

N. J. STANDARD OIL

0.6% REICH-OWNED

Company Reveals Patent Deals With Chemical Trust Over Synthetic Processes

The Standard Oil Company (New Jersey) disclosed yesterday details of its business interests in Germany and its commercial relations with German business groups, revealing that some 163,704 shares of its stock were still under German ownership.

The German interest in the company amounts to only 0.6 per cent of the 27,283,587 shares outstanding, the concern said, the original German interest of 2.2 per cent of outstanding shares having been reduced by sale over the years. In addition, the I. G. Farbenindustrie, the German chemical trust, formerly owned a 50 per cent interest in one Standard Oil Company (New Jersey) subsidiary and a 20 per cent in another.

These relationships, the company disclosed, arose from three sources: its acquisition of a German company for handling the distribution of its natural oil products within the Reich and its participation in the development of processes for the production of synthetic oil from brown coal (lignite) by the Bergius hydrogenation process, and in the development of processes for the manufacture of synthetic rubber, toluol (a component of explosives) and other products from chemical by-products of the refining process.

Germany's highly mobile war machine has made important use of synthetic oil to make up for shortages in oil imports resulting from the British blockade. The American concern pointed out that over the years preceding the present war its exports to Germany amounted to as much as 11,000,000 barrels annually, but that this movement ceased abruptly upon the outbreak of the present war.

With the British blockade and the British and Dutch control of natural rubber production, the German war machine, to which rubber is essential for tires, tank treads, river boats and a host of other products that make for mobility, has had to seek elsewhere. Throughout the war, Standard Oil of New Jersey revealed, Germany has depended on synthetic rubber made from oil under a process for its production from oil and gas in the development of which it participated.

The American concern pointed out that all these synthetic processes originated with the Germans, although it had been working in the field independently at first. By participation in their development, it also pointed out, it had made these processes available for Amer-

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ican defense, and already the concern's toluol process has been required and will be used in the Ordnance Department's toluol plant now being erected in Texas.

In addition, its participation in the development of synthetic oil and synthetic rubber assured the United States Army and Navy of a supply of these products in case our vital crude rubber imports and our supplementary crude oil imports should be cut off. Also, the government-supported large-scale hydrogenation of coal and coal tar by Imperial Chemical Industries, using the process in the development of which the Standard Oil Company (New Jersey) participated, has provided England with a minimum assured supply of internally produced gasoline, it noted.

Oil Supplied to Japan

In an annual report to employees, W. S. Farish, president of the company, pointed out that the Standard Vacuum Oil Company, in which the Standard Oil Company (New Jersey) has a 50 per cent interest, acting with Dutch-British oil companies, has continued to supply a portion of Japan's requirements, principally from the Netherlands East Indies.

The Netherlands Indies Government, as well as the American and British, were fully informed of the agreement made by the companies with the Japanese interests, he said, and the company's obligation was to carry on operations in a normal manner with any country with which this country maintains normal relations, neither establishing embargoes nor defying them, but leaving those decisions, which were not the functions of private industry, to the government.

The account of the American concern's business with Germany is published in *The Lamp*, the company's house organ. It disclosed that in order to liquidate the German chemical trust's 50 and 20 per cent interests in its subsidiaries soon after the outbreak of the war, it was obliged, in addition to a small cash consideration, to give the German concern exclusive rights to the production and distribution of certain synthetic products, not including synthetic rubber, in the world outside the United States and the French and British Empires, as well as a share of royalties arising from certain oil refining processes but not for processes for the production of chemical products.

Tells How Cartel Was Formed

The account also gave an intimate picture of some of the arrangements by which the great oil producers of the world formed a world cartel in the Twenties and Thirties to prevent the hydrogenation process from disrupting the industry. The process made low-cost production of synthetic oil possible—in 1927 synthetic gasoline was produced for experimental but not commercial purposes for 15 cents a gallon—but it was low in cost only in relation to the costs of synthetic production by other processes.

The Germans were planning to introduce the process in Germany and were considering extending it to other countries. Fearing that this might shut out petroleum products from many countries by artificially stimulating unsound and uneconomic high tariff policies on petroleum and its products, high tariffs being the only means by which the difference between the prices of low-cost natural imports and high-cost home synthetic production could be made up, the American concern gave the German chemical trust in 1929 a share of its German market in exchange for world rights, exclusive of Germany, in the new process.

