesting to New York at first to modify its originally fixed price policy

...

Of course it is very difficult for the gentlemen in new York to make up their minds about conditions in Latin America, especially considering that they are used to a stable (mark..) as in the USA. But I may especially express here the friendly attitude and fair cooperation noticeable with Mr. Halbach and Mr. Neissa (both of General Dyestuffs Corporation) who try to help as much as they can...

“According to the official figures of New York, US \$1,218,345 was exported from the beginning (of Moll’s activity) till November ... I assure you that it was possible despite many obstacles to supply all the countries which you formerly supplied, and that no one is missing from the list... These figures show us that Chile and Colombia received practically their whole sales, even respecting their great stocks, when relations to you were interrupted partly by the activity of competitors and partly by the refusal of customers.” (to cooperate in the scheme).

And in the second:

“...We have observed with great satisfaction that the sales of the Advance (Advance Solvents and Chemical Corporation, New York) to our Latin American houses constantly increase, which proves that our connections are more secure. This I very much welcome, because I consider it necessary that our gentlemen in Latin America (pase) on their orders mainly to friendly firms, which, when the situation becomes complicated, will do everything possible with a view to continuing the deliveries under all circumstances.”

By June, 1941, however, economic controls, the Proclaimed List and the system of export then being put into force by the United States had seriously curtailed Moll’s activities, and he returned to Argentina.

9.

10.

11.

After Moll returned to Argentina on June 17, 1941, he ostensibly became separated from Anilinas and then was able to resume merchandise purchased from the United States. His method of operating was to place orders in the United States for firms not in the Proclaimed List, including with these orders goods which were upon arrival in Buenos Aires to be transferred to Anilinas Alemanas. According to Overhoff, the advisability of Moll's separation from I.G. had been previously discussed in the 1940 conferences in Italy and Switzerland.

"...We discussed also the possibility that Moll should leave Anilinas Alemanas if necessary, and act separately, perhaps as a dealer. Of course, even in that case, it was the idea, that his work should be the interest of I.G."

Moll proceeded to set himself up as an independent importer. There is evidence to indicate, however, that the separation was more apparent than real.

On October 15, 1941, for example, Flinsch, co-manager with Moll of Anilinas Alemanas, wrote from Buenos Aires:

"...After Mr. Moll had left my firm in last June, in pursuance of this exchange of cables, and accordingly severed all his connections with it, insofar as was necessary with regard to outside appearances, the old close and friendly contact with Moll and the management of my firm continued ...

"Consequently, the management of my firm was always informed in advance of all activities and plans of Moll with respect to the establishment of business relations with the U.S.A. which was contemplated. This also envisaged the inherent possibility of supplying my firm with goods. In other words, everything was discussed and executed by joint determination."

After the war closed regular shipping channels, I.G. also used other and more direct means of keeping its foreign agencies supplied with its products, especially in Latin America and the Far East. Until January 1940, before the blockade was tightened, it was possible for I.G. to ship goods in neutral vessels from Dutch and Italian ports. Then, from January 1940 until Italy entered the war, some pharmaceutical and "Agfa" products, camouflaged as Italian goods, were shipped from Italy. During this period small amounts of dyestuffs were also sent from Italy to Latin America via parcel post. From October 1940 until September 1941, the

12.

13.

company took advantage of German Government blockade runners to transport its products. Then in 1943 and 1944 until I.G.'s communications with Spain were cut by the Allied invasion of Europe, some dyestuffs were sent to Argentina via an agent in Spain. In all, RM 93,704,164 worth of dyestuffs and chemicals were exported by these routes, RM 31,747,424 to Latin America, RM 37,950,815 to the Far East, and RM 4,005,925 to the United States. Figures of shipment of "Bayer" products are not available. How successful I.G.'s efforts were in circumventing the blockade is indicated by a comparison of its sales of dyestuffs and chemicals to Latin America for the years 1938 through 1941.

Dyestuffs	RM 19,876,000	24,282,000	18,611,000	28,083,000	
Chemicals	RM 9,436,000	11,017,000	8,495,000	11,736,000	(9 months)
	RM 29,312,000	35,299,000	27,106,000	39,819,000	

It will be observed that even with incomplete figures for 1941, I.G.'s foreign holdings must be subject to considerable risk of error. Very often the beneficial ownership of I.G. is still open to question and may yet be contested in the courts. Again, a substantial percentage of the assets are in the form of "goodwill," and are thus substantially dependent upon the maintenance of a trading connection with the parent firm. Problems of exchange rates and currency fluctuations are another major obstacle. And, in a world of such political and economic uncertainty as exists today, the ordinary problems involved in assessing the value of a concern are magnified many times.

In 1943, I.G. listed 173 foreign participations and 75 indirect participations on its books. Sixty-seven of the former were manufacturing and administrative companies, thirty-three sales companies for dyestuffs and chemicals, fifty sales companies for "Bayer" products, and twenty-three sales companies for Agfa products, fertilizers and coal. One hundred and twenty-seven of the direct participations admitted were located in Europe, and among those were fifty-eight of the manufacturing and chemicals, twenty-seven sales companies for "Bayer" products, and seventeen sales companies for "Agfa" products, fertilizers and coal, and administrative companies, eight dyestuffs and chemicals sales agencies, fertilizers or coal. The bulk of I.G.'s direct participations, and especially its subsidiary manufacturing and administrative companies were located in Europe; half of the overseas firms were agencies for "Bayer" pharmaceuticals.

14.

15.

Evidence reveals, however, that at least one hundred firms should be added to the total of I.G.'s direct and indirect participations. An interim tabulation of foreign firms considered to belong either wholly or in part to the parent company or its subsidiaries – which should not be regarded as by any means complete --- gives the following interesting totals:

<u>Location</u>	<u>Number of Firms</u>
Africa	21
Asia	34
Australasia	4
Europe	238
Latin America	117
North America	<u>14</u>
Total	448

It should be noted that this total was compiled from the listings in the Appendix to the Report. The actual total of companies discovered to be Farben owned is slightly larger. However, at the request of interested agencies of this Government certain omissions have been made. The great bulk of these additions are therefore located outside Europe. The company was especially strongly represented in Europe and Latin America. As has already been pointed out, the difficulties involved in assessing the monetary value of I.G.'s foreign assets are extremely formidable. However, it is probably correct to say that the total, including capital assets, inventories, accounts receivable, amount due I.G. from its foreign subsidiaries, patent and licensing rights, is somewhere in the region of RM 1 billion, or about 15-20 percent of I.G.'s estimated net worth. It should be noted that this estimate is not a precise statistical calculation.

Besides having an economic an economic value, these foreign holdings of Farben had a political and military significance. As will be developed at length in subsequent sections of this report, I.G.'s camouflaged agencies were used to aid the German Reich in its preparations for and prosecution of an aggressive war. Some acted as listening posts and collectors of economics intelligence both for the parent firm and for the German Government. Sometimes they were centers of Nazi propaganda and even espionage activities against potential and actual enemies of the Third Reich. If left untouched, they might become important cells for future penetration by a war-minded Germany.

Latin America has been chiefly used in this Chapter to illustrate the Farben techniques of camouflage. The same operations were carried on to no less extent throughout the rest of the world. The best known illustration of course is Farben's use of I.G. Chemie, a Swiss subsidiary, to cloak its ownership of General Aniline and Film Corporation in this country. The evidence of Farben's ownership of I.G. Chemie disclosed by the investigation cannot be revealed in this report because of the possible prejudice which might thereby result to the interest of this Government.

The Nazi party did not always understand Farben's cloaking policy, considering it somewhat unpatriotic not to flaunt German proprietorship. Only after I.G. proved to the government's satisfaction that decloaking would result in "most severe economic damage" and "have a detrimental effect on the German economy, did the German government abstain from its protests. In 1940, however, when an early German victory was anticipated, I.G. began to re-examine the entire question of camouflage in the light of a German conquest of Europe and Great Britain.

The necessity for cloaking would (disappear) in countries occupied by the Reich, especially if I.G.'s proposals in regard to corporation tax policy were adopted in these conquered countries. A policy of de-cloaking I.G. holdings in certain countries was therefore envisaged for the period following the peace treaties. It was clearly indicated however, that in many countries, such as the United States, camouflaged company interests would have to be retained.

16.

17.

18.

Chapter III

I.G. Farben's role in arming Germany for war

I. Introduction

Without I.G.'s immense production facilities, its far-reaching research and world-wide economic power, the German war could never have been waged. The purpose of this chapter is to show (1) the increasingly close relationship which developed between I.G. and the German military authorities; (2) the manner in which I.G. mobilized its resources for war; (3) the extent to which I.G. made Germany self-sufficient in those critical war materials and strategic products without which the Wehrmacht could not have functioned; and (4) I.G.'s prior knowledge and approval of Nazi plans for world domination and of specific acts of aggression later committed.

To understand fully the I.G.-Nazi coalition, a few introductory remarks are in order. Leading officials of I.G. had important contacts with the Nazis even before Hitler came to power. If we go back to Autumn, 1932, we find two I.G. directors, Bütefisch and Gattineau, approaching Hitler to discuss the place of synthetic oil in the German economy. The experiments at Leuna and Oppau on high pressure hydrogenation of coal were costing the firm millions of Reichsmarks and bringing no returns. Accordingly, I.G.'s Managing Board was considering abandoning the whole project. But Bütefisch, and Gattineau, both ardent Nazis, ascertained from Hitler that he would, when in power, continue the protection then being given to domestic oils. Hitler further informed them that the experiments fitted into his program of "motorization."

Several months later, in February 1933, a meeting of leading German industrialists called by the President of the Reichstag, was addressed by Hitler and solicited by Dr. Schacht for a fund of RM 3,000,000 to be used on behalf of Nazi candidates in the coming elections. At this meeting I.G. was represented by Dr. von Schnitzler, and their contribution was made by Dr. Hermann Schmitz, later to become president of the company. Very shortly after Hitler came into power, he appointed Schmitz a member of the Reichstag.

I.G. continued its financial, political and moral support of the Nazis. Indicative of the basis nature of I.G.'s contribution and the quid pro quo character of the I.G.-Nazi partnership was the telegram transmitted by Geheimrat Schmitz to Hitler on September 30, 1938, the day of the Nazi occupation of Sudetenland. I.G. had promised at least seven days before the German troops marched into Czechoslovakia that one of its experts would be installed as commissar of the chemical and dyestuffs factories of the Sudetenland, factories which I.G. subsequently acquired. The message of President Schmitz stated:

1.

“Profoundly impressed by the return of Sudeten-Germany to the Reich which you, my Fuehrer, have achieved, the I.G. Farbenindustrie puts an amount of 1/3 million reichsmarks at your disposal for use in the Sudeten-German territory.”

II. Union with the Wehrmacht

The marriage of I.G. Farben to the Wehrmacht took place shortly after the advent of the Nazi regime in Germany. According to Dr. von Schmitzler, member of the Central Committee of I.G.'s Managing Board of Directors and chairman of I.G.'s Commercial Committee.

“In 1934 the Wehrmacht became important and with increased tempo after 1936 the Wehrmacht became the prominent factor in the whole picture. Since 1934 a strong movement for investments in our plants for commodities of decisive military importance became more and more pronounced with the main objective of increasing the military potential of Germany. At first autarchic principles to make Germany independent of importation from abroad was one of the leading objectives. Since 1936, the movement took an entirely military character and military reasons stood in the foreground. Hand in hand with this, the relations between I.G. and the Wehrmacht became more and more intimate and a continuous union between I.G. officials on then one side and the Wehrmacht representatives on the other side was the consequence of it.”

Such intimate cooperation necessary to the joint planning of the German rearmament could not exist without adequate organization. As is pointed out elsewhere in this report, I.G. was divided into three technical divisions (Sparten). Each division had a central office responsible for handling matters pertaining to production control, investment for new plants, costs and other similar problems. At first these central offices each dealt directly with the military authorities in matters concerning their respective divisions. By 1935, however, such discussions had become so frequent, and transactions with the Wehrmacht had become so numerous, that I.G. established within the firm a permanent military liaison agency. This was the so-called Vermittlungsstelle W which was to “take charge of and maintain the current

-
- 2.
 - 3.
 - 4.

relations between the three divisions and the military authorities” and which “occupied itself principally with problems in connection with a possible war.” Professor Carl Krauch, a member of I.G.’s Managing Board since 1936, whose career typifies better than anything else the close union between I.G. and the military authorities, was placed in charge of the new organization.

The function of the Vermittlungsstelle W were clearly described in a report dated December 31, 1935.

“The aim of this work is the building up of a tight organization for armament in the I.G. which could be inserted without difficulty in the existing organization of the I.G. and the individual plants. In the case of war, I.G. will be treated by the authorities concerned with armament questions as one big plant which in its task for the armament, as far as it is possible to do so from the technical point of view will regulate itself without any organizational influence from outside (the work in this direction was in principle agreed upon with the Office of Strategic Economy (Wehrwirtschaftsamt) and from this office with the Ministry of Economy) To the field of the work of the Vermittlungsstelle W belongs besides the organizational set-up and long range planning, the continuous collaboration with regard to the armament and technical questions with the authorities of the Reich and with the plants of the I.G.”

In fact however, the Vermittlungsstelle W never attained the significance expected of it in this regard. This was not because the tasks of cooperation with the military authorities diminished – in fact they greatly increased in significance – but because relationships became more and more

-
- 5.
 - 6.
 - 7.

direct after the appointment of Dr. Krauch to the office of the Four Year Plan. Thereafter, most collaboration in scientific and technical matters was either channelled through Krauch's office or was carried on directly between military representatives and individual plant managers.

According to Dr. Struss, who as head of I.G.'s Technical Bureau (Tee büro) and top assistant to Dr. ter Meer, was responsible for "serving gentlemen of Group II of the Vermittlungsstelle W," I.G. officials destroyed the filed dealing with Vermittlungsstelle W matters.

The military liaison office did, however, retain considerable importance.

One of its early tasks was to act as intermediary between I.G. and the Ministries of War and Economics regard to the preparation of mobilization plans for I.G.'s plants. These so-called "Mob" plans were to set out in detail the production programs which each factory would undertake in case of war. The order to prepare them came from Wirtschaftsgruppe Chemie, a quasi governmental instrumentality which was responsible for all chemical production and distribution in Germany and in which body I.G. officials held important positions. Dr. Georg von Schnitzler was its deputy chairman. Moreover, according to Dr. Struss, the preparation of these "Mob" plans was personally supervised by representatives of the Ministries of War and Economics.

Page 60

“I know” said Dr. Struss, “that a representative of the Ministry of Economics, Dr. Lenz, and a representative of the Ministry of War, Dr. Mureck assisted in the making of these plans. I remember that Dr. Mureck often told us that the Ministry of War wants the plans drawn up in such and such way.”

9.

Page 61

Pursuant to these instructions, every I.G. plant began to prepare its production plans and turned them over to the Vermittlungsstelle W which submitted them to the Ministries of War and Economics. In the following (year) the plans were no doubt repeatedly revised in consultation with the authorities, and early in 1939, the factories received their plans back as approved by the Wirtschaftsgruppe Chemie, ready for immediate execution in case of war.

