

## **Interhandel. Die schweizerische Holding der IG Farben und ihre Metamorphosen – eine Affäre um Eigentum und Interessen (1910–1999)**

*Interhandel. The Swiss IG Farben Holding and its Metamorphosis – a Question of Property and Interests (1910–1999)*

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### **Summary**

In 1928/29, the German firm IG Farben founded IG Chemie in Basel, the financial holding company which included IG Farben's major international subsidiaries, in particular an important group of chemical factories in the United States, which were amalgamated in 1939 into GAF, the General Aniline & Film Corporation. In 1940, the ties which had existed between IG Farben and IG Chemie were terminated. The Swiss interests then made a claim for outright ownership of the American factories, a claim which the American authorities refused to recognize. The Americans described the Basel company as a front for German interests and seized the factories in 1942. As a result, one of the longest financial disputes of the 20<sup>th</sup> century began with the affair being debated on the diplomatic, legal, and journalistic levels. It was not resolved until the 1960s and even so, its aftermath is still felt today.

This study deals with the founding, financing and development of IG Chemie, the International Corporation of Chemical Companies AG which changed its name at the end of 1945 to Interhandel, the International Corporation for Trade and Industrial Interests AG. The study also investigates the bank affiliated with this holding company, originally Eduard Greutert & Cie., but known as Sturzenegger & Co. from 1940. The task of the Independent Commission of Experts also included clarifying the nature of the association between IG Farben and the Swiss firms, shedding light on the related financial transactions, identifying the various people involved and taking a position on the accusation that the Basel operation was simply a front.

IG Chemie was founded in 1928 at the initiative of the IG Farben board, particularly that of its financial director Hermann Schmitz, who became president of the board in 1935. It was not a front organization but rather a financial-interest partnership which Schmitz created with the help of the Ed. Greutert & Cie. Banking House. This bank was founded in 1920 at the initiative and with the money of the Frankfurt Metal Company. However from 1925, the bank was largely active in the international transactions of IG Farben. The establishment of IG Chemie made a sensation because, with capital of SFr. 290 million, it was by far the financially strongest company in Switzerland. Today, the financial arrangements surrounding the founding of the company cannot be completely explained. But what is clear is that by the beginning of the 30s, IG Farben, after a transitional phase, no longer had direct capital holdings in IG Chemie. With the resources available to it, IG Chemie bought the US subsidiaries of IG Farben and its minority share in the Norwegian concern Norsk Hydro. In turn, these were represented in a minority capacity in IG Chemie. The association of the group with the German concern was in no way kept secret. Naming the connection was most important for the success of the Swiss holding company which aimed primarily at mobilizing additional capital for IG Farben. The concern sold its foreign participations but still kept them under its control. It did this by means of an option and dividend guarantee contract which, on the one hand, guaranteed IG Chemie shareholders a dividend equivalent to that given by IG Farben; on the other hand, it entitled IG Farben to buy back the holdings of IG Chemie at book value at any time.

IG Chemie was also controlled through the issue of preferred shares, which represented only small amounts of capital but considerable voting power. The preferred shares were deposited in a complicated web of letter-box companies controlled by a handful of trusted people from IG Farben and the Swiss co-founder Eduard Greutert. Altogether there are three levels of association between IG Farben and the Swiss holding company: the association contract of 1929, the close personal trust between the main participants together with the related control through the preferred shares, and the common business interests. For the most part, contacts between the principals went back to long before 1933 and in some cases to before the First World War.

As of the late 1930s, IG Chemie and the Greutert Banking House tried to terminate these close ties to IG Farben because German foreign exchange controls made the original contractual agreements increasingly obsolete. In view of the shortage of foreign exchange in Germany, IG Farben would have hardly been able to guarantee a dividend any longer, and exercising the buyback option would have been even less of a possibility. With the worsening of international relations from 1937/38 as a result of the aggressive policies of the National Socialist government, the promising business ties to IG Farben became a hindrance, mostly with respect to the United States. But the management in Germany hesitated to comply with requests to cancel the association contract because therein lay the crux of its control. Only after long, drawn-out negotiations in the early phase of the war the association contract was terminated unconditionally in May 1940. The decision came just before the German military successes in Western Europe. However the timing of the decision was determined not by the military situation but by pressure from the American authorities on the US-based properties of IG Chemie, to name their owners, and possible related interests. The main concern was a possible seizure of the factories. There is no proof that this solution was subject to a secret verbal or written proviso. Instead, everything points to the fact that the cancellation was unconditional so as to appear more credible in the eyes of the Americans. IG Farben hoped to be able to renew close relations after the war. The long-standing contacts with the Swiss trustees and their interest in seeing to it that the US factories continued to be supplied with the necessary scientific and technical know-how, nourished such an expectation. To describe this situation as a «front» is unwarranted. It was an open option to the future, over which IG Farben as a result of the course of the war, lost all control even before 1945.