Out of this arrangement developed the present arrangement, in which United States rights to the process are controlled by an American corporation whose stock is held by eighteen American oil refiners, and are exercised by two Jersey plants and four others. The international rights passed to a concern owned jointly by Jersey and Royal Dutch Shell Company, a Dutch concern with a large British interest. These rights were modified by the disposal of all except British, American and French rights, soon after the outbreak of war, and today the former headquarters is occupied by a German commissar administering the affairs of the Jersey-Dutch Shell subsidiary, refusing to recognize the transfer of its administration to Curacao.

Loses Control in Europe

The American company has had virtually no control over the handling of its European properties for the last year and a half and, in fact, has received "only the most fragmentary information as to developments affecting the investments" there, the article says.

Entering Germany in 1890 by acquiring a 50 per cent ownership in Deutsch Amerikanische Petroleum Gesellschaft, distributor of oil products, Standard Oil, *The Lamp* says, acquired the remaining stock in that company in 1904, when D. A. P. G., in turn, bought a quarter interest in Deutsche Gasolin, A. G., another large distributing organization. These interests are still owned by Standard Oil, but the full directorate of D. A. P. G. always has been composed of German nationals. Only rarely have Americans or nationals other than German found places in that organization, even as employees.

"Meanwhile, however, we had built up another relationship which linked our interests with those of a German business enterprise," it adds. Describing German research and development which resulted in low-cost production of oil from brown coal by the Bergius hydrogenation process, the review says Standard Oil became convinced that this process was indispensable as a safeguard to the company and to the oil industry in general against possible future shortages of crude oil reserves, and in 1927 a preliminary agreement between I. G. Farbenindustrie and Standard Oil was made for a cooperative study and development in the United States."

By 1929 the process threatened to create tariff-subsidized competition that would restrict the market by raising oil products prices, the article says, continuing:

"It was accordingly decided to work out an agreement whereby Standard Oil Company (New Jersey) was to have world-wide participation in the development of the new process, insuring employment

of the D. A. P. G. marketing facilities in Germany and an opportunity to work out the economic problems involved in the possible production of oil from coal in other countries on the soundest possible basis."

Agreement on Synthetic Oil

An agreement therefore was reached, the article says, under which the following situation was created:

"In Germany the D. A. P. G. was to act as distributor for a fair quota of the new synthetic process, thus ensuring use of their marketing facilities and preventing unnecessary duplication in that respect. To the extent that the I. G. required imports of petroleum these would be supplied by D. A. P. G. The I. G. was to remain in complete control of the new synthetic processes within Germany. Outside rights to the processes were to be held by us.

"It was impossible to arrive at an accurate evaluation of the new processes, so the problem of payment to the German interests was met by a combination of expedients. We were credited first with the contributions we had made to the development of the process and the rights we had under the preliminary agreement. Next we granted I. G. a minor conditional participation in any revenues which we might collect from licensing the process throughout the world. But the principal compensation was a block of stock in our company on the theory that the value of these shares would reflect the effect of the new process on the business.

Since there was a possibility of overlapping between Standard Oil's oil business and I. G.'s chemical business, *The Lamp* says it then "seemed advisable" to make arrangements to prevent conflict of interests, and two jointly owned companies were organized for the purpose in the United States.

"All exchange of technical information with the I. G. was suspended upon the outbreak of the war," the article says.

After discussing some other aspects of its German interests and after pointing out that it is necessary to differentiate between I. G. and the former American I. G. Chemical Corporation, in which Standard Oil has never had any interest, the article goes on to say that, within the United States, control of the hydrogenation process was turned over in 1930 to Hydro Patents Company, owned by eighteen American oil refiners, and that the name of Standard-I. G. was changed to Standard Catalytic Company.

Hydrogenation Patent Rights

Standard Catalytic no longer controls any of the hydrogenation patent rights. *The Lamp* continues, "these having passed to International Hydrogenation Patents Company for use outside the United States and to Hydro Patents Company for the United States. Shortly before the invasion of Holland, International Hydrogenation Patents Company, which belongs to us jointly with the Royal Dutch Shell Company, moved its seat from Holland to the Dutch West Indies colony of Curacao.

"The German authorities have refused to recognize this transfer, however, and maintain that the I. H. P. is still seated in The Hague, where a German Commissar is now administering its affairs," the article continues.

"The progressive deterioration of international relations over the last few years has made our business contacts with Germany, Japan and other countries of interest to our State Department. We have made it a practice voluntarily to inform the department of all new developments which might have a bearing on the national interest.

"Especially since the beginning of war there has been an almost continuous grist of such questions concerning our German and other foreign investments and the development of new processes. Among these questions have been various feelers made to us for the purchase of our German and Hungarian properties."

The article argues that many benefits accrued to the industrial efficiency of the United States and the British Empire from Standard Oil's possession of the various patent rights discussed.