Thus before the Nazi army attacked Poland I.G. was mobilized and ready after long years of preparation.

“All the German industries were mobilized in summer 1939 and in the summer 1939 the Wirtschaftsgruppe Chemie issued an order that the plans for war were in action. In June or July 1939 I.G. and all heavy industries as well knew that Hitler had decided to invade Poland if Poland would not accept his demands. Of this we were absolutely certain and in June or July 1939 German industry was completely mobilized for the invasion of Poland.”

10.

11.

As early as 1934 I.G. had become preoccupied with war and all of its plants engaged in war games and “manouvers (in) the technical problems which may come up” in the event of the war. According to Dr. Struss these plans or “Kriegsspiele” were undertaken under the supervision of Wehrmacht officials. Dr. Struss has described these activities in detail.

“It is true that since 1934 or 1935, soon after the establishment of the Vermittlungsstelle W in the different works, theoretical “war plant games” had been arranged to examine how the effect of bombing on certain factories would materialize. It was particularly taken into consideration what would happen if 100 or 500kgs. bombs would fall on a certain factory and what would be result of it. It is also right that the word “Kriegsspiele” was used for it. The “Kriegsspiele” were prepared by Mr. Ritter and Dr. Eckell later on partly by Dr. von Brunning by personal order of Dr. Krauch’s own initiative or by order of the Air Force, it is not known to me. The tasks were partly given by the Vermittlungsstelle W and partly by officers of the Air Force. A number of officers of all groups of the Wehrmacht (Navy, Air Force and Army) participated in these “Kriegsspiele”. The places which were hit by bombs were marked in a map of the plant so that it could be ascertained which part of the plant had to stop working; they further reported what time would be required in order to repair the damages. In a following meeting the consequences of the “Kriegsspiele” were described and it was ascertained that in the case of Leuna (plant) the damages involved were considerably high; especially it was found out that alterations of the pipe lines were to made at considerable cost”.

In 1936 Hitler announced the Four Year Plan. In four years Germany was to be made independent of imported raw materials. The role of I.G. and the chemical industry in this tremendous task was all important. I.G. was to provide magnesium and thus give Germany abundant supplies of a light metal of which she had domestic pre supplies. I.G. was to supply the synthetic gasoline, lubricating oils and rubber which were to make it possible for the Nazi war machine to attack. I.G. was to make a prominent part in developing the synthetic fibers which took the place of imported wool and cotton. I.G. was to manufacture the plastics which replaced imported metals in many uses. These were some of its major achievements. There were many others. For example, I.G. was to build a sulphuric acid plant which used

12.

13.

German gypsum instead of imported pyrites. The synthetic tanning agents which took the place of Argentinian Cuebracho, and the synthetic fats which replaced imported vegetable oils were developed in I.G. laboratories.

Great numbers of I.G. scientists and technicians aided in increasing German economic self-sufficiency. But one name stands out above all the ..., Professor Carl Krauch, member of the Managing Board of Directors, Chief of Division 1 and head of the Vermittlungsstelle W. The circumstances of Krauch's appointment are rather significant.

According to Dr. Max Ilgner, Member of the Board and Chief of the Berlin office of I.G., it was Dr. Bosch, former president of the I.G. who took the initiative in placing Professor Krauch, of I.G.'s Supervisory Board of Directors, at the disposal of Hermann Goering and his Four Year Plan. In his statement Dr. Ilgner emphasized the leadership of I.G. in the chemical industry and asserted that I.G. wanted to direct the armament program for the chemical industries. He continued:

"Bosch consequently introduced Krauch to the Four Year Plan where he became chief of "Reichsamt für Wirtschaftsausbau", and the Generalbevollmächtigte für Sonderfragen der Chemischen Erzeugung; this concerned nitrogen, gasoline, buna and magnesium, all these being fields where I.G. was both in respect to scientific work (patents and know how) as well as from the industrial point of view, the real deciding enterprise and in which field I.G. would have got in every case the order to enlarge her capacities. For this same reason –in my opinion- it was the idea of Bosch to present just a man like Krauch when he was asked to nominate some one because he wanted to have a leading and energetic chemical expert who was able to direct and watch the whole planning in these special chemical fields so that it was done in an intelligent way from the economic point of view and that no measures were taken which were directed against I.G."

During this period of governmental employment, Krauch retained his position in I.G. first as Chief of Division I, and after 1940 chairman of the Supervisory Board, remained on the Farben payroll and continued to exercise his supervision over the technical work of his Division as before. The actions in this dual capacity were completely understood and appreciated by Goering.

Q. So that you can say that Goering recognized that you had a dual responsibility, one to him in the Four Year Plan, and one to I.G. Farben, as a private business man?

A. He always recognized that fact.

The placing of the leading technical man of I.G. in the Four Year Plan, to have a hand in the direction of the expansion of the chemical industry was considered good insurance by the I.G. Board to guarantee its share of the government business and subsidies. The dual role played by Krauch is indicated by the following:

Q. Did Goering consider you as essentially an employee of the government or did he consider you in terms of your I.G. relationship?

A. In terms of my I.G. Farben relationship. That is quite an interesting question. After I had been in the Four Year Plan for a few months, they were asking me to leave I.G. Farbenindustrie... and they asked Goering to put some pressure on me and Goering declined to do this. He said: "Let this man do what he likes. He is a man of the laboratory, and he is not an administrative man."

Krauch continued his duties in the Four Year Plan until 1938, always keeping his colleagues in I.G. informed of his activities, while still performing his Farben duties as Chief of Division I. As the result of an unusual incident in June 1938, Goering appointed Krauch Chief of all chemical expansion and construction under the Four Year Plan. A report on certain technical processes was admitted to Krauch's office for examination and approval. Contained therein, and not intended for Krauch's approval, was a list of production quotas which the German chemical industry would meet in the years 1938-1939. Krauch realized that there were "wrong figures" and could not possibly be realized by the chemical industry. He immediately went to Goering and informed him thereof.

Goering although impressed with Krauch's knowledge, consulted with Lieut. General Keitel, Chief of the German General Staff. Keitel insisted that his figures on explosives were correct and with this information, Goering confronted Krauch once again. This time Krauch, on the basis

15.

16.

17.

of his knowledge of the I.G. production of nitrogen and intermediates necessary to the production of explosives, convinced Goering that Keitel was wrong. At that point, Goering appointed Krauch chief for the chemical industry.

In this manner, Professor Krauch took charge of the chemical industry's expansion program, a position which he held during the armament period and throughout the war. In reward for his services, Adolf Hitler bestowed upon him the Knight of the Iron Cross (Kriegerverdienst-Kreuz) "which designates him as one of the men who won marvellous victories on the battlefield of the German work."

Under Professor Krauch, assisted by I.G.'s leading technicians and chemists, all of whom were paid by the I.G., the German chemical industry concentrated on military supply, on building and enlarging plants for productions of oil, magnesium and synthetic rubber. Dr. von Schnitzler and Ilgner freely admitted that I.G. officials planned Germany's armament program for the chemical industry. They stated:

"Since 1936, I.G. officials paid by I.G. and assisted by a large staff of technicians all paid by I.G. planned for the Nazi Government the rearmament phase in the chemical section with concentration on the building up of such war industries as magnesium, synthetic rubber, oils, etc. This was handled by the Reichsamt Für Wirtschaftsausbau and the Generalbevoll-mächtigte für Sonderfragen der Chemischen Erzeugung under Dr.Krauch."

According to von Schnitzler, I.G. was a „loyal and compliant partner of the Wehrmacht" and engaged in the aforementioned activities for its own profit and "without regard for the consequences." I.G. did more than comply with orders and requests of the Wehrmacht and other

-
- 18.
 - 19.
 - 20.
 - 21.
 - 22.

Page 66

Nazi agencies. It initiated projects for and stimulated the interests of the Wehrmacht in its war productions. I.G. also developed many projects on its own for the Wehrmacht:

“A whole range of problems had been worked at by the I.G. for its own account and only later, after certain results of the experiments could already be seen, the offices of the Army were interested in these problems.”

Then I.G. “sold” the projects to the Wehrmacht.

“The I.G. offices have taken up primarily these problems often out of their own initiative and then approached the Army.... The cases were respectively rare where the Army for its part approached the I.G....”

III. Expansion for War

With the advent to power of the nazi regime, I.G. entered upon a period of enormous plant expansion. Between 1933 and 1943 the company, exclusive of its subsidiaries, invested over RM 4.25 billion or \$1.7 billion (at the exchange rate of RM 1:40) cents in new plants, and

23.

24.

25.

in extensions to existing installations. This was, however, no normal economic growth. As the years passed, it took on the character of intensive economic preparation for total war. Dr. von Schnitzler himself has described it as “the close teamwork with Government and Wehrmacht in the joint endeavour to make Germany to a large extent autarchic and to rearm her...”

While it has often been maintained that the policy of increasing economic self-sufficiency was brought about by Germany’s acute shortage of foreign exchange and assumed military significance only much later, documents found in Farben files show quite clearly that the firm recognized the strategic significance of economic self-sufficiency at least as early as the spring of 1935, even before the inauguration of the Four Year Plan.

The history of I.G.’s investments in the light metal field affords one of the earliest and therefore most striking examples of the company’s tremendous expansion for war purposes. I.G. was by far the most important German producer of magnesium metal and alloys, which were used chiefly in aircraft construction and in the manufacture of incendiary bombs. On January 1, 1933, the firm’s capital investment in light metal plants was RM 8,6 million (\$3,44 million). Nine years later it had risen by 1600 percent to RM 136.4 million (\$54.56 million). Between 1934 and 1935 alone total investment in the field almost tripled from RM 15.105 million (\$6.042 million) to RM 42.575 million (\$17.03 million). It was

- 26.
- 27.
- 28.
- 29.
- 30.

no secret to I.G. officials that large quantities of magnesium metal were being made into incendiary bomb casings and stored in I.G. plants. Dr. Ernst A. Struss, Chief of the Office of the Technical Committee, admitted in interrogation:

“In Bitterfeld and in Aken, a large part of the production, probably the largest part, was fabricated into tubes. ***These tubes were packed in boxes and designated “Textilhülsen”. There was no doubt that these tubes were parts of incendiary bombs.”

In certain other cases, such as stabilizers, phosphorus and cyanides, I.G. also accumulated stocks for the Wehrmacht. (See Exhibit No.23, Statement of Dr. Struss dated September 3, 1945, and Exhibit No. 24, Interrogation of Herr von Heider dated August 13, 1945.)

The expansion described above is not immediately apparent from the company's books. Between 1933 and 1943 when \$ 1.7 billions had been spent on new plants and on plant extensions, the listed value of plant and equipment rose from RM 425 million (\$160.8 million) only to RM 625 million (\$ 250 million). The explanation is to be found in the lavish credits and contributions given by agencies of the Government, and in the generous depreciation charges allowed on the investment. This was an important aspect of the part played by the Nazi government and the Wehrmacht in the “close teamwork” described by Dr. von Schnitzler. To illustrate the point, we may again take the example of light metals. In an analysis of the financial requirements and earnings of the light metals sector for the six years from the beginning of 1935, Director Ziegler stated:

“On January 1, 1935 we owned plants for the production of aluminium and magnesium and for the fabrication of alloys, which had an investment cost of RM 15 million (16 million) and a book value of RM 5 million (\$ 2 million). The development of the following years – already clearly influenced by the armament program especially as regards the air force – necessitated enlargements of the plants on which RM 72 million (\$28.8 million) were spent. The investment cost as of January 1, 1941 was therefore RM 87 million (\$ 34,8 million) while the book value was RM 20 million (\$8 million). This favourable result obviously could not be achieved through

31.

32.

normal depreciation but was influenced significantly by investment contributions from the Reich Air Ministry for the plants at Aken, Teutschenthal and Stassfurt. The normal depreciation in this period amounts to RM 21 million. (\$8.4 million), the contribution of the Reich Air Ministry to RM 46 million, (\$18.4 million). The preferential treatment has been granted mainly for these parts of the plants which produce magnesium.”

Concurrently with the large increases in plant capacity, I.G., light metal sales and profits rose correspondingly:

	<u>Sales</u>	<u>Profit</u> <u>in</u> <u>Thousand RM</u>	<u>Profit % on Sales</u>
1935	49.321	9.015	18.3
1936	55.381	8.457	15.3
1937	65.769	8.725	13.3
1938	77.099	9.410	12.2
1939	109.008	17.127	15.7
1940	126.248	21.943	17.4
1941 (first half)	71.430	13.603	19.0

This was the immediate reward which I.G. received for its investment and resourcefulness. Its sales increased from a little over 1 billion marks to 3 billions in 1943 as “a 100% result of the rearmament and war policy of the German Government.”

Many of its sales were from the beginning guaranteed by the Wehrmacht. As a result of its agreements with the Wehrmacht, I.G.’s great new factories became I.G.’s unburdened property. In the case of light duties were imposed; and in the case of I.G.’s tremendous investments for the Wehrmacht in the conquered eastern countries, the equipment was

33.

34.

35.

amortized within a year of the investment.

IV. Production for War

As is graphically demonstrated by the chart attached hereto, I.G. was responsible for a very large percentage of the production of many of the critical war materials without which the Wehrmacht could not have functioned. Twenty-eight of the forty-three main products or product-groups produced by I.G. in 1943 were of primary concern to the Wehrmacht. This is proved convincingly by the following percentages of Germany's total production of highest priority materials for 1943 which Farben accounted for:

Synthetic rubber, 100; methanol, 100; sera, 100; lubricating oil, 100; poisonous gases, 95, nickel, 95; plasticizers, 92; organic intermediates, 90; plastics, 90; magnesium, 88; explosives, 84; nitrogen, 75; solvents, 75; gunpowder, 70; calcium carbide, 61; X-ray film, 50-60; pharmaceuticals, 55; insecticides and fungicides, 55; synthetic resins, 53; chlorine, 46; high-octane gasoline, 46; compressed gases, 45; sulphuric acid, 35; synthetic gasoline, 33.

These figures do not pretend, however, to tell the entire story.

For example, the importance of I.G.'s contribution so far as rubber is concerned is better seen by reference to Chart No. 15, which shows the constitution of natural rubber, regenerated rubber, and synthetic rubber in Germany by years, from 1938 to 1943. Although I.G. had carried on research in synthetic rubber at various times since 1910, commercial production did not begin until 1937. In 1938, only five thousand tons of synthetic rubber and ninety-seven thousand tons of imported natural rubber were consumed in Germany. In 1943, the position was completely reversed and only four thousand tons of natural rubber and one hundred and forty-four thousand tons of synthetic rubber were consumed. In that year I.G.'s production of synthetic rubber had reached such proportions that twenty-five thousand tons were exported.