This conclusion cannot be questioned even though a number of on-going services for IG Farben were provided by Swiss interests during the war as genuine fronts for the international interests of the concern. These services illustrate the strength of the long-standing ties and the extent of the confidence that IG Farben placed in the Swiss. They are part and parcel of the business collaboration. As far as the legally terminated relations between the German IG Farben and the Swiss IG Chemie are concerned, a different outcome of the war would also have had consequences for the future of the latter and its interests. But on that matter, one can only speculate.

The American factories of the GAF Corporation were seized in 1942. Swiss diplomatic efforts to defend the interests of IG Chemie in the US were half-hearted at best as the Swiss authorities basically shared the suspicions of the Americans that the cancellation of the contract in 1940 was not unconditional. The lack of financial transparency in IG Chemie and the reluctance of its directors to provide information only served to increase suspicions against the company, suspicions based on the knowledge of numerous existing German business cloaking activities in Switzerland. But it wasn't until 1945/46 that events occurred which made a conflict with the United States unavoidable. Two extensive audits by the Swiss Compensation Office in 1945/46 found copious evidence of the close connections between IG Farben, IG Chemie and the Greutert/Sturzenegger bank. But there was no proof of a covert agreement or control of IG Chemie by the German concern beyond 1940. That made the

recovery of considerable capital a distinct possibility for Swiss interests. At no time did the Swiss take into consideration that the Allied war effort had been decisive in making the legally correct separation of 1940 irreversible. Instead, in 1948 the Swiss claimed that GAF was Swiss property. The Americans for their part were still mired in their own propaganda which saw IG Chemie simply as a front operation. In view of the inclination by both sides to overdo moral indignation in their claims, a legal conflict was unavoidable. Even so, the Americans offered several possibilities for an out-of-court compromise settlement but these were stymied as long as the Swiss supervisors at Interhandel believed that they could recover the whole GAF group. They placed their hopes in the most conservative elements in American politics who were riding the wave of the Cold War.

From 1950, the Interhandel affair also became an issue of heated public and media debate in Switzerland. Many incredible stories about Interhandel, then told and even told today, originate from this media coverage. At the business level, the directors of the holding company sold a part of their shares after the war and in this way built up a circle of Swiss shareholders. With the help of this lobby they were able to appear more credible as a genuinely «Swiss» company. These shareholders served as shock troops for other interests who wanted to bring the company, which represented enormous potential capital value, under their control. An intense power struggle flared up which ended in autumn 1957 when the banker Hans Sturzenegger gave up his hold on the preferred shares. At this point, the major Swiss banks stepped in and took over the board of Interhandel. At the same time, the Union Bank of Switzerland, partly on its own account but mostly for an international consortium of major clients, began to buy Interhandel shares. Swiss claims that they held at least two-thirds of GAF, however, continued to block a compromise with the US authorities. In view of the uncertain prospects, the Swiss Credit Bank and the Swiss Bank Corporation dropped out in 1961 leaving the Union Bank of Switzerland (UBS) in sole control of the holding company. After the change in the American administration in 1961, UBS negotiators finally agreed to accept a 50 : 50 settlement. After various tax deductions, 40% of the proceeds of the 1965 auction of GAF went to the owners of Interhandel and 60% to the US. Because of the favorable post-war business climate, the 40% share that went to the Swiss represented the considerable sum of US \$ 122 million which, with exchange rates at the time, came to nearly SFr. 500 million. In 1967, the UBS merged with Interhandel and these resources went to the bank.

In 1983, the UBS became involved in long, drawn-out legal proceedings with IG Farben in liquidation, to this day, administrator of the dissolved German concern's assets. IG Farben in liquidation had been repeatedly making unjustified claims against Interhandel since the 1950s, and was now demanding a share of the GAF proceeds because, as it claimed, IG Chemie/Interhandel was, in spite of the contract termination of 1940, still linked to IG Farben in a trusteeship relation. Such a link could not be proven, but this was not due to the UBS' exertion of considerable pressure on the Swiss authorities to block all relevant files in the Swiss Federal Archive, including in particular the extensive 1946 auditing report, the so-called Rees Report. What was behind the blocking order was not any alleged «proof» contained in the report. The really decisive factor was that the representatives of the Swiss Confederation, in their dispute with the Americans, had always insisted that the report clearly showed that there was no longer an association between IG Chemie and IG Farben. This version of the facts was simply not correct. As the present study shows, the auditing report ultimately reserved judgment even though it had collected substantial material proving the close ties between IG Farben and the Swiss holding company until 1940 and occasionally thereafter. Furthermore, because of the public atmosphere of the year 1945, the report expresses considerable doubt about the statements of the company representatives. The auditors had made considerable effort to compile every bit of incriminating evidence. This crucial document, which is still classified today, has given rise to much speculation. But it

would have been able to contribute no conclusive evidence to the debate in the 1980s over the legal control of IG Chemie by IG Farben after 1940. However, had the report been submitted, the handling of the case would doubtlessly have been more expensive for the UBS. With the publication of the present study which summarizes all the main statements of the Rees Report, the reasons for its continuing embargo can no longer be justified.

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