

Mr Knapp

TO Dr. Goldenweiser

FROM Chairman Eccles

REMARKS:

This is the report re Post-war Foreign
Economic Policy about which I spoke to
you over the phone, and which you were
going to take up with Mr. Knapp.

CHAIRMAN'S OFFICE

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July 1, 1943.

REPORT OF SPECIAL COMMITTEE ON PRIVATE MONOPOLIES
AND CARTELS TO THE COMMITTEE ON POST-WAR
FOREIGN ECONOMIC POLICY

I. INTRODUCTORY

The Special Committee on Private Monopolies and Cartels has devoted two meetings to discussions of the scope of its work and appropriate procedures for studying the range of complex problems which this work involves. In these preliminary discussions it has become apparent that the relevant problems and issues tend to group themselves into two main categories.

On the one hand, there are those problems which originate from the conditions of war. The central issue in this case is the disposition and control of enemy industrial property in Europe and in other areas of the world. Axis economic penetration, particularly in Europe, but also in Latin America, raises a number of unique problems which bear upon the international business organization. This Government is faced with the task of developing policies and assisting in measures with a view to reviving production, insuring a desirable maximum of international trade, and creating conditions which will make for military security.

On the other hand, there are problems of somewhat broader scope and more continuous nature which concern the business framework of international trade. Important questions of policy have arisen from the widely noted tendency of business firms during the inter-war period to develop organizations of a monopolistic character and often outside the scope of public scrutiny or control. These questions may become even more acute in the post-war period, owing to measures taken by the various governments for the prosecution of the war and to tendencies which may develop in the months immediately following the conclusion of hostilities.

It

It was the Special Committee's opinion that for purposes of preliminary analysis these two groups of problems should be treated separately in order to reduce the task to manageable proportions and to avoid confusion of issues. Subcommittees have accordingly been formed to study and report on the problems involved in the following fields: (1) The disposition of Axis industrial property in Latin America, and the relation of possible measures to international monopolies and cartels; (2) The disposition and control of Axis industrial property in the enemy and enemy-occupied countries of Europe; and (3) International business combinations, with special references to the American economy.

The work which these subcommittees have accomplished to date is set forth in the reports which follow.

PROGRESS REPORT

SPECIAL COMMITTEE ON PRIVATE MONOPOLIES AND CARTELS

Subcommittee on Problems in the Other American Republics

The work of the Subcommittee on Problems in the Other American Republics of the Committee on Private Monopolies and Cartels relates largely to what is generally known as "the Axis replacement program" in the other American republics. The replacement program involves consideration of three distinct types of policies of this Government:

1. Economic warfare policy - the elimination of Axis and pro-Axis influences in the other American republics, the Proclaimed List, action by the several governments to accomplish the ends set forth in the Resolutions of the Rio and Washington Conferences. There is attached a historical resumé of this aspect of the economic warfare programs in the other American republics.
2. Policy of cooperation in the maintenance and development of the economies of the other American republics - it is the well-established policy of this Government to cooperate within the limitations imposed by war conditions in the furnishing of capital, equipment and technical skills necessary for a sound economic development of the other American republics. The mere elimination of Axis owners, managers, and technicians from certain industries and commercial activities in certain other American republics might result in the liquidation of economic activities essential to the maintenance of public health and safety in the countries in question. In such cases it is obviously essential that the countries in question, with the cooperation of the United States where necessary, develop substitute facilities to replace those offered by the Axis interests to be eliminated. In many countries, moreover, there is an important desire to build up

national

national industries which may go beyond the sphere of activities previously engaged in by the Axis interests. Thus a particular government may wish to establish an industry which may manufacture certain chemical products formerly imported through Axis firms from Germany.

The United States Government at the Rio Conference and on other occasions since that time has expressed its readiness to cooperate fully with the governments of the other American republics in such Axis replacement programs.

3. Private monopoly and cartel policy - the concentration in a number of countries of "essential" Axis firms in the pharmaceutical, chemical and similar industries raises a number of cartel issues. These are the very industries which have been peculiarly favorable to the development of cartels as the result of the special position in them of technological research and development, patents and trademarks.

The replacement program must seek to avoid replacing a structure of industry in the American republics formerly tied in with Axis cartels with an alternative structure tied in, in an equally undesirable manner, with monopolists of the United States or other United Nations origin, or likely to become in the postwar period again affiliated with Axis cartels.

There is another type of monopoly situation encountered in several of the American republics which is not particularly linked with Axis cartels as such. This is the situation of the one or two very large commercial organizations of Axis taint or control which dominate the wholesale and, in many cases, retail distribution systems of the specific countries. These are private monopolies in a national rather than international sense. They have in many cases constituted a drag on the economic development of the countries in question.

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The Axis replacement program in the other American republics must consequently look to the establishment of satisfactory alternative industries to replace those undesirable firms which it is not practicable merely to liquidate, to foster sound national or cooperative enterprises which will maintain and develop the economies of the countries in question, and to avoid the establishment or re-establishment of structures of industries that will be linked with international cartels either of an Axis or United Nations character, or which would constitute national monopolies not subject to proper regulation. From the outset it must be kept in mind that the discussion relates to enterprises in sovereign nations, all of which except Argentina are associated with the United States in the war. The replacement program can succeed only if it has the cooperation of the national governments which must, of course, take the principal steps in putting it into effect. The role of the United States can only be to urge the carrying out of the program and to extend assistance of a material, technical or financial character.

The problem for the local governments is in many cases very difficult as the firms in question are old established firms which have been important elements in the business community of the countries for years and generations, employing large numbers of loyal citizens, furnishing valuable services to the community, and in most cases owned and managed by nationals of the countries in question, many of whom have had and continue to have great political influence. These problems have been largely overcome in the cases of Brazil and Mexico where the governments have either vested or are prepared to vest the major Axis concerns.

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The work of the Subcommittee will be to analyze several of the leading types of cases encountered - it should be remembered, of course, that the Subcommittee is not the operating vehicle through which the United States Government is attempting to meet this general problem - in order to lay down general principles applicable to the several types of cases, and to consider the

various

various types of measures which may be suggested for particular cases, analyzing their advantages and disadvantages, and recommending the lines of both policy and procedure which the operating organization should follow.

The Subcommittee is collecting full information on the principal cases of important enterprises which are currently the subject of replacement activities. Among these enterprises may be mentioned the following:

Brazil

1. A Chimica Bayer, Ltda.
2. Schering S. A.
3. Sociedade Tecnica Bremensis, Ltda. This firm is engaged in (a) the production and distribution of printing and engraving machinery and of certain types of electrical supplies; (b) the importation and distribution of similar products, as well as of railroad equipment, automobiles, and accessories; (c) engraving.
4. Allianca Commercial de Anilinas, Ltda. I. G. Farben's dyestuff subsidiary in Brazil.
5. Carl Zeiss Soc. Otica, Ltda. A subsidiary of Zeiss of Jena, now under military technical direction. It is now producing various articles using, of course, imported glass exclusively.
6. Cia. Chimica "Merck" do Brasil S. A.
7. Casa Lohner S. A. A subsidiary of Siemens-Reiniger, which is engaged in the production and distribution of X-ray and other medical equipment.

Bolivia

1. Kyllmann, Bauer y Cia.
2. Zeller, Moser y Cia.

3. Juan

3. Juan Elaner y Cia.

All of the above firms are important in the distribution of general merchandise in Bolivia. Zeller, Moser y Cia, operates an alcohol factory, has facilities for processing hides, and owns extensive cattle lands and rubber reserves.

Colombia

1. The Behring Institute, which has a well-equipped laboratory for research and manufacturing. It is equipped only for the production and manufacture of serums and vaccines for veterinary purposes.
2. Quimica Bayer-Weskott
3. Quimica Schering Columbiana, S. A.

Chile

1. Schering-Chile, Ltda.
2. Quimica Bayer.
3. Quimica Chilena Merck.

Costa Rica

1. The Victoria Sugar Mill, one of the various enterprises operated by the Niehaus family.

Venezuela

1. Frey y. Cia. An important general merchandise firm, a plan for reorganization of which has just reached the Department.
2. Gran Ferrocarril de Venezuela, a railroad beneficially owned by Germans in Germany through a Spanish front.

This list does not include any of the Mexican enterprises which have already been vested by the Mexican Government, nor does it include several Ecuadoran firms regarding which discussions are just beginning between the two Governments.

In order

In order to be in a position to carry out its work, the Subcommittee is attempting to collect information available to the various agencies of this Government and through American missions abroad, covering as much as possible of the following type of questions:

For Drugs and Chemicals.

1. What are the most important drugs and chemicals now sold by Axis firms in the country in question?

These should be broken down, so far as possible, into categories -- "ethicals", "populars", etc.