Not only did I.G. achieve the production of this vast perostap of finished products, but all other German chemical companies and numerous strategic German industries were almost totally dependent upon I.G. for war materials, intermediate products, and technical assistance; and particular were they dependent on I.G. for the know-how. By far the majority of ne inventions in the chemical field were made in the laboratories of I.G.. To illustrate, although I.G. itself produced only 33 per cent of Germany's synthetic gasoline, its processes were responsible for approximately 90 per cent.

I.G. also operated for the Wehrmacht many plants leased from Montangesellschaft, the German Defense Plants Corporation. Most of them produced explosives.

A (coapelling...) example of the special services performed by I.G. for the German armed forces in the production of weapons of war is the case of poison gases. In 1938 the German Government, dissatisfied with the

37.

38.

Page 72

The Wehrmacht's Dependence on I.G. Farben's Production (1943)

Nicht zu lesen

progress made in the development and production of poison gases, called upon Farben to handle the problem. New I.G. plants for the production of these gases swung into operation and eventually as indicated above, I.G. achieved 95 percent of the total production of poison gases. By order of the German Government many of these plants were completely destroyed before the occupation by the Russian; and all "fore and end products" were destroyed. But at least one of these terrible secrets which the Germans hoped to save for the next war has been uncovered.

The present investigation has disclosed that an I.G. Farben official at Wuppertal-Elberfeld developed the deadliest poison gas in the world. This gas, unknown to the military authorities of the Allied Nations, could have penetrated any gas mask in existence. In its connection, Dr. von Schnitzler said:

"This fabrication, of course, was kept so secret, that only in the beginning of the year 1945 (January to February) I heard for the first time of it, when Dr. Ambros in strictest confidence told me what I have given as my personal knowledge to Major Tilly (Edmund Tilly, Major, E.P.E.S., F.I.A.T.) at the end of April and what consisted of the fact that such gases based upon an intermediate of Ludwigshafen "Metaphenylendiamine" had been shipped to the interior of Germany. Dr. Amros at the time spoke of the great danger if ever smallest quantities of this product evaded".

I.G. originally carried out its poison gas experiments on monkeys; later on human beings. For the latter purpose, inmates of concentration camps were selected, and I.G. Farben officials, concerned only with creating weapons capable of assuring German world conquest, were unmoved by this use of human guinea pigs. Dr. ter Meer justified the experiment not only on the grounds that the inmates of concentration camps would have been killed anyway by the Nazis, but also on the ground that the experiments had a humanitarian aspect in that the lives of countless workers were saved thereby. Needless to say, these gases were not only used on helpless people during the stage of experimentation, but were later used to exterminate whole groups in concentration camps such as Auschwitz. Dr. von Schnitzler said:

39.

40.

“At that time (April 1945) I was still under the impression that I.G. as a firm was only indirectly connected with the fabrication of that gas in so far as we had put chemists at the disposition of the Reich and supplied the intermediates. Later on by Major Tilly I heard that Anorgana which ran the plant was 100% I.G. and that the whole fabrication practically was an affair of I.G. He told me furthermore that these gases had been used by the Nazi authorities as a tentative in Auschwitz concentration camp.

“In the last quarter of 1944 I should say, it was at the end of November or in the beginning of December, an allusion was made to me confidentially by Dr. Müller-Cunradi that terrible things had happened in the concentration camps of Auschwitz, that gases had been used there to kill people and that I.G. products were of something in it . of course it was only an allusion. Not knowing anything of Dyhrenfurt at the time, I could not bring this allusion in connection with the new gas, but I was so horrified by it that I only reacted “but do other people know that to,” which he confirmed, yes, Ambros and the other men in Auschwitz know of these things. To Schmitz I made a remark about terrible things being connected with Auschwitz and Dyhrenfurt but without going into details. How Far he was informed about it, I can't say, for my opinion he should have heard about the general happenings regarding Anorgana a.s.o as financial interests of great importance were connected therewith and Ambros and Müller Cunradi must have reported to him about the situation under all its aspects. But that, of course, can only be heard from the 3 men themselves.

“I myself had never seen the agreement regarding “Anoragna” which was concluded before I took over my activity with the Chemikalien-business. I was of the opinion that the Reich owned plant and equipment of the so-called “Reichsbetriebe” at 100% and that Anorgana was a 50:50 position of Reich and I.G. for the handling of those products which were sold to manufacturers.

“How secret all these matters had to be held by the men immediately concerned with them might become evident by the fact that Dr. ter Meer notwithstanding that we always worked together in the dyestuff domain in the closest cooperation never mentioned them to me and I was greatly surprised when I heard by Dr. Leohr only a few days before I was taken in custody (May 7th) that under ter Meer's papers confidential material of this kind had been found.

More specifically, Dr. von Schnitzler testified as follows:

Q. During the last quarter 1944 (you said yesterday that a Mr. Muller-Cunradi “alluded” to you that the poisonous gases and the chemicals manufactured by I.G. were being used for the murder of human beings held in concentration camps?

A. So, I understood him.

Q. Didn't you question those employees of yours further in regard to the use of these gases?

A. They said they knew it was being used for this purpose.

Q. What did you do when he told you that I.G. chemicals were being used to kill, to murder people held in concentration camps?

A. I was horrified.

Q. Did you do anything about it?

A. I kept it for me because it was too terrible. I was always under the impression that these gases were not manufactured by us. I asked Müller-Cunradi is it known to you and Ambros and other directors in Auschwitz that the gases and chemicals are being used to murder people.

Q. What did he say?

A. Yes, it is known to all I.G. directors in Auschwitz.

I.G.'s knowledge of Germany's intent to wage aggressive war

The fact that leading officials of I.G. Farben assisted in the formulation and execution of the internal and external policies of the Nazi regime, and the facts disclosed above concerning the activities of the company, would, standing alone, prove that Farben knew for many years of the German Government's intention to wage aggressive war. There follow specific statements and admissions of I.G. officials to that effect.

According to Dr. von Schnitzler the war was “only the last step of a long prepared evolution” of the Nazi policies. Said Dr. Schnitzler:

“Even without being directly informed that the government intended to wage war, it was impossible for officials of I.G. or any other industrialists to believe that the enormous production of armaments and preparation for war starting from the coming into power of Hitler accelerated in 1936 and reaching unbelievable proportions in 1938 could have any other meaning but that Hitler and the Nazi Government intended to wage war come what may. In view of the enormous concentration on military production and of the intensive military preparation, no person of I.G. or any other industrial leader could believe that this was

being done for defensive purposes. We of I.G. were well aware of this fact as were all German industrialists and of a commercial side, shortly after the Anschluss in 1938, I.G. took measures to protect its foreign assets in France and the British Empire.”

A striking illustration of Farben “state of mind” is revealed in the report of its development of fuels and lubricants. Explaining the absolute necessity to Germany of these products, the I.G. report emphasized the political significance of petroleum. The report continued to relate an example of that “political significance” and selected the experience of Italy in its rape of Ethiopia as its warning precedent. The report stated:

“Italy won the Abyssinian war by modern weapons and by building special high ways. In modern wars the consumption of gasoline for motorized troops, tanks, aeroplanes, is immense. As the troops advances into the country the military roads became immensely long, as was the case in Abyssinia – all reinforcements, provisions for the fighting troop, etc. had to be transported by car – and the consumption of gasoline increased still further. In addition an extensive motor park had to be kept in order to supply the motorized units of the fighting forces and the air-bases built in Inner-Abyssinia. Although provisions had been made before hand, it was impossible to store these enormous amounts of gasoline needed in the Italian territories on the coast before the war, they had to be filled up continually the same as men, weapons and ammunition. As Italy has no petroleum of her own she was relying on the continual import from abroad. Nearly all the petroleum in the world is controlled by USA and the countries that are members of the League of Nations, if therefore gasoline had also been included in the sanctions, as proposed by England and France, the war would have come to an end very soon. Italy could win the Abyssinian war and build her empire only because England and France could not carry into effect their intentions.

I.G. officials served notice that Germany would avoid the experience of Italy in its invasion of Ethiopia. They said:

“This example will make it clear to you, that it is quite out of question, that Germany will run the risk of a similar situation and for this reason also the German demand of fuel has to be covered by Germany herself before long.”

42.

43.

44.

A rather dramatic incident occurring in 1938 and related by Dr. Carl Krauch reveals not only I.G.'s knowledge of the impending aggression but that Krauch with his great ability made a great contribution to the war effort. In 1938 Dr. Krauch, then an assistant to General Loeb, was shown certain documents which contained production estimates in explosives for the years 1938-1940. Immediately, Dr. Krauch who said he had been informed of German plans to wage war by Farben's former president, Dr. Bosch, realized that if Germany went to war on the basis of those overoptimistic figures, defeat was inevitable. Accordingly, he informed Goering of the falsity of the figures. In the words of Krauch:

"I had the feeling that they were going to war, as Dr. Bosch told me in June 1938, and that was when I went with the wrong figures of Loeb to Goering and said to him "we can't go to war because the figures are all wrong. We will lose the war on this basis."

Krauch convinced Goering that the figures were wrong despite Field Marshall Keitel's insistence that they were correct. Goering immediately took steps to rectify the errors. He appointed Krauch as his advisor in the place of General Loeb. Krauch's new job was to assure that German production in explosives would meet the false estimates and make it possible for Germany to go through with its plan for waging aggressive war. How closely Krauch's achievements came to making a German victory possible is, now of course, past history.

This awareness of impending aggression is admitted in a report by I.G. to the German Ministry of Economics in 1940 in which I.G. describes its attempt to completely cloak its holdings in preparation for war. The report states in part as follows::

"...Only in the last years, about 1937, as the danger of a new conflict was appearing more and more, endeavored to improve the measures of camouflage made by us, especially in the endangered countries, so that at least an immediate confiscation could be avoided. Even the delay of the confiscation for some months means for us, particulars about this matter will be made, an extraordinary advantage. According to our experiences hitherto, our measures for camouflage have proved to be very good during the war, and have even surpassed our expectation in numerous cases..."

Not only did I.G. have knowledge of Germany's intention to wage aggressive warfare but it was officially informed almost with exactitude of the time table of the attack of Poland.

45.

46.

Months before the attack, I.G. was officially informed by Goering's office that the Nazi war machine would invade Poland in September 1939. Before Hitler's move against Czechoslovakia, I.G. took steps to take over its leading competitor in that country. At its instigation, I.G. officials acted as Commissars of firms in the conquered countries. I.G. officials assisted in the formulation of Nazi policy for the conquered countries.

That I.G. knew the timing of Hitler's impending aggressions against Poland, etc., is borne out by a statement of Dr. von Schnitzler who said:

"I would say that in my capacity as Deputy Chairman of the Wirtschaftsgruppe Chemie, I had occasion to meet with Mr. Ungewitter at least once a month in Berlin. There we discussed official business regarding the different matters concerning the chemical industry. It was in July 1939 at one of these meetings in the presence of Mr. Ehrmann, Deputy to Ungewitter that Mr. Ungewitter told us that Hitler was determined to invade Poland and that in view of the assurance given by England and France to Poland, we must be prepared for an attack of our western front. There would be no doubt in my mind from the manner in which Mr. Ungewitter spoke that the attack would take place as soon as the harvest was collected which meant some time in September. Ungewitter told me also that the Ministry of War and the Ministry of Economics informed him that our "Kriegsgewichtigen", that is the Ludwigshafen and Oppau Works must be moved from the western frontier because they were too close. We feared also that they might have guns which could shoot over the 80km distance between our factory and the French frontier. I said at once to Mr. Ungewitter that this idea of moving the works seemed quite impossible to me. When I spoke to Dr. ter Meer one of the next days he told me that he was well aware of the plan and he confirmed that it was impossible to move the works and I am certain that Mr. Ungewitter has talked over those questions much more strongly with Dr. Wurster and Dr. Ambros than he did it with me who was not responsible for the Ludwigshafen Oppau Works. It is incontestable that Mr. Ungewitter acted on behalf of the government that means the "Vier Jahres" (Four Year) Plan when he informed me in the before mentioned war."

Page 79

That I.G. fully approved these aggressions is indicated, among other things by the following confession signed by the head of I.G.'s legal department:

“To my knowledge I.G. Farben, its directors and officers fully approved the Nazi aggression against Poland, Czechoslovakia and France. I.G. profited considerably from these conquests.

“I.G. Farben, its directors and officers are therefore responsible and it is by belief that the Allied Powers must take adequate measures to so control Germany that these acts can not be repeated again.”

48.

I.G. Farben's Role In Economic And Political Warfare

1. Introduction

I.G.'s external activities dovetailed completely with the foreign policy of the Nazi government. In the words of Dr. von Schnitzler "the development of I.G. during the last 12 years can't be separated from the government's foreign policy." It was the foreign economic policy of the German government to build up the Wehrmacht and to weaken the military strength of all other countries including the U.S.A. Leading German industrialists including I.G. officials assisted in the formulation and execution of that policy. This is succinctly expressed in the interrogation of Dr. Kugler, chief assistant to Dr. von Schnitzler, whose testimony follows:

"Q. What was the Nazi Government's foreign trade policy in its control of the relations of German industry with the rest of the world?

"A. The German government aimed to weaken the military strength of the other countries and to keep the Wehrmacht supreme.

"Q. How did this work out?

"Q. Did this apply to the United States of America?

"A. To all countries.

"Q. What was the agency of the government which handled these matters?

"A. The agency was the Reichwirtschaftsministerium.

"Were there any I.G. representatives in this body?"

1.

“A. This organization was subdivided into Fachgruppen. Mr. von Schnitzler represented I.G. in the dyestuffs field and I was his assistant. The I.G. representative for sulphuric acid was Dr. Wurster. For buna, it was Dr. Ambros of I.G.’s Ludwigshafen branch.

“Q. And was the purpose of the chemical industry the same as that for the other industrialists and financiers?”

“A. Yes. The foremost purpose of the Nazi Government and I.G. and all other industrialists was to keep the Wehrmacht all powerful vis-a-vis all other countries including the U.S.A.”

2. Economic Warfare through Cartel Connections.

An outstanding example of the manner in which Farben executed this policy of keeping “the Wehrmacht all powerful vis-à-vis all other countries including the U.S.A.” was its successful effort, by means of cartel agreements with Standard oil, to delay the development and use of buna rubber in the United States until at least 1940 while at the same time producing sufficient buna in Germany to make the German army and German industry independent of rubber imports. This investigation has fully confirmed the detailed description, heretofore made public by the Department of justice, of this transaction which so seriously imperilled the war preparations of the United States. The story in short is that under the so-called Jasco agreement, synthetic rubber was to come under Farben’s “sphere of influence.” Standard was determined, however, to have an absolute monopoly of synthetic rubber developments in the United States, if when Farben released the American rights to the process to Standard in accordance with the Jasco agreement. Accordingly, Standard fully accomplished I.G.’s purpose of preventing United States production by dissuading American rubber companies from undertaking independent research in developing synthetic rubber processes. This Standard accomplished by falsely creating the impression that it had already received the buna process from Farben and was attempting to work out a scheme for licensing the process to the American rubber companies. As a matter of fact Farben had no intention of divulging the process. Dr. Leehr testified as follows:

“Q. The Goodyear was under the impression that it was not technically feasible and therefore I.G. refused to give them licenses and the know-how?”

- 2.
- 3.

“A. I would say so.

“Q. But, in fact, I.G. according to you would not have given them the know-how, we would not have done it because the Wehrmacht forbade us to and we did not tell Goodyear of that.”

Standard Oil, however, according to Dr. Loehr, was completely informed of the situation. One conclusion which can be drawn from its “stringing along” of other companies is that it did not want them to proceed with independent research thus preventing Standard from ever having a monopoly between Mr. Howard of Standard and I.G., Standard agreed to keep American firms out of the synthetic rubber field and would let them enter it only if compelled to do so by forces beyond its control. By 1939, however, synthetic rubber development had reached a stage where Mr. Howard of Standard stated that it would no longer be possible for him to keep the information in regard to the buna processes from the American companies. Nevertheless, he assured I.G. that Standard would manage to stay “on top of the whole scheme.” As time dragged on and the licenses were not forthcoming, the clamor of the American rubber companies became so intense that Standard, not wanting to reveal the true situation, turned in desperation to Farben for an excuse to give the rubber companies. An official of Standard, in October 1939, at a meeting with I.G. representatives in Basle, stated that he had to be provided with an excuse for not getting the know-how. I.G. obligingly cabled Standard Oil to the effect that the authorities would not permit the information to be given to the American firm. “These are the conclusions,” said Dr. Loehr, “which seem to disclose that I.G. impaired the military strength of the United States.”

While I.G. gave little, it managed to procure a great deal from its cartel cohorts abroad. From America, I.G. obtained the newly-discovered method for the production of Iso-octane and its utilization for motor fuels. This process, according to one of I.G.’s leading scientists, originated “in fact entirely with the Americans and has become known to us in detail in its separate stages through our agreements with them (Standard Oil, New Jersey) and is being used very extensively by us.”

- 4.
- 5.
- 7.
- 8.
- 9.
- 10.

The process for producing tetraethyl lead, essential for the manufacture of aviation gasoline, was obtained for the Nazis by I.G. Farben in exactly the same way. Of this important acquisition, an I.G. official stated:

“It need not be especially mentioned that, without lead-tetraethyl the present method of warfare would be unthinkable. The fact that since the beginning of the war we could produce lead-tetraethyl is entirely due to the circumstances that shortly before, the Americans had presented us with the production plants complete with experimental knowledge, thus the difficult work of development (one need only recall the poisonous property of lead-tetraethyl which caused many deaths in the U.S.A.) was spared us, since we could take up the manufacture of this product together with all the experience that the Americans had gathered over long years.

“It was moreover, the first time that the Americans decided to give a license on this process in a foreign country (besides communication of unprotected secret experimental knowledge) and this only on our urgent request to Standard Oil to fulfil our wish. Contractually we would not demand it, and we found out later that the War Department in Washington gave its permission only after long deliberation.”

I.G. exploited its cartel connections with American firms not only to obtain these important processes, but also to obtain certain critical materials themselves. Because of its relations with Standard Oil of New Jersey, I.G. acted as agent of the German Government in contracting for 20 million dollars worth of high-grade aviation gasoline and lubricants. (Actually, 14 million dollars worth was delivered.) This fuel was transported to Germany and stored there; and the foreign exchange necessary for payment was supplied by the German Government. And, in 1938, when Germany had not yet begun to produce tetraethyl lead, essential to aviation gasoline, Farben, at the request of the Air Ministry, arranged to borrow 500 tons of the lead from the Ethyl Export Corporation of the United States. The loan was guaranteed by Greutert & Cie., one of Farben’s Swiss subsidiaries, with the deposit in America of \$1,000,000. Farben, of course, did not return the borrowed lead to the American company and willingly forfeited the security. Farben also purchased large stocks of magnesium from the Fow Chemical Company of America to build up the Luftwaffe’s reserves. Large amounts of nickel from the International Nickel Co. (Canada), and so far as the stockpiling of chemicals was concerned, the Wehrmacht actually ordered Farben to accumulate

- 11.
- 12.
- 13.
- 14.

as large stocks of phosphorous and cyanide as they could possibly obtain.

3. Intelligence Services and Espionage

N.W. 7 Berlin, under the direction of Dr. Max Ilgner, was the liaison office of I.G. with the various governmental agencies in Berlin. A brief analysis of the expansion of this office between 1932 and 1943 will throw considerable light on the relative importance of its various functions. The total expenses of N.W.7 in 1943 were RM 7,000,000 (\$2,800,000) as against only RM 997,000 (\$398,000) in 1932. This figure becomes increasingly significant when it is realized that the greater part of these expenditures went into channels which, from a purely business viewpoint, were wholly non-productive. The expense of N.W. 7's statistical department (VOWI) and the political economics department (WIFO) were approximately 5 and 7 times greater respectively in 1943 than in 1932. In 1943 the expenses of the Bureau of the Commercial Committee (B.d.K.A.), formed only in 1939, accounted for almost one-sixth of the total expenses of N.W.7.

Dr. Ilgner maintained the position of a dictator in this office and delegated responsibility and authority in such a manner that his subordinates never gained any appreciable knowledge into the overall picture of N.W.7; and consequently were never in a position to threaten his status. His three deputies were Dr. Frank-Fahle, Dr. Gattineau and Dr. Reithinger.

Dr. Frank Fahle was one of the younger directors in I.G. Farben. He received his training and acquired his expert knowledge of foreign currency regulations in the United States with Hallgarten Company in New York and also the American I.G. Chemical Corporation. Dr. Frank-Fahle was in charge of the Central Finance Administration (ZEFI) which dealt with many overall financial matters and with problems of foreign currency, foreign-exchange, and foreign exchange credits. Dr. Frank Fahle also had under his supervision the Bureau of the Commercial Committee (B.d.K.A.) which, by title, might be an integral part of any aggressive business organization but which, in the care of I.G. Farben, was little more than a collection, analysis and distribution point for the reports of the I.G. Verbindungsmänner, who will be described in detail below.

The largest and most sinister department of N.W.7 was the so-called statistical department (VOWI) which was formed by Dr. Ilgner in 1929. The purpose and nature of its research and market inquiries were evidently mystifying to some of the commercial employees of I.G. who were not in on the

-
- 15.
 - 16.
 - 17.
 - 18.
 - 19.

secret, since the work was obviously unjustified from a business point of view. Dr. Ilgner received the strong support of top I.G. officials and the government, particularly Professor Ernst Hagemann, President of the Statistisches Reichsamt (Statistical Office of the Reich), and soon his brain-child was flourishing under the expert direction of one Dr. Reithinger. Reithinger was particularly well qualified for his job.

Prior to his employment by Farben, he had been an important figure in the Statistisches Reichsamt. In addition to his outstanding ability as a statistician, economist and analyst, he travelled extensively in many foreign countries, including the United States, England, France, and Russia. During his travels Reithinger had carefully cultivated the friendship of persons at institutions influential and important in the fields of economic and statistics, and "had arranged an intense exchange of statistical work with the various statistical organizations in Germany and abroad."

Reithinger's department was staffed with men of recognized ability. They immediately began to compile statistics on population, unemployment, production and consumption of agricultural and industrial capacities, monetary circulation, taxes and duties, deposits and capital of banks, increase of capital of important companies and other information most of which could not conceivably have any value to I.G. as a manufacturer of chemicals and dyestuffs. However, little imagination is necessary in weighing the potential value of such information a country preparing for an aggressive war on the world.

Through the boundless energy of Dr. Ilgner, in 1937-38, meetings of prominent economists were arranged to discuss various international economic problems. As a result of these meetings valuable information was obtained. Moreover, the already close relationship between N.W.7 and the Statistisches Reichsamt, the Reichsbank, the Ministry of Economics, the Foreign Office, and the Ministry of Agriculture and the Ministry of Finance, became even closer.

With the outbreak of war N.W.7 became the focal point of request for economic intelligence from many Nazi agencies and became, formally, a quasi-governmental agency. Many of the VOWI employees were called to military service with the Wirtschaftsstab (Economic staff) of the Wehrwirtschafts-und Rüstungsamt (office of war and armament) but actually performed their duties within Dr. Ilgner's office. The vast fund of information gathered by Dr. Reithinger and his staff proved invaluable to the OKW that at the outbreak of war it considered taking over both the records and the employees and making the agency a part of the army. Other government agencies the Economic Department of the Foreign Office, the Ministry of Economics

-
- 20.
 - 21.
 - 22.

(Foreign Department) and the Ministry of Agriculture, were also desirous of absorbing VOWI. That office, however, was able to service the requests of the OKW and other agencies with such rapidity and so completely that it remained part of the N.W.7 office. It must be remembered, however, that even before 1933, Reithinger's agency had been closely associated with the economic department of the OKW under General Thomas.

VOWI's specific assignments are pretty well summarized by Dr. Kurt Krüger who at the outbreak of war became an officer on the economic staff of the Wehrmacht with headquarters at N.W.7.

"Such tasks and work were to prepare out of the archives of Berlin N.W. 7 all records, files, reports, maps and figures, that were appointed by the officers of the OKW, to be of interest and use for the OKW; to complete them out of other archives at the disposal of the OKW by news and reports entering I.G. Berlin N.W.7; to assist in digesting this material; to prepare reports and maps about industries and agricultural production abroad, considering specially the "Engpässe" (bottle necks) in capacities and raw materials. To make inquiries about production, stocks, consumption, process of special raw materials, agricultural and industrial goods, to prepare reports about the economical situation of foreign countries, their stocks, production, capacities in agriculture and industries of various products needed by Germany."

Even though the personnel of Dr. Ilgner's espionage agency were working full time for the Wehrmacht, they were paid by I.G.

From 1937 on, according to Dr. Struss, Dr. Reithinger and his entire staff concentrated on the preparation of surveys of factories in foreign countries. These surveys were prepared under direct supervision of the Wehrmacht and were used by the Luftwaffe in selecting bombing targets. Dr. von Schnitzler testified that:

"For all European countries they made up plans. Every plant of chemical interest was indicated in a complete map."

According to Dr. von Schnitzler, the VOWI took the initiative in preparing the bombing surveys and stimulated the interest of the Wehrmacht in them. He further stated that Dr. Reithinger was sworn in by the Wehrmacht because of the importance of the work, and that "the VOWI after the war had

23.

23a

24.

began, was practically working more for the General Staff of the Wehrmacht than for I.G.”

Another department of N.W.7 was the WIFO (political economics department). The first chief of the WIPO was Dr. Gattineau who was one of the early and native Nazis in I.G. Farben. However, after the advent of Hitler, Gattineau joined with Ernst Köhn and when Röm was purged in 1934, Gattineau was imprisoned. Through the intercession of Ilgner with Goebbels, he was released and resumed his position as chief of the WIPO.

Little is known of the activities of the WIPO but it is known that Dr. Gattineau's main function was to keep informed on the latest political developments. He imparted his knowledge of these developments to the Commercial Committee but never kept any record of his activities. Dr. Gattineau was not available for questioning during the course of the investigation. In 1934, Dr. Terhaar, who subsequently became the chief of WIPO, was added to its staff. Terhaar had excellent connections through his activities as a journalist and later as a member of the German staff with the League of Nations.

N.W.7 had contact men all over the world, the so-called I.G. Verbindungsmänner, who also were a brain child of Dr. Ilgner. The Verbindungsmänner were usually leading officials of the principal I.G. firms in a particular country. One of the principal duties of these Verbindungsmänner was to submit monthly reports pertaining to economic, political and military matters. With respect to politics, the reports included such subjects as internal political developments, the composition of new governments, the effects of the Proclaimed List and the British Black List, inter-American security, labor, immigration, political reactions within the respective countries to current events, pro-Axis and anti-Axis propaganda and the purposes of special diplomatic missions. Matters of vital military interest contained in the diplomatic missions. Matters of vital military interest contained in the Latin American reports, for example, included a discussion of additions to the merchant navies in various countries, a reporting of ship movements (including convoys), statistics concerning tonnage in ports, port facilities, construction of new highways and bridges, the condition of rail transportation between the Latin American countries, the operations of Pan American Grace Air lines, shipments of war materials to the United States, rearmament in Chile, and the acquisition of air and naval bases by the United States.

These reports were submitted to the office of the commercial committee (B.d.K.A.) which in turn furnished the information contained therein to the interested departments of the German government. I.G. was, therefore, operating a world-wide intelligence service both for its own use and as a

25.

26.

supplement to the intelligence facilities open to the German government through diplomatic and other channels.

Ilgner stated upon his return from Latin America in 1936:

“...It is quite natural that a concern like the I.G. with such a comprehensive and extensive world organization *** has gained experience and knowledge which can never be secured by Governmental agencies...just as it is the duty of our leading men outside of Germany to convey their general knowledge to all Governmental establishments, which concern themselves with economic matters (commercial attaches, economic experts of the Nazi Party and officials of the Chambers of Commerce), so it is also the duty of the I.G. organization at Berlin to keep the Government and party organizations Germany as well as the Economic Unions well posted on basis of all information received from foreign countries. In the past we have repeatedly had the opportunity to observe that such cooperation is of mutual advantage.”

The close working relationship that existed between the representatives of N.W.7 and the Auslands Organization (Foreign Organization of the Nazi Party) is clearly defined in a report made by Max Ilgner upon his return from Latin America in 1936.

“...it is pleasing to know that the cooperation with the German authorities during the last years (I have continuously been able to make these observations during all my travels) has improved and been intensified, and also in particular the cooperation with the Foreign Organization of the Nazi Party is continually developing in a more and more positive direction, It is known that in this respect the attitudes on both sides were not always the same during the first few years, and it is for the reason all the more gratifying, as I could ascertain during my travels through Latin America that this state of affairs is a thing of the past.”

In order to render even greater assistance, I.G. Farben also arranged for the financing of a dummy cooperation, “Gesellschaft für Verkaufsförderung” whose principal purpose was to act as a commercial cloak for services performed for the OKW, with which I.G. did not wish to be openly identified.

27.

28.

Its first president, Georg von Schnitzler, member of the Central Committee of I.G., described its activities in the following manner:

“I recently had occasion in Berlin to discuss with Major Block of the O.K.W. another matter pertaining to this subject , i.e. whether and to what extent the O.K.W. wants to use the services of the “Gesellschaft für Verkaufsförderung” (Association for Sales Promotion) which is under the management of Messrs. Kunzler and von Puttkamer. This company is particularly well suited for the intended camouflaging maneuvers, since the failure of one of its emissaries will never lead to a catastrophe; if worst comes to worst this company might have to confine its activities to the other neutral countries.”

For economic espionage in the United States I.G. Farben used a different but no less effective approach. Chemnyco Inc, an ostensibly American owned and controlled company, was set up in 1931 by Dr. Max Ilgner, as an economic intelligence agency. When Dr. Ilgner returned to Germany, his brother Rudolf acted as deputy. Chemnyco was in a perfect position to carry out its mission, since all the officials except two were American citizens, and the stock registered in the names of American cloaks. The primary function of Chemnyco was to transmit to Germany all scientific periodicals, photographs, blueprints and even detailed descriptions of industrial developments. In short, vital American industrial statistics were available to the German military machine.

So far as the principals of Chemnyco are concerned, Rudolf Ilgner, in addition to being the brother of Dr. Max Ilgner, was the nephew of Geheimrat Schmitz, chairman of the I.G. Managing Board. Dietrich A. Schmitz, the nominal owner of a majority of Chemnyco’s stock from 1935 to 1939, was the brother of Hermann Schmitz, uncle of both Max and Rudolf Ilgner, and brother-in-law of Albert Gadow, I.G. Farben’s representative in Switzerland and chief figure in I.G. Chemie. Walther Duisberg, a director and officer of Chemnyco and its guiding personality after Wilfred Greif stopped down. In 1934, was the son of Carl Duisberg, the organizer and first chairman of the board of directors of I.G. Farben. Wilhelm von Reich, a stock-holder and a powerful figure in many of I.G.Farben’s American enterprises, was the son of Walther von Rath, vice chairman of I.G.Farben’s board of directors from 1925 until his death in 1940.

In the course of an anti-trust investigation it was discovered that Rudolf Ilgner, the company’s vice-president, had ordered the destruction of a considerable part of the files, as a result of which action he was indicted for obstruction of justice, pleaded guilty and was convicted. There is no

Evidence of the type of information Chemnyco was seeking to withhold when it destroyed its papers. When questioned on this point by investigators, Dr. Max Ilgner stated that only explanation he could offer for the destruction of the files was that Chemnyco officials were afraid that the information which they had transmitted to I.G. "might" violate the United States security statutes.

4. Propaganda

I.G. worked directly with the "Aufklärungs Ausschuss", the overseas propaganda department of the German Government, in disseminating anti-American propaganda in Argentina and pro-Nazi propaganda throughout the world. As has been shown, the I.G. confidential agents (Verbindungsmänner) were an important source of economic intelligence for the German Reich. In every case they worked hand in glove with the Auslands-Organization of the Party. It was a clear-cut I.G. policy that men going to foreign countries be imbued with the Nazi Philosophy. This policy was formulated as follows at a meeting of the Commercial Committee held on September 10, 1937:

"It is hereby understood that in no case will men be sent to our foreign companies who do not belong to the German labor Front and who do not possess a positive attitude towards the New Order. The men who are to be sent should make it their special duty to represent National Socialistic Germanhood. Especially are they to be instructed that upon entering our companies they are to make contact with the Ortsgruppe of the respective Landesgruppen (organizations of the Nazi Party within the various countries) and regularly participate in their meeting as well as in the Labor-Front. The sales departments should also see to it that an appropriate amount of National Socialistic Literature is given to them. The cooperation with the A.O. must become more organic. It appears practical, together with the A.O. to work out a uniform plan for the purpose of defecting defects still existing in our foreign companies to the end that they can be eliminated."

For years I.G. had been interested in the dissemination of pro-German propaganda in Latin America through the schools, the press, and libraries. One of the most effective devices for obtaining publication of propaganda was the club of its advertising. Thus, for example, in February 1938, the pharmaceutical department of I.G. agreed on the following advertising policy:

“Advertising in journals hostile to Germany..... shall on all terms be avoided. Commercial and advertising considerations have to be put in the background as compared with the more important political point of view.

Upon Germany’s entrance into the war I.G. contributions for press propaganda in Latin America became far greater. For example, a telegram dated September 2, 1939 from I.G. to the Cia. General de Anilinas, S....., Mexico City, stated:

“In case of war Legation asks firms Mexiko to let them have moneys on a loan basis. Amounts shall be refunded by German Government stop. Please authorize monthly payments pesos ten thousand on behalf of all I.G. agencies stop Propose monthly amount all I.G. agencies pesos two hundred. Please wire.

This telegraph bears the handwritten notation: Board agreeable Dr. Overhoff informed.”

An indication of the use made of the funds contributed to the “Press Committees” by I.G. and other German firms in Latin America is provided by the “Aufklärungs-Ausschuss”, the overseas propaganda department maintained by the German Government referred to above. The function of this department was to obtain coverage for propaganda articles in newspapers throughout Latin America. A series of articles placed in the Argentine press during the period from February 1, 1938 to March 31, 1939 had as their theme “Struggle Against the United States in Latin America.” Three

hundred eighty-one of these articles, together with the papers in which they appeared and the dates of their publication, were sent by the “Aufklärungs-Ausschuss” to I.G. in August, 1939.

In the covering letter to this list I.G. was informed:

“The large list presents in the first part a glance of the published articles against the United States in the newspaper of Buenos Aires, while the second part includes similar articles in the Argentine province.”

Farben reviewed this entire series of articles and suggested additional newspapers in Buenos Aires which could be used effectively for the dissemination of articles, and suggested that Heinrich Homann, I.G. Verbindungsmann for Argentina, might be of assistance in spreading the propaganda.

These are but a few examples of I.G.’s propaganda activities. Their significance is perfectly clear. The activities described here are not those of a national passively submitting to the wishes of a government preparing for war but rather the efforts of a free agent actively engaging in a movement to subjugate the world.

The world-wide sales agencies maintained by Bayer were used as a source of foreign funds for establishments of the German Government and the Foreign Organization of the NSDAP in neutral countries. A compilation of such payments since 1940 shows that the equivalent of RM 9,600,000 in local currencies was paid into the coffers of German Embassies and the A.O., principally in Brazil and Spain. The local agencies received credits for these payments in the Bayer books of account, and the counter amount in RM was paid to I.G.’s Central Finance Administration, Berlin, by the Gemran Foreign Office and NSDAP. These payments abroad, whether voluntary or compulsory, were of tremendous importance to the German Government, in the acquisition of critical war materials and the furtherance of Nazi propaganda. They will be discussed in more detail in the section following.

5. Foreign Exchange

As was indicated in Chapter I, I.G. accounted for approximately 50% of Germany’s total exports of chemicals and allied products; and was generally a dominant factor in Germany’s export trade. These transactions made I.G. Germany’s largest single corner of free foreign exchange, providing on an average a minimum of 10 per cent of the country’s total

34.

35.

supply. Without this foreign exchange, Germany could not have purchased in the strategic materials, still unavailable in Germany, and essential to Germany's rearmament. Nor could the German Government have financed it: espionage, propaganda, and other military political activities abroad in the preparation for and prosecution of the war.

As the years passed, the need for foreign exchange increased and the shortage became more and more serious. Government pressure on German industry to increase its procurements of foreign exchange was always strong. With the beginning of the Four Year Plan this pressure became acute.

I.G. Farben cooperated fully with the government in making available all possible foreign exchange for government purposes. For example, in order to secure foreign exchange in Central and South America, I.G. "had to reduce...prices by a total of RM 1 million a year." In Mexico "in case of war", I.G. gave pesos to the German Embassy because "the German press must be influenced." In Brazil during 1940 and through January 1942, the I.G. Bayer agencies paid a total of Ctos. 22,200, the equivalent of RM 3,639,343, to the German Embassy and to representatives of the NSDAP for reasons unknown. In Spain, when the German Embassy wanted Spanish pesetas, the company raised credits from the Spanish banks so as to comply with the demands of the German government, and paid back these credits by later peseta receipts. Finally when the foreign exchange situation became absolutely desperate, I.G. even sold some of its investments abroad.

-
- 36.
 - 37.
 - 38.
 - 39.
 - 40.
 - 41.
 - 42.

Chapter V

Acquisition by conquest

1. Introduction

In arming the Wehrmacht for the coming war, I.G. Farben amassed great profits and extended its domain in Germany considerably. As the Nazi territorial expansion proceeded first by “peaceful” means and then by actual war, I.G., as a co-conspirator in this war of aggression, reaped the fruits of conquest. Despite its already held, I.G. proceeded to annex an industrial empire, eliminate its competitors and secure control over virtually the whole chemical industry in the conquered countries.

Throughout the period of Nazi aggression, I.G.’s activity in the conquered countries of Europe paralleled the policy of the Nazi government. That policy was war and plunder. Each conquest was the stepping stone to further conquest as each country was in turn converted into an armed camp for the Nazi war machine. And concurrently, the German war machine was used to achieve an industrial empire for the Nazi chiefs and industrialists who marched into the conquered countries in the make of the Wehrmacht. To quote Dr. von Schnitzler:

“Side by side with Germany’s tremendous utilization of the industries of the conquered countries for the German war machine, there came to be a great German penetration of the economy of the conquered countries.”

The extent to which the Nazi industrialists penetrated the economy of Czechoslovakia, for example, looting properties, seizing valuable patents and techniques is well known. As Dr. von Schnitzler himself has said:

- 1.
- 2.

“The way by which the different Nazi governmental instrumentalists like the Goering Werke and the SS. Entered Czechoslovakia’s industrial economy was highly to be blamed, as it was practically a looting of private interests.

“I.G. did not participate in this whole domain and remained solely on its 50 per cent participations in Chemische Werke Aussig Falkenau. Goering took everything over for himself so that there was no opportunity of the I.G. technicians to develop anything in Czechoslovakia.”

I.G. played an outstanding role in exploiting the conquered countries for the Nazi war machine. Dr. Max Ilgner, who played a vital part in the subversion of the economy of Southeastern Europe to the purpose of I.G. and Germany, has stated:

“In regard to the chemical and related industries of the conquered countries, I.G. played an important role in adapting the industries of those countries to the purposes of the Nazi war machine. Of all German chemical firms, I.G.’s part in adapting the chemical industries to the purposes of the Nazi war machine was by far the most important.”

The I.G. methods of acquisition by conquest were varied. Sometimes the acquisition were cloaked with legality, and, in general, it may be said that I.G. preferred “legal” forms of accumulation. For example, in the case of Francolor, the newly founded German-French dyestuffs corporation, I.G. exchanged shares with the French firms. As a result, it received a 15 per cent or a controlling interest in Francolor while the French firms received in exchange a totally insignificant percentage of the I.G. shares.

In the case of Norsk Hydro Elektriske Knaelstofaktielskab, Norway’s largest enterprise and only nitrogen producer, a somewhat similar method was used. French shareholders, through the Banque de Paris et des Pay-Bas, controlled 60 per cent of the shares of Norsk Hydro before the

3.

4.

war. After the Nazi occupation of Norway and France, I.G. and the Luftfahrt Bank acquired the controlling interest, and the French shareholders were reduced to a minority.

Following the lead of the Nazi authorities, I.G. did not hesitate to participate in “outstanding example of loot”. For example, it took the initiative in acquiring “Boruta”, the largest dyestuffs plant in Poland, from the Nazi government with the full knowledge that the Polish owners would receive nothing for their property. Again, in the case of Austria, I.G. took over the strategically situated Skoda Wetzlar Works from the Creditanstalt, knowing well that the transaction was made possible by the Nazi government’s confiscation of the Rothschild group’s controlling interest in the bank.

These acquisitions formed the foundations of vast new industrial developments, all contributing to the strength of the Nazi war machine. For example, through Donau-Chemie, a company organized in Austria, new works for the German war machine adding up to an investment of 192 million Reichsmarks were projected. A new gasoline plant was erected which processed the crude Austrian and Rumanian oil into gasoline for the Luftwaffe. A new sulphuric acid plant was built alongside the Danube River, and an enlargement to the plant was begun. Another gasoline plant was enlarged.

A huge magnesium plant was built and a chlorine plant was erected to supply the chlorine for the magnesium plant. In addition, numerous smaller works were absorbed by Donau-Chemie.

The extent of I.G.'s profits from aggression can be measured by the fact that the value of its acquisition and new investments in the conquered countries is estimated at more than one billion Reichsmarks. I.G. increased its holdings in almost every field, including high octane gasoline, light metals, lubricating oil, chemicals, pharmaceuticals, sera and vaccines, rayon, plastics, mines, nitrogen, synthetic rubber, oxygen and dyestuffs. Furthermore, it systematically increased the technical dependence of the occupied countries on I.G. by installing new techniques or processes, but maintaining the research headquarters in Germany.

6.

7.

Page 98

It must be emphasized that this intensive industrialization of Austria and Czechoslovakia as well as the other conquered countries did not result in a better standard of living in the occupied areas. On the contrary, the Nazi occupation was disastrous for the well-being of the conquered peoples who suffered in proportion to the mounting Nazi military and economic gains and who were gibe into bondage to the men who supplied the tools for the German war machine.

I.G. Farben's participation in the looting of Europe was commented upon by a Farben director as follows:

"To my knowledge, I.G. Farben, its directors and officers fully approved the Nazi aggression against Poland, Czechoslovakia and France. I.G. profited considerably from these conquests."

2. Austria

For years prior to the Anschluss, I.G had tried to acquire the Pulverfabrik Skoda Werke Wetzlar, a large chemical factory in Austria, from the Creditanstalt, one of the leading banks in Vienna, which was controlled by the Rothschild group. As soon as the Nazi troops moved in, the interests of the Rothschilds were confiscated, and the Deutsche Bank, Berlin,

8.

9.

Page 99

secured control of the Creditanstalt. By virtue of this Nazi plundering and in the full knowledge of what had happened, I.G. was able to obtain the long sought-after Skoda Werke Wetzlar.

On March 13, 1938, with the Nazi troops in Vienna, Max Ilgner, a leading figure in the negotiations for the acquisition of Skoda Werke Wetzlar from the Creditanstalt. Reported to the I.G. Board:

“The management of the Creditanstalt and the Skoda Wetzlar Werke with whom we have negotiated on the acquisition of the shares has changed. We are facing a new situation.”

10.

11.

12.

Page 100

So radically had the situation changed that Ilgner himself became a member of the new board of directors of the Creditanstalt. He has stated that he did so on the approval of Hermann Schmitz, president of I.G.

In the minutes of the meeting of I.G.'s Commercial Committee on March 23, 1938, the following appears:

“No obstacle now stands in the way of the first step of the fusion planned before. Thus, I.G. can go ahead and acquire the majority of the Skoda Wetzlar Work shares at once. Decide to contact the German authorities in Austria.”

And a few weeks later:

“Reports from Haefliger, Haajer and Schiller say that neither the party and the administration in the old Reich and German Austria have anything against the plan which I.G. has had for a long time for unifying the Austrian chemical industry, i.e., Dynamit A.G., Deutsch-Matrei, and Skoda Wetzlar Works, and recognize that it is a logical development for us to take over the management ...

On June 2, 1938, the Nazi State Commissioner for Private Economy in Vienna approved the acquisition by I.G. of the Skoda Werke Wetzlar shares.

Besides Skoda Werke Wetzlar, there was another large chemical firm in Austria, Dynamit Nobel A.G., Pressburg, 51,1 per cent of the stock of

13.

14.

15.

which was owned by Dynamit A.G., Troisdorf, in which I.G. held a controlling interest. To build a completely integrated firm, I.G. wished to combine at least one important plant of Dynamit (Pressburg), the Carbidwerke Deutsch-Matrei A.G. manufacturing chlorine products and alkalies, and its subsidiary, the Österreichische Kunstdünger, Schwefelsäure-und Chemische Fabrik A.G. producing mainly sulphuric acid and superphosphates.

On April 9, 1938, when I.G. submitted an application to Nazi Secretary of State Keppler for the acquisition of the Skoda Werke Wetzlar, it also asked for permission to merge the latter with the Carbidwerke Deutsch Matrei. The latter pointed out that as a result of the reorganization, a valuable contribution could be made to the Four Year Plan. Naturally, such permission was granted. Then in a series of transactions I.G. acquired the shares of the Creditanstalt and other small shareholders in the Pulverfabrik Skoda Werke Wetzlar A.G., merged the Wagemann Seybel Co., a subsidiary of Skoda Werke Wetzlar with the latter; purchased the Carbidwerke Deutsch-Matrei A.G. and the Österreichische Dynamit Nobel, an explosives plant, from the Dynamit Nobel, Pressburg; fused the Gesellschaft für Angewandte Elektrizität and the Österreichische kunstdünger, Schwefelsäure und Chemische Fabrik A.G. with the Carbidwerke Deutsch Matrei, and finally amalgamated the Skoda Werke Wetzlar A.G. and the Carbidwerke Deutsch-Matrei into the 100% I.G. owned Donau-Chemie A.G.

The nature of the merger was quite clear to those who carried it through. Of the acquisition of Skoda Werke Wetzlar on which the whole composite structure of Donau-Chemie was based, Dr. von Schnitzler himself has said:

“*** I.G. acquired the Skoda Wetzlar Works from the Deutsche Bank which had acquired the Skoda Wetzlar Works by participating with the Nazi Government in a theft of the property.”

The acquisition of the Skoda Werke Wetzlar and the foundation of Donau-Chemie gave I.G. virtual control of the entire Austrian chemical industry, and paved the way for further penetration into the industry of south eastern Europe. This however, was but a fraction of the benefit able to produce large quantities of materials for the German war machine in the existing plants of the new company, I.G. also expanded the production facilities of the latter tremendously. In the words of Dr. von Schnitzler:

“I.G. took the newly founded Donau-Chemie A.G. as an “overcoat” to buy huge land property in the so-called Tullin field which was a small city about 20/30 km up the Donau from Vienna and was excellently situated for industrial development.

„In general one always wanted in Austria to have Austrian companies on the spot and that was the reason too that I.G. took Donau-Chemie as an overcoat, but under that overcoat the bid manufacturing plants in Moosbierbaum should be run directly and were run directly by I.G., so for instance the hydrogenation plant and the projected plant for Moosbierbaum.”

With the assistance of the Wehrmacht, I.G. projected a program of new investments in Austria totalling 192 million Reichsmarks. Of this sum the Luftwaffe agreed to lend 65 million Reichsmarks to I.G. and also granted Moosbierbaum for the production of high octane gasoline I and II, lubricating oil, sulphuric acid I and II, “nebel” acid, magnesium, and chlorine. In addition, two power stations with six boilers, quay, railways, etc. were erected. Had the huge Moosbierbaum plant ever reached full production it would have been one of the Wehrmacht’s most important suppliers.

3. Czechoslovakia

Having absorbed virtually the entire industry of Austria, I.G. looked with anticipation of further gains to the Nazi occupation of the Sudetenland. Its objective was the Verein für Chemische und Metalurgische Produktion (Aussiger Verein) of Prague, the fourth largest chemical company in Europe and the only major chemical company in Czechoslovakia.

The increasing Nazi agitation in the Sudetenland in the Spring of 1938 and the growing possibility of a conflict between Germany and Czechoslovakia was of particular interest to I.G. The company, in anticipation of the annexation of the Sudetenland, became very much concerned over the future Nazi disposition of the Aussiger Verein, the only important dyestuffs plants in Czechoslovakia. I.G. was determined to see to it that the dyestuffs industry of Czechoslovakia would not fall “...into the hands of some third party thereby impairing the position of Farben.”

In the summer of 1938, over three months before the annexation of the Sudentenland, I.G. Farben prepared to take action. A meeting called for

20

21

22

23

23a

Seite 103

this purpose was held between I.G.'s Berlin personnel and managers of I.G.'s Chzech agencies. A monograph dated July 28, 1938, on the structure of Aussiger Verein was prepared.

By September 23, 1938, I.G. officials had concluded successful negotiations with the Nazi government for the appointment of its directors, Dr. Wurster and Dr. Kugler, as commissars of the Aussig and Falkenau Factories. On September 29 von Schnitzler reported to his fellow directors that he had laid claim to the acquisition of the Aussig-Falkenau by I.G. He was forced to compromise on the question of commissars, however, and agreed that along with Dr. Kugler, Mr. Brunner, manager of the works in Falkenau should be appointed.

Before the Wehrmacht marched in, the Nazi Ministry of Economics approved the appointment of Kugler and Brunner as commissars of the Aussig and Falkenau factories. An I.G. report describes subsequent events as follows:

“On 1st October the marching in of the German troops began, on 3rd October Falkenau was occupied, and on 9th October Aussig (was occupied) All Sudeten works of the PRager Verin were entrusted to a commissarial manager, Director Dr. Kugler (I.G.).

Dr. Schmitz was quick to congratulate Hitler on this coup d'état and donated to him ½ million reichsmarks (\$200,000) for sue in the Sudeten territory.

The management of the Aussiger Verein objected strongly to the installation of the I.G. commissars in the factories. The company also strenuously objected to any negotiations for the purchase of the Aussig and Falkenau plants with the management of those plants. The controlling interest of the Aussiger Verein was held by the Zivnostenka Bank and the Solvay group of Belgium, which together held about 55 per cent of the shares of the company.

In November 1938 I.G. and another German firm, Chemische Fabrik von Heyden, A.G. began negotiations for the purchase of Aussig-Falkenau from the Aussiger Verein. Commenting on the speed of the negotiations, von Schnitzler stated:

24
25
26
27
27a
28
28a

Seite 104

“Seldom has a great international economic agreement containing so many clauses and covering so many domains been concluded so speedily as this. In one day the agreement in principle was reached and the lump sum was fixed. In the thirty days following all clauses were prepared and in another two days negotiations in Berlin about December 7th, the agreement and all its by laws were signed.”

The following interrogation of von Schnitzler casts further light on the nature of the acquisition:

“Q. How were negotiations for the purchase of the Aussig Falkenau factories from the Prague Verein begun?

“A. The negotiations were made through the Dresdner Bank represented by Rasche and Zinser.

“Q. Was the Prague informed that it would have to sell the property?

“A. Yes, the Dresdner Bank insisted that the Zivnostenka Bank exercise its controlling influence in the Prague Verein to get the Prague Verein to sell the Aussig Falkenau.

“Q. If Zivnostenka Bank had refused to do what the Dresdner Bank ordered, what measures would have been taken?

“A. It would be difficult for me to say, but no doubt the German government would have sequestered the property and installed commissars to manage it on a permanent basis.”

The financial agreement of sale was signed on December 7, 1938. I.G. and the Chemische Werke von Heyden organized a new company, the Chemische Werke Aussig Falkenau GmbH., in which each had an equal participation of 50 per cent. The purchase price was fixed at a sum equal to the annual turnover of Aussig and Falkenau. The new I.G. -von Heyden company, was founded with a capital of 10 million reichsmarks, of which 5 million were fully paid in. Later the capital was increased to 14 million reichsmarks, and finally to 16 million.

29.

30.

The Chemische Werke Aussig Falkenau, GmbH. absorbed the two plants situated at Aussig and Falkenau and their lignite mines, the „Albert“ and „Maria Antonia“ (situated near Aussig) and the „Georg Schacht“ (near Falkenau) together with all stocks, patent rights, and good will.

Subsequently I.G. purchased the dyestuffs and intermediates plants of Aussig including stocks, patents, and trademarks, from Chemische Werke von Heyden for RM 6,000,000 and organized the Terfarbenwerke Aussig GmbH, a new wholly owned subsidiary, with a capital of RM 500,000,000 to manage it. Thus, I.G. absorbed the entire dyestuffs industry of Czechoslovakia.

4. Poland

When Poland was invaded I.G. Farben moved quickly to acquire the three largest dyestuffs companies in that country. They were the Przernyel Chmiczne w Winnicy (Winnica). The reasons for this action were quite clear.

First and most important, unless forced by circumstances, I.G. would brook no competition in the dyestuff market, its oldest domain. On no account, therefore, would it allow the Polish factories to fall into the hands of third parties. Second, I.G.'s western plants were relatively vulnerable to an attack, and it was, therefore, interested in acquiring the Polish plants as insurance against the effects of any such misfortune.

31.

32.

On September 7, 1939, one week after the invasion started, von Schnitzler, chief of dyestuffs commercial matters, wired Dr. Krüger of I.G.'s Berlin office to begin negotiations with the Nazi Economic Ministry with a view to gaining control of the Polish dyestuffs plants:

“The plants (Boruta, Wola, Winnica, Pabjanice) have considerable and valuable stocks of raw materials, intermediates, and finished products nearly all destined for the manufacture of dyestuffs and affiliated auxiliary products stop leaving open for the instant the questions of carrying on the plants, in our opinion and on any condition the said stocks should be utilized by experts in the interest of the German economy stop I.G. only is in a position to provide such experts stop we would be prepared to delegate for this business Mr. Schwab, the leading director of our East European dyestuff sales department stop assistants, also on the technical side, are of course, available if required stop we intend to present ourselves in the middle of next week to the competent authorities in Berlin for further deliberation and beg to arrange a meeting for that purpose stop our (Polish) representatives,... are in the meantime of course at the disposal of the military and governmental authorities for information and advice”.

Following this communication a meeting was held between I.G. and government officials at the Reich Economic Ministry. The government declared that for the time being they saw no need for the appointment either of commercial controllers or technical experts. Undaunted and obviously dissatisfied, the I.G. representatives, Haefliger and Prentzel, informed the government officials that Dr. von Schnitzler himself would reopen discussions with the Reich Economic Ministry within the next few days.

Almost at once von Schnitzler petitioned the Nazi Ministry of Economics for the appointment of I.G. as trustee of the Reich for the administration of the three dyestuff factories in question, Boruta, Wola and Winnica, asking for authority either “to continue the works or close them and make use of the stocks of raw materials, intermediates, and finished products”. In his letter, von Schnitzler also emphasized the importance of Boruta's production to the Nazi war machine:

“The importance of Boruta to the German strategic economy must be valued at present higher as 85 per cent of the production of coal tar dyes and intermediates by I.G. are located in works in Western Germany, and of this production, a very important part is at Ludwigshafen, where the production of dyestuffs must be reduced to a minimum.

33.

34.

35.

On September 29, 1940, the Ministry of Economics appointed Schwab and Schoner, both I.G. officials, as commissars of the three dyestuff companies.

When the Ministry of Economics and the Haupt Treuhandstelle Ost (HTO), trustee of the property, continued unwilling to sell Boruta, the largest of the three dyestuff companies, I.G. asked permission to lease it and on November 30, 1939, the HTO agreed. While negotiations for the lease were pending, however, the HTO on June 20, 1940, informed I.G. that it would consider the sale of Boruta to I.G. On July 10, 1940, I.G. replied:

“With best thanks we acknowledge receipt of your letter with enclosed information of HTO of 20.6 from which we were glad to learn that instead of the originally provided lease now the purchase of Boruta by I.G. may be considered. As you know, we much appreciate this settlement, and it eliminates especially the various technical difficulties which would have cropped up with a mere lease of the enterprise during war time. We, therefore, ask you to inform the HTO that we are quite prepared to enter into purchase negotiations at once.”

On February 10, 1942, the contract of sale of the Boruta by the Haupt Treuhandstelle Ost to the I.G. was ratified. It must be emphasized that I.G. purchased Boruta from the HTO with full knowledge that the Polish owners of Boruta were being confiscated of their property.

36.

37.

38.

Page 108

The channels which I.G. used in pressing its suit for the acquisition of Boruta are revealed by the following extract of a letter from von Schnitzler.

“Enclosed are copies of my exchange of letters with Dr. J.C. Eichenauer, one of the leading officials of the nitrogen syndicate. As you know, Dr. Eichenauer was considerably instrumental in SS Gruppenführer Greifelt agreeing to the acquisition of “Boruta” for the I.G., and I, therefore, request that a very cordial invitation be sent to Dr. Eichenauer.”

Winnica

The second dyestuffs factory which I.G. Farben acquired in Poland was Winnica. On the surface this company was wholly-owned by the French firm Etablissements Kuhlmann. Secretly I.G. Farben had a fifty per cent interest in the company. The circumstances surrounding this cloaked participation are rather interesting. In Poland German firms had no right of settlement (Niederlassungsrecht), while French companies did. Both Kuhlmann and I.G. were anxious to build a dyestuffs plant in Poland. Accordingly,

“Q. What legal right did the I.G. have to the Polish property?”

“A. .No legal right, only the question of the practical working.

“ Q. Then I.G. made proposals to the Nazi government that I.G. buy the Polish dyestuff from the Nazi Government?”

“A. Yes.

“Q. And I.G. had full knowledge that the Polish owner would receive nothing for it?”

“A. Yes.

“Q. And with that knowledge I.G. voluntarily proposed to buy the property and eventually did buy the property from the Nazi Government?”

“A. .Yes, forced by the circumstances.

“Q. This was in regard to Boruta?”

“A. Yes.

IG. Formed the Teerfarbenwerke Litzmannstadt GmbH, capitalized at RM 500,000 to manage the Boruta works.

39.

After negotiations between I.G. and Kuhlmann the French company bought a soap factory in Poland on that site a dyestuffs plant was built. By arrangement with the French, I.G., through one of its camouflaged subsidiaries secretly acquired fifty per cent of the stock of the new company, paying partly in money and partly in goods, mainly intermediates. Actual control of the share remained with I.G.

With the Nazi invasion of Poland the cloak was thrown off, and I.G. appeared as the real owner. Two years later, when the Francolor agreement was signed, the remaining 50% of Winnica stock also came under I.G. control. Then on May 20, 1942, when insufficient fuel supplies had made it impossible to continue the operation of Winnica, I.G. liquidated it, selling the machinery and equipment to Boruta, by that time, of course, also a 100% I.G. subsidiary.

Wola

Wola was a somewhat smaller dyestuffs company than Boruta. In its case a simple and more ruthless method of settlement was available. In his letter of September 14, 1939, to the Ministry of Economics, von Schnitzler pointed out that Wola was a non Aryan family property and recommended that it be closed down. When this was done, and the machinery, equipment, and stocks of the Wola were sold, I.G. itself purchased the battery installation. The Polish owners of the property received nothing.

Other firms

Four small independent Polish dyestuffs firms which together handled about 5% of the Polish business were also eliminated at the demand of I.G.

There was only one other dyestuffs producer in Poland, Pabjanice, a subsidiary of the neutral Swiss Ciba, Geigy and Sandoz. A few days before his letter of September 14, 1939 to the Ministry of Economics, von Schnitzler sent the following wire to the Swiss owners:

“In the middle of the next week shall have an opportunity to contact the German authorities about safeguarding of Polish dyestuff factories, utilization of the stocks. Suggest you inform us by telegram if possible wishes regarding Pabjanice.

Von Schnitzler

40.

41.

42.

43.

The Swiss replied finally that Pabjanice was Swiss property and that they expected that it would be respected as such. It was the only independent dyestuffs plant to survive.

In so far as these plants remained in operation, the production almost all went to the Germany army. But this was not the most important assistance that I.G. gave to the army as a result of the Polish conquest. Like others before it, a process of forced industrialization for German war needs took place in the Polish economy. I.G. undertook the huge projects at Auschwitz and Heydebreck, for the production of synthetic gasoline, buna and methanol.

5. France

Early in June 1940, looking to the imminent defeat of France, I.G. began discussions with the Nazi Ministry of Economics regarding terms to be imposed upon the French chemical industry. Etablissements Kuhlmann, the only large chemical company in France, was second only to I.G. Farben on the Continent.

According to von Schnitzler, Chief of I.G.'s dyestuffs department and leading I.G representative in the negotiations with the French industrialists, the original plan was to force French industry to work for the Nazi war machine. It soon became apparent to the Nazis, however, that this was unnecessary, and that the French industrialists were willing to join forces with the Germans against the Allies rather than lose their property. Indeed, French chemical leaders, notably, Joseph Frossard, the head of Etablissements Kuhlmann, whom von Schnitzler had described as "the man who is still the spirit of the French dyestuff industry as well as its creator", were extremely anxious to open negotiations with the Germans.

44.

45.

46.

47.

Von Schnitzler, kept well informed by I.G. agents in Paris of the state of mind of leaders in the French chemical industry, preferred, however to “let the French simmer in their own juice”. In a statement regarding the attitude of the French dyestuff group after the defeat of France, he has written:

“Frossard consequently started nearly at once – I think it was in August – with his endeavors to come on speaking terms with us, he not only addressed Dr. Kramer in Paris, but he let me know through Mr. Koechlin of I.R. Geigy in Basle that he was desirous of a conversation with us. We say Mr. Koechlin in October 1940, in Zurich. Notwithstanding the applications made by I.G. to the German Government I was not in a hurry to react on their suggestions. As we were not prepared to renew our relations with the French group on the basis of the old cartel agreement but aspired to a much deeper rooted agreement. I thought it advisable to let them simmer in their own juice and to wait till they asked for such private negotiations through the official channel of the armistice commission.”

Thus, before the meetings of Hitler with Petain and Laval placed German French collaboration on an official basis, the French chemical industry was pressing for an understanding with I.G. Farben. The nature of the understanding desired by Frossard is crystallized in a report from the I.G. agent in Paris.

This states in part:

“One sees absolutely clear at Kuhlmann’s that Germany will win the war and that the organization of the European economy will be made under the leadership of Germany. Frossard offers to put his whole industry into the services of Germany to strengthen the chemical potential for the continuance of the war against England.

“Kuhlmann would be prepared to produce all preliminary and auxiliary products for the I.G. which would be desired from the German side. He, Frossard, wants a confidential collaboration closer connection by marriage in the dyestuff and European economy under German leadership.”

48.

49.

Not only was Frossard himself anxious to work for the Nazis; he also offered to secure to collaboration of other French industrialists.

Armistice Negotiations

On November 21, 1940, the first armistice meeting between I.G. officials and representatives of the French chemical industry was held in settling the economic terms of the armistice, was in the chair. Von Schnitzler, ter Meer, Waibel, Kugler and Terhaar represented I.G. and Duchemin, Thesmar and Castes, the French.

At the meeting a memorandum prepared by von Schnitzler and determining the basis for Franco-German relations in the dyestuffs industry was read and handed over to the French delegation. The memorandum stated that before the war I.G. controlled more than half the world's export market and fixed the world's prices in dyestuffs. But even this far reaching control was not enough. Citing the damages done to the German dyestuffs industry by domination of the French dyestuffs industry.

The contents of the memorandum were in line with the official policy of the Nazi Government; and the I.G. and French representatives were authorized to negotiate on a private basis on condition that they reported results to their respective government representatives. Under von Schnitzler's leadership, the I.G. delegation never deviated from its stand that the German company must obtain a controlling interest, at least 51%, in the entire French dyestuffs industry.

-
- 50.
 - 51.
 - 52.
 - 53.

Page 113

On behalf of the French, Duchemin pointed out that the 1927 cartel agreement between I.G. and the French had been beneficial to both parties. He cited von Schnitzler's praise of that agreement in 1937, when its tenth anniversary was observed. Now, however, von Schnitzler and Ambassador Hemmon refused to consider the French proposals on the ground that they were not "in consonance with either the legal position or with the political and economic facts." "After all that has happened", said von Schnitzler, "the French standpoint regarding the validity of the cartel must be considered an imputation and insult."

The negotiations between I.G. and the French companies were, therefore, restricted to a discussion of I.G.'s "claim to leadership" (Führungsanspruch) in the industry. The French representatives, notably Duchemin,

54.

55.

Page 114

continued to protest that I.G.'s demand for a 51% a participation was unfair, but the I.G. representatives were adamant. The Vichy French government also feared the effects on French public opinion of granting I.G. a 51% participation in the French dyestuffs industry. Frossard of the French delegation, however, urged acceptance of the I.G. terms, and promised to exert pressure on Duchemin and the others.

Apparently his efforts met with some success, for reporting on Frossard's conversations with his French colleagues, the I.G. agent wrote:

"Mr. Frossard mentioned at this occasion that Mr. Duchemin already regrets very much to have made the remark 'that he would rather have his hand cut off' that grant I.G. a 51% participation."

56.

57.

58.

59.

Page 115

Finally on March 14, 1941, the French Ministry for Production consented to a 51% participation by I.G. in the French dyestuffs industry. After protracted negotiations the French industrialists accepted I.G.'s demands, and on November 18, 1941, the constitution of the new German French dyestuffs company, Societe Anonyme de Matieress Colorantes et Produits Chimiques, Francolor was approved and signed in Paris.

The Organization of Francolor

The parties to the agreement were, on the German side, I.G. Farbenindustrie Aktiengesellschaft, and on the French side, Compagnie Nationale de Matieres Colorantes et Manufactures de Produits Chimiques du nord reunites Etablissements Kuhlmann, Societe Anonyme des Matieres Colorantes et Manufactures de Produits Chmiques de St. Denis, and Compagnie Francais de Produits Chimiqued et Matieres Colorantes de Saint-Clair-du-Rhone. Von Schnitzler and ter Meer signed on behalf of I.G., Duchemin for Kuhlmann, Thesmar for St. Denis, and Frossard for St. Clair-du-Rhone.

By the Francolor agreement, I.G. obtained control of virtually the entire French dyestuffs industry. The French companies surrendered their dyestuffs and intermediate plants including land and other real

60.

61.

property, patents, licenses, foreign participations, manufacturing processes and know-how, stocks, etc. to the I.G. controlled Francolor S.A. No additional capital was paid in, so that this represented the entire assets of the new company. Its capital value was set at 800 million francs, consisting of 80,000 shares each having a par value of 10,000 franc.

In return for the surrender of their assets, Kuhlmann, St. Denis and St. Clair-du-Rhone received the entire 80,000 shares, of which they then transferred 40,800 or 51% to I.G. In payments for the Francolor shares, 1000 Reichsmarks each. Of these Kuhlmann received 7,700 shares, St. Denis 3,442 and St. Clair-du-Rhone, 1,530. Thus, in return for giving I.G. a 51% interest in Francolor, the French companies received less than 1% of the I.G. shares. In addition, they agreed not to dispose of the I.G. shares in any form whatsoever except among themselves.

The Council of Administration of Francolor was composed of eight members, four of whom represented I.G. and four the French companies. The I.G. representatives were von Schnitzler, ter Meer, Waibel and Ambros, while the French members were Frossard, Duchemin, Thesmar and Despret. On the recommendations of the Germans, Mr. Frossard, the most ardent collaborationist among the French, was named President of the Council of Administration.

Four plants were surrendered by the French companies. Kuhlmann gave up its factories at Oissel and Villers – St. Paul; St. Denis gave up its plant at St. Denis; and St. Clair-du-Rhone gave up its St. Clair factory- Emphasizing the importance of the factories surrendered by the French companies, Dr. Loehr stated:

62.

“by taking over the four large factories Francolor obtained almost all plants producing dyestuffs and a very large proportion of the productive capacity for organic intermediates in France. Excepting intermediate plants owned and operated by Rhone-Poulenc (salicylic acid, phenyl methyl pyrazolene, resorcinol etc.) only two intermediate plants of importance remained with Kuhlmann, one beta-naphthol plant at La Madeleine (Nord) and a benzidine plant at Brignoud (Grenoble district). Both plants were connected with large inorganic production of Kuhlmann. Kuhlmann was obligated to continue these productions for the requirements of Francolor, but had to close them down if Francolor gave one year’s notice (Article 24 of the agreement).”

Francolor S.A. also took over from the French companies all raw materials, auxiliaries, fuel, materials, intermediates, packing materials and final products, whether in France, her colonies and protectorates or in non-French territories, or in transit. Such real property as the French companies owned in France and Belgium in addition to the plants, factories, etc., was also absorbed by Francolor. All foreign participations and sales agencies belonging to the French companies were likewise to be surrendered to Francolor. The two foreign subsidiaries of the French firms, Francolor Belge S.A., in Brussels, and S.A. Nacuma in Barcelona were absorbed, and action was immediately taken by the French companies to transfer or to close their sales agencies in foreign countries in accordance with the demands of I.G. Agency agreements of the French companies in China, Iraq, Egypt, Turkey, Palestine, Bulgaria, and Greece were abrogated. In regard to Latin America, it was agreed that the French companies would instruct the company Mario Costa, Porto not to make new contracts with agencies or employees in Latin America. It was further agreed that the employees would not be informed that stocks in Latin America belonging to the French companies would be taken over by Francolor on December 31, 1941. Terms for the dissolution of existing agency contracts were to be agreed upon by I.G. and Francolor at a later date.

I.G. obtained control not only of the physical properties of the French dyestuffs industry but also of its intangible assets. Under Article 17 of the constitution of Francolor, I.G. could demand and use free of charge all dyestuff inventions, processes, experiences, installation plans

-
- 63.
 - 64.
 - 65.

etc. of Francolor not protected by patents. Where patent protection did exist, I.G. could demand exclusive licenses to use the patents in Germany at reduced fees. If Francolor owned patents in the dyestuffs field outside France and Germany, I.G. could demand an exclusive license under these in return for adequate fees. Pursuant to this article of the agreement, I.G. received exclusive licenses on 276 foreign patents and 82 patent applications. On patents and patent applications outside the dyestuffs filed, I.G. received an option on an exclusive license to the German rights against payment of an adequate royalty. According to Loehr, however, "I.G. did not make use of any license or option." In fact I.G. was far superior to the French companies in technical knowledge. In the words of Loehr:

"As regards the relative importance of the know-how possessed by the Francolor works, it is to be recalled that part of the know-how of Villers, St. Paul and Oissel in the dyestuff field originated from former I.G. firms. In the years 1921-1923 the Compagnie Nationale de Matieres Colorantes (predecessor of the dyestuff plants of Kuhlmann) received a great number of detailed processes for dyestuffs and intermediates from the Farbenfabriken vorm. Friedrich Bayer and Company, Leverkusen, and other I.G. firms. Since then, an appreciable number of new dyestuffs had been taken up by the Francolor works partly under licenses granted by I.G. but, on the whole, the state of technique in the dyestuff field was in 1941 rather far behind that of I.G."

Only a few small dyestuffs plants remained, those of Habboux et Camell at Lyons and of the Societe des Matieres Colorantes de Croix Wasqual (Burel) Roubaix and Rime-Ertvelde belonging to the French group, and the independent producer Steiner at Vernon. Even before the signing

66.

67.

of the Francolor agreement, the fate of these was being settled. In Article 22 of the constitution of Francolor, it was provided that:

“The factories of Maboux and Camell at Lyons and of the Stedes Matieres Colorantes de Croix-Wasquehal (Burel) Roubaix and Rhieme-Ertvelde, belonging to the companies of the French group, will be purely and simply closed, so far as the production of the dyestuff field is concerned. The factories Steiner at Vernon will have to stop the manufacture of products of the dyestuff field, all charges of these arrangement, by Francolor.”

This was subsequently carried out.

Restrictions were also placed upon exports by Francolor. The new company was allowed to export dyestuffs and auxiliary products for dyeing and processing to Belgium, Spain, and Portugal only. Exports to other countries could not take place without the prior consent of the parties to the Francolor agreement or, in other words, without the permission of I.G. Export of intermediates by Francolor was prohibited.

In addition, there were, among other provisions as to the value of production allowed to Francolor and as to the regulation of its sales and restrictive covenants against competition. And finally, at the insistence of I.G. officials, the Francolor S.A. was to be completely “aryanized”.

War Years

The complete story of the Nazi exploitation of France during the period of occupation cannot of course be gathered from an examination of the files of I.G. However, sufficient material does exist there and in the testimony of key I.G. officials to illustrate the part played by I.G. in assisting the Nazi government,

and in subverting the economy of France to the Nazi program. "...Francolor", von Schnitzler has stated, "preferably (sic) had to supply the French consuming industry with dyestuffs and auxiliary products, but a substantial part of the articles for which they were used did go to the Wehrmacht, the intermediates which were made, to a large extent, did go directly to the Wehrmacht as they were sent to I.G. in order to complete I.G.'s deliveries for Wehrmacht purposes. The most important ones among the latter were phenol and stabilizers for powder."

Production of Francolor, especially in Villers and St. Denis shifted to products outside the dyestuffs field which were more useful to the German war economy. To an increasing extent these were shipped to Germany.

In the field of pharmaceutical products, I.G. received assurances from Lt. Col. Neef, Chief of the Germany Economy and Armament Board in Paris, as early as the beginning of September, 1940, that its interests vis-a-vis the leading French pharmaceutical firm, Rhone-Poulenc, would be protected. In subsequent discussions with Dr. Michel, Chief of the German War Administration, I.G. received complete consent to its suggestions in regard to the French industry.

69.

70.

71.

72.

73.

Page 121

I.G. also participated in the transfer of French labor to Germany. In this action, they were actively assisted by the French collaborationist, Frossard, who offered to transport French labor to German factories even before this was officially agreed to by the Vichy Government.

On August 21, 1942, Krauch, head of the chemical industry under Germany's Four Year Plan and Chairman of the Supervisory Board of I.G. wrote to von Schnitzler requesting French labor for German armament factories, indicating that the manpower of French factories which had been closed down should be sent to Germany and that Frossard was in agreement with this proposal.

74.

75.

Von Schnitzler replied, on August 26, 1942, that Frossard was doing his utmost to send French workers to Germany but that the size of such transfers would be limited, as Francolor was producing in France for the Wehrmacht.

“You can be convinced”, he wrote, “that General-Director Frossard handles the question of sending workmen in closed units to works of doubt that there would be another company in France which is in the same way willing to solve the problem of sending workmen as the francolor. In this sense, Mr. Frossard expressed his readiness for collaboration opposite myself, Dr. ter Meer and Dr. Ambros...Dr. Ambros will handle this question directly...Those labour units are limited, which already arises from the fact that the Francolor plants – as far as they are situated in the occupied zone – are working to a large extent directly for the armament on the field of organic intermediates and that the production of dyestuffs, which exists today to a limited extent, serves more or less also for the armament.”

France has been liberated. The danger remains, however, that the French chemical industry will again become dependent upon I.G. for technical assistances. “I am certain”, wrote von Schnitzler, “that the French industry would be only too glad to resume cartel relations with I.G.

Thus he expressed his confidence in the ability of I.G. to restore in the postwar period its powerful hold over the French chemical industry. His assertion was not predicated upon the “collaboration” of French chemical leaders – although this would help materially; it was based principally upon his knowledge of the history of international relations in the dyestuffs field and of the technical superiority of I.G. For after Germany’s defeat in the first World War, the French were very soon forced to come to the Germans for assistance, and the weapon of German technical superiority was powerful enough even to change the terms of the Versailles Treaty. Today the French dyestuffs industry is much larger in terms of productive capacity than it was after World War I. Technically, however, it is still dependent on I.G. whose activities in the years of occupation have further increased that dependence. In that technical superiority, I.G. still has the wherewithal to restore its dominant position.

76.

77.

78.

79.

In June 1940 with half of Europe already under the Nazi heel, with the fall of France imminent and with seemingly limitless horizons ahead, Hitler's "New Order" seemed capable of early fruition. On June 24, 1940 the Farben Commercial Committee received an important confidential message:

"The Reich Government has given definite orders to prepare in the shortest time possible a program containing our suggestions as to a new order comprising all European interests in the field of chemical products, which is to be incorporated into future peace treaties.

This message went on to emphasize that:

"The problem should be considered not only in regard to those countries with which Germany is at war, but also in regard to those countries which are allied with Germany or which have been neutral up to now."

These orders did not find I.G. unprepared. For Farben too had dreams of World Empire, dreams which it translated with painstaking clarity into a document which was also significantly titled "Neuordnung" (New Order). This document was submitted on August 3, 1940 to the Reich Ministry of Economics. It was accompanied by a letter of transmittal which recited, "we have to start with the idea that in the course of carrying through the formation of a great European economic sphere, a plan will also become necessary for the chemical field."

The short range objective of these plans was immediate and substantial production for the Wehrmacht. The second more important objective envisaged the ultimate incorporation of the chemical industry of Europe, including the British Empire, within the framework of Hitler's New Order, and the resulting exclusion of the U.S.A. from European trade. The third objective of the plan was to utilize the power of the resulting combination to combat and conquer the competition which might be expected from the U.S.A. elsewhere. Finally, Farben was preparing to utilize again its vaunted economic warfare weapons, cartels, capital investments and knowhow, in anticipation of a possible conflict between Germany and the U.S.A.

Just as the Nazis used the Versailles Treaty as a justification for their aggressions, so Farben rationalized its activities on the grounds

- 1.
- 2.

that its position of supremacy in the world's chemical and dyestuff industry had been deliberately undermined by the allies, and that a conspiracy was directed against I.G. which could only be eliminated through aggression. Thus the Ministry of Economics was informed that

"...The German chemical industry ranked readily first with respect to both the volume of absolute quantities and values of production and its position in the chemical foreign trade of the world ... The end of the World War with all its economic consequences suddenly interrupted this clearcut development...measures which were intentionally taken by the enemy countries against the German chemical industry, entailed shiftings of unusually great scope to the detriment of Germany...

Today's extent of non-German production, however, is distinctly the result of the political and politico-economic forces which have been directed against Germany for the last 20 years."

The "Neuordnung" Document is a truly amazing production, and represents for Farben not a program prepared at the behest of the Government, but a complete exposition of the plans which Farben and other cartels had developed since World War I, plans which they had hoped to accomplish through the vehicle of Nazi expansion. The Neuordnung runs to several hundred pages which are introduced by a general section outlining the justice of the Farben claim rationalized in the manner described above. Then follow, in the greatest detail, specific plans for each country including France, Holland, Belgium, Norway and Denmark. Plans for Poland, the rest of Europe and Great Britain were only partially completed. These plans describe the chemical industries of the countries as they existed before World War II, and the manner in which they will be organized after World War II pursuant to Farben's dictates through specific clauses in the peace treaties. As the charts set forth in Exhibit No. 8 reveal, each important chemical is listed indicating its prewar production in the country, and indicating to what its postwar production, if any will be limited. Thus Farben planned in many instances to wipe out completely chemical production in some countries, making them wholly dependent upon the Reich and thereby assuring the Reich's military superiority.

I.G. concerned itself with every subject which could affect its control of the chemical industry of Europe including "duties, quotas, licenses, export regulations, certifications of origin", "foreign exchanges and currencies," "tax policy", "patents and trademarks," "directing of industries," and "supplies of raw materials."

Throughout its Neuordnung, I.G. expounded the “Führer” thesis. Thus the document runs:

“It will, however, appear all the more justifiable in planning a major European spherical economy, again to reserve a leading position for German chemical industry with its technical, economic and scientific commensurate rank.”

I.G. proposed to accomplish the subversion of the European chemical industry by absorbing companies, eliminating plants, and controlling production through the medium of German-dominated cartels.

For Holland, Farben’s Neuordnung envisioned the complete elimination of the photographic industry since, “In our future business with Holland in photographic materials, it would be desirable if... the requirements of the Dutch market can entirely be satisfied by the German photographic industry.”

With regard to the French pharmaceutical industry, I.G. proposed:

“On the French side, this New Order established in our mutual relations would have to be supplemented by a decree forbidding the construction of plants producing pharmaceutical products. In addition, a number of small and unimportant laboratories most of which are of local importance only should be closed.”

In regard to cartels, I.G. proposed the formation of a large chemical syndicate in France, integrated with I.G., the leadership of which “should lie in German hands and should have its seat in Germany.”

- 4.
- 5.
- 6.
- 7.

Furthermore, according to von Heider, head of I.G.'s chemical department, I.G. proposed to control completely the French chemical industry:

Q. Germany would have a complete control over the French chemical industry?

A. Yes. I.G. and the German Chemical Industry.

In regard to trade relations between Europe and other countries, I.G.'s plan would have excluded the free nations of the world from the European markets. Furthermore, imports by the conquered countries in the chemical field would have to be completely reserved to I.G. and Germany. I.G. planned to accomplish this by use of quotas, import restrictions, duties, etc.

For example in regard to the exclusion of all other countries from the French domestic market, I.G. proposed:

“Enforcement of a French quota and licensing system in favour of Germany which will have as its purpose that French demands for imports will be supplied by Germany only.”

In regard to England, I.G. proposed that Great Britain must guarantee Germany at least a 30% participation in the British dyestuffs turnover and that products not produced by the British industry should be imported from Germany only. Furthermore, I.G. proposed that British dyestuffs companies be prohibited from exporting directly or indirectly to Europe (including Asiatic Russia), the American continent (except Canada), China, Japan, Dutch East Indies.

Farben's economic Blitzkrieg of the United States was specially planned. Farben urged, and the Economic Ministry agreed that:

“it is necessary to remove the Americans from French production scene with every means at our disposal.”

Commenting upon the Economic Ministry's views, I.G. stated:

“The determination with which he Schlotterer expounded this thesis leaves no doubt that we ought not to be too much concerned as to the means we are to be allowed to use.”

8.

9.

10.

11.

Farben linked the entire success of its Neuordnung to the outcome of its struggle with the U.S.

“The principle weight of the discussion bearing on a new arrangement of the world market will rest on the relationship with the North American concerns.”

With covetous eyes, Farben emphasized that Pan-Americanism had been strengthened by the war and that this would hamper the Neuordnung program.

“The strengthening of Pan-Americanism will coincide with the effects of the fact that England will now completely lose her role as financier of the Latin American countries...and that the United States of America will take her place ... It will, therefore, depend on the degree of order or disorder of European economic sphere and on the creation of a determined commercial policy, in how far and at what pace Europe, and more particularly Germany, will be able to rebuild, maintain and develop its position as a regular ‘trade partner’ in the Latin American Continent.”

To achieve this, Farben relied upon the cloaked establishment it had established throughout Latin America which have been described elsewhere in this report as well as upon those U.S. firms which were prepared to do business with a Hitlerite concern parading under some other name.

I.G. also laid special emphasis on driving the United States from the European market. For example in regard to nitrogen products it proposed:

“For the future, it is desired that – in a manner similar to that proposed for other market – Germany to given priority for (the supplying of) all additional requirements of nitrogen of any kind. This step shall be designed, in particular, to exclude or control North America imports....

With respect to dental products a large part of which France had received from the U.S.A., German supplies were to be substituted. Not only did I.G. intend to drive the U.S.A. and other free countries from the European markets, it also expected and prepared to compete strongly with the American industry for the remaining free markets of the world.

“Forced away from European business for reasons which were effective already prior to the war and which will

12.

13.

14.

become increasingly effective after the war, the Americans will do everything within their power to maintain and promote the development of their exports of chemicals...

Farben saw in its Neuordnung the opportunity to maintain a strong Germany, thereby protecting the I.G. economic empire. According to von Schnitzler, I.G. aimed at:

“A strict control over the whole chemical industry of Europe that no new plants for military chemicals should be created and that the production of such chemicals in the existing factories should be supervised.”

In anticipation of further Nazi aggressions, I.G. intended to keep the Wehrmacht supreme in chemical warfare weapons, therefore in its proposals for reorganization of the chemical facilities of Greater Europe and for its dealings with other countries I.G.'s foremost consideration was to satisfy the military requirements of the Nazi war machine. To achieve these purposes, I.G. would employ among other devices its well developed techniques of “cartels, capital participations and exchange of experiences.” It is expressed in the “New Order” plan as follows:

“This great economic sphere (Grossraumwirtschaft) has to consider at the same time the military requirements of Greater Germany. These requirements are to be considered not only with a view to supplying important goods for the armed forces but also to shaping existing and future combinations of interest between German dominated Europe and non-European countries which might affect the military potential of such countries in the chemical field in such a manner that the needs of Greater Germany are duly taken into consideration at all times:

“It is intended to use cartels, capital participations and exchange of experience.”

Von Schnitzler pointed out the complete awareness of I.G. of the policies of the Nazi government and I.G. activities in accordance therewith. These policies were primarily aimed at the U.S.A. he states:

“It must be remembered that in preparing the “Neuordnung” we were following the lines of the so called “Gross-Raum-Politik” laid down by the government. We were looking

15.

16.

to the overwhelming downfall of France and eventual capitulation of England when we prepared the document. It must be remembered that we knew well the aims and policies of the government and we know that it was the intention of the government to improve its strength in relation to the countries outside of the European sphere. This meant, of course, the United States because outside of Europe the United States was the only strong country with which Germany had to reckon. Therefore, we wrote in the "Neuordnung" that we intended to keep Germany as strong as possible militaristically in relation to the United States. We could accomplish this only by limiting the production of armaments in Latin America. We did not want in the event of an eventual conflict with the United States to permit Latin America to supply the USA with war materials. It should be remembered that I.G. had to follow the lines of the Nazi government."

Partially explaining the methods I.G. would use, von Schnitzler

"It is obvious that the government's first interest was a militaristic one. Therefore the main points in the "Neue Plan" will have been; no licenses or know-how for such chemicals should be given to the chemical industry outside of Europe without before having asked I.G. of their opinion. This measure of course can be understood as being directed against the U.S. because U.S. remained apart from Russia the only country with a great economic potential in the outside world."

17.

18.

I.G.'s military potential at the close of hostilities

At least until the last months of fighting, material war damage to I.G. plants taken as a whole was comparatively light. The Tea-Büro, which had more information on the status of all I.G. installations than any other single office, calculated that as of the end of January 1945, damage to I.G. plants, altogether, was about 15 percent of their construction cost. After three months of repair work the I.G. technicians estimated that production could reach 90 percent of capacity if adequate supplies of labor, fuel, power and new materials were available. For plants in which I.G. had a substantial financial interest, and those with which close technical cooperation existed, percentage of destruction at 75 percent of capacity. Works of the second category represented a considerably smaller capital value than those of the first, so that the over-all percentage of plant destruction was 17 percent. It is estimated that I.G.'s production capacity after three months' repair work would reach 87 percent.

I.G. officials also attempted to assess the damage to productive capacity by product, and the results of this calculation are interesting. Of the twenty-eight products of primary importance to German military power, only the greatly expanded wartime capacity of nitrogen, synthetic gasoline, lubricating oil, methanol and synthetic resins, had been reduced to any appreciable extent. Productive capacity of magnesium was unaffected, while that of synthetic rubber was reduced by only 16 percent. There was no shortage either of research chemists or of chemical engineers, who have always been the foundation of I.G.'s strength. The only shortage was of skilled repair workers.

At the end of the war, therefore, I.G.'s facilities and its resources were substantially intact, and I.G. was in a position to produce at practically wartime capacity.

- 1.
- 2.

This appendix contains a primary, but not all-inclusive working list of external assets owned or controlled directly or indirectly by I.G. Farben.

While the term “assets” must be given a reasonably broad interpretation, since otherwise Farben would calculatedly escape adequate scrutiny, the term has not been so liberally constructed to cause confusion. It should also be noted that “assets” have been limited to interests in companies. What Farben considered the most important of its external assets – e.g. its international agreements with respect to patents, know-how, and exclusive markets – have not, for obvious reasons, been included. It should also be noted that Farben’s “participations register”, which is the possession of this Government, contains numerous additional companies. These were not included in this appendix because the companies concerned have not been investigated.

In connection with its declarations of foreign participations under Military Law, Farben’s Central Bookkeeping officials, Frankfurt, stated that interests in foreign companies were also booked in the “securities ledgers” of the Central Finance Administration, Berlin; and further stated that “several” of the hundreds of Farben’s internal (German) companies, or participations, held external participations of which “no permanent records were kept.” The statement continued “Since these companies are under the obligation to make their own declarations and since they have their own administration, it is impossible to declare their foreign participations for them, especially as there is no possibility to get in touch with them or examine their records, if they exist.” It will be seen that the comprehensive ascertainment of Farben’s external assets is not the investigation of one company in Frankfurt, Germany, but the investigation of hundreds of companies throughout Germany – and the world.

The list set forth below is geographically alphabetized into the major subdivisions of Africa, Asia, Australia, Europe, Latin America, and the Pacific Islands. Since 93 countries are listed. Under the individual countries are limited the names and locations of the firms in question.

The sources employed in compilation are (1) The Central Accounting Records of I.G. Farben in Frankfurt; (2) Farben’s Foreign Participations Report under Military Government law No. 53 as of July 1945; (3) Offices; (4) records in the possession of this Government; and (5) all of the documentary intelligence discovered during the investigation reported on herein.