2. Are similar or competing products sold in these countries by British, Swiss, French, or American firms? Is the same product sold under a different trade name, or a similar product sold, which is really competitive?
3. A tabulation of principal firms and products, showing where competition exists and where it does not.
4. A tabulation showing which products, if any, are manufactured in whole or in part in the local country.
5. A brief discussion of manufacturing possibilities - as to primary products, intermediates, and finished products.
6. A discussion of patent and cartel controls over the items mentioned in 5, both here and in the local country.
7. A discussion of the importance of trademarks, - in which fields are they important, in which fields are they most susceptible to competition.
8. A discussion of merchandizing methods employed - do the Axis firms operate through import houses, wholesale houses, specialty selling organizations, retail outlets, or by combination of all methods.

9. What

9. What are the laws of the local country, as to purchase of Axis firms, re-sale, operation of foreign businesses?
10. What contracts exist between the Axis firms and the home German firms? Under local law are these merely suspended or can they be abrogated?
11. What is the volume of business involved in the various items?
12. Can this volume be supplied in the United States under present WPB rulings?

Concurrently with assembling this factual information necessary for its work, the Subcommittee is beginning a study of the various types of measures which have been suggested for handling the Axis replacement program, their suitability for the various types of cases being considered, and the facilities already existing within the Government of the United States or available to it for meeting some of the problems. A further progress report will give preliminary information on the scope and direction of this part of the study.

III. PROGRESS REPORT:
SUBCOMMITTEE ON
EUROPEAN ENEMY AND
ENEMY-OCCUPIED COUNTRIES

The scope of the work of this subcommittee may be understood to include an examination of business organization in Germany and in Axis-occupied Europe as affected by war changes, together with an evaluation of possible courses of action which might be undertaken by the American Government in the field of European business organization during and after the period of resettlement.

There appear to be three groups of problems which deserve particular attention.

1. What policies, relevant to business organization, should be pursued to facilitate the recovery of economic life in enemy-occupied and Axis countries?

In areas occupied by United Nations' forces, disruption of customary business channels may be expected to be more or less complete. In order to restore economic life, responsibilities must be undertaken to continue production, to meet payrolls, to procure materials and, in general, to carry on the affairs of going business concerns. In some cases these concerns will have local markets and sources of supply, and will be locally controlled. In other cases local establishments will be tied into a system of supply and market relationships which are national or international in scope. In many establishments in occupied Europe, control will rest in German hands.

The problem of stimulating establishments into again becoming going concerns will press for solution early in the period of military government and may be expected to persist throughout the duration of military occupation. Moreover, decisions made with respect to this problem during the period of military government may well involve commitments which will affect our policies respecting business organization at a later stage.

The re-establishment of production is of course intimately connected both with the amount of relief which will have to be undertaken in occupied areas and with the

methods

methods of its distribution. The larger the local production of essential items, the less will be the demand for necessary relief supplies. If payrolls can be re-established and maintained through the encouragement of going concerns, distribution through customary local channels will be much easier.

2. What should be American policy towards the concentration of production in industries of Axis and Axis-occupied Europe?

During the war there has occurred in Germany and elsewhere in Europe a very large-scale concentration of production, involving the abandonment of small high-cost plants and the expansion of larger, more efficient establishments. Although brought about in the main by considerations of war rationalization, this concentration has also been furthered by Nazi policies designed to perfect governmental and party controls over economic activities inside and outside Germany. One of the striking results of wartime changes in Europe, therefore, will be found to be a marked shift away from a competitive, small enterprise economy towards an economy characterized by trusts and complicated by an intricate system of governmental controls.

Many of the interests closely associated with this development will be eliminated by the defeat and disintegration of Axis political power. Moreover, interests concerned with a restoration of the pre-war status in some form or other will undoubtedly emerge.

It is also possible that, for purposes of military security, the United Nations will wish to establish certain controls over industry in enemy countries. A problem therefore arises concerning the most effective means to accomplish this objective. The complexity of this problem requires that it be most carefully considered.

3. What should be American policy toward the acquisition by Germany of ownership and control of enterprises in occupied countries?

During

During the war years German enterprises have acquired very substantial ownership and control interests in enterprises of occupied countries. In some cases control has been acquired by exchange of stock in German firms for a controlling interest in firms in occupied territories. Under such conditions it is by no means certain that the present French (for instance) owners of I.G. Farben stock would prefer to relinquish their stock in exchange for a regained ownership of French concerns.

In other cases German nationals and enterprises have acquired ownership of property in occupied countries by any one of a large number of financial devices which vary all the way from purchase to confiscation.

The United Nations will be faced, upon the reoccupation of conquered territory, with a confused system of property relationships and with powerful and vocal interests clamoring for a wide range of different solutions.

Whether the United States wishes to have a policy or policies concerning the liquidation of German-acquired ownership and controls in occupied territory and, if so, what those policies should be are matters requiring careful consideration.

WORK COMPLETED AND
IN PROGRESS IN
VARIOUS AGENCIES

A great deal of work has been done by various Washington agencies on different aspects of these problems, but much remains to be done. It is clear that basic research must be devoted to what has happened to the organization of particular industries during the war period in the countries concerned, and to the methods used by German nationals in acquiring ownership and control of foreign properties, as well as to the extent of such control. Over and above these central problems many other questions require investigation.

The work in progress in various agencies represented on the subcommittee has been surveyed and a selected list of studies compiled (see attached statement). Briefly the existing situation is as follows:

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The question of techniques by which enemy-owned industrial property may be handled is a subject which the Division of Foreign Funds Control of the Department of State is studying. This Division has had experience with this problem in the United States and in Latin America. The broader issues of the question of German-owned property in occupied countries of Europe are under consideration by the legal unit of the Division of Political Studies of the Department of State.

The general pattern, together with details of Axis economic penetration in Europe are being studied by the European Unit of the Department of Commerce and the Board of Economic Warfare. A list of the work to be undertaken by these agencies may be found in the attached list. These studies should help to answer the question: what important industrial properties do the Germans own or control in the occupied countries?

The development of ownership and organization of German industry is being studied in its various aspects by a number of agencies, including the Department of Justice, the Department of Commerce, the Office of Strategic Services, and the Division of Economic Studies of the Department of State. These agencies have expressed their willingness to collaborate with the subcommittee in an endeavor to answer the question: what is the existing state of ownership and organization of industry in the enemy countries, and how--if at all--might such organization be used for purposes of occupation and future security controls?

Special problems relating to the control of Axis industry in the interests of military security have been considered by the Divisions of Economic and Political Studies of the Department of State. It is planned to pursue this subject further as the occasion warrants.

It is hoped in the near future to establish liaison with the Civil Affairs Command of the U.S. Army in order to familiarize the Special Committee with such industrial plans as the occupying forces have developed. It is also expected that through the assistance of our Embassy in London pertinent information will be obtained from the British Government, the Governments-in-Exile, and the Inter-Allied Committee on Acts of Dispossession.

A preliminary list of available studies and memoranda is set forth below.

Preliminary

Preliminary List of Available
Studies and Memoranda

DEPARTMENT OF STATE

Division of Foreign Funds
Control

1. Property Control in the Liberated Areas (organizational problems).
2. Custodial Function in the Administration of an Area Occupied by the United Nations.
3. Legal Provisions in the United States under Which Property Transfers in Enemy-occupied Territory May Be Invalidated (May 7, 1943).
4. Corporation in Exile: Problems and Proposals Regarding Companies Which Have Transferred Their Seats From Occupied to Free Territory (May 24, 1943).
5. Questions Presented by the Inter-Allied Declaration Against Acts of Dispossession (May 11, 1943).
6. The Scope of Existing Legislation under Which Transfers and Dealings Would Be or Could Be Invalidated. Statement Submitted on Behalf of the Government of the United Kingdom, Great Britain and Northern Ireland. (Enclosure no. 4 to despatch no. 7860 of February 23, 1943, London.)
7. Translation of Note on Existing Belgian Measures Which Could Be Applied Against Acts of Dispossession Effected by the Enemy. (Enclosure no. 6 to despatch no. 7860, London, February 23, 1943.)
8. Statement on Existing Legislation from Governor of Yugoslavia. (Enclosure no. 7 to despatch no. 7860, London, February 23, 1943.)
9. Norwegian Legislation Now in Force, Relating to Enemy Acts of Dispossession. (Enclosure no. 8 to despatch no. 7860, London, February 23, 1943.)
10. Fighting France. Translation of Memorandum of Existing French Legislation. (Enclosure no. 1 to despatch no. 9086, London, May 13, 1943.)

11. Acts

11. Acts of Dispossession and Methods Practiced in the Grand Duchy of Luxembourg. (Enclosure no. 2 to despatch no. 9086, London, May 13, 1943.)
12. Luxembourg--Memorandum on Existing Legislation. (Enclosure no. 3 to despatch no. 9086, London, May 13, 1943.)
13. Existing Czechoslovak Legislation under Which Transfers or Dealings Could Be Invalidated. (Enclosure no. 4 to despatch no. 9086, London, May 13, 1943.)
14. Memorandum on Polish Legislation at Present in Force Concerning the Invalidation of Acts of Dispossession. (Enclosure no. 5 to despatch no. 9086, London, May 13, 1943.)
15. Scope of Existing Legislation of the Netherlands under Which Transfers and Dealings as Referred to in the Joint Declaration Would Be, or Could Be Invalidated. (Enclosure no. 8 to despatch no. 9086, London, May 13, 1943.)
16. The Scope of Existing Legislation under Which Transfers and Dealings Would Be or Could Be Invalidated. Statement Submitted on Behalf of the Governor of Canada. (Enclosure no. 9 to despatch no. 9086, London, May 13, 1943.)
17. Interim Report of Inter-Allied Sub-Committee on Acts of Dispossession. (Enclosure no. 10 to despatch no. 9086, London, May 13, 1943.)
18. Note on Legislation in Force in the Union of South Africa. (Enclosure no. 11 to despatch no. 9086, London, May 13, 1943.)
19. Belgian Government Statement on Methods of Dispossession. (Enclosure no. 12 to despatch no. 9086, London, May 13, 1943.)

Division of Political
Studies

1. Methods of Controlling Germany in the Interests of Security.
2. Security Problems Involved in a Peace Settlement with Germany.
Types of Controls to Prevent Rearmament.

3. Means of Control by the United Nations of the German Steel, Aluminum, and Chemical Industries.
War Department suggestions for security.
4. Methods of Control of the Iron and Steel Industry
Adaptation of "controlled materials plan" to a world basis.

Division of Economic Studies

1. Considerations on the Economic Consequences of a Proposed Partition of Germany.
2. Germany Economy Before and After 1870.
3. Germany's Place in the World Economy in Relation to the Problem of Maintaining Peace.
4. Report on Meeting with War Department Consultants.
(Suggestions for economic controls.)
5. The Rhenish Westphalian Coal Syndicate.
6. Memo on the Loudon Plan to Restrict Disarmament Control to Iron and Steel and Its Substitutes for Military Purposes.
7. European Unification under German Rule: Plans and Accomplishments.
8. Post-War Control of German Economy.

DEPARTMENT OF JUSTICE

1. Significance of Recent German Cartel Decrees. (H. Kronstein)
2. Development of an International Cartel in Europe during the War: The Bulb Cartel.
3. Part III - Patent Hearings, Bone Committee, Relationship of Patents to Cartels.
4. Patent Situation and Alien Property Situation in the United States and Germany.

DEPARTMENT

DEPARTMENT OF COMMERCE

1. German Cartels--Their Evolution under War Conditions.
2. The German Cartel as Instrument of Economic Control of the European Continent.
3. Germany's Plans for Post-War Economy.

Note: The Department of Commerce also intends to undertake studies pertaining to the following subjects:

- a. Extension of German legislation or modification of economic legislative measures in occupied countries to adjust them to the German pattern.
- b. Levy of occupation costs.
- c. Clearing agreements and similar trade arrangements.
- d. Financial participation and control, including arrangements for technical assistance.
- e. Aryanization.
- f. Control of raw material and fuel supply.
- g. Establishment of branch banks.
- h. Currency measures.
- i. Restoration to German owners of properties lost by the Versailles Treaty.
- j. Cartelization, including extension of German cartel legislation.
- k. Miscellaneous.

OFFICE OF STRATEGIC SERVICES

1. "The Fate of Small Business in Nazi Germany."
Sub-Committee on Research and Education of the Special Committee to Study Problems of American Small Business, United States Senate.
2. "The Penetration of German Commercial Banks in Occupied Europe."
Federal Reserve Board, Pauline Reinsch.
3. "The Penetration of German Capital in Europe."
Interallied Information Committee, Bulletin #5.

Studies

Studies by OSS Staff:

4. "Changes in Germany's Industrial Organization, 1941-1942."
5. "Case Study of the Synthetic Fibre Industry."
6. "Integration in Nazi Occupied Europe."
7. "History of Cartel Legislation in Germany in 1942."
8. "Recent Changes in German Cartel Policy."
9. "Big Business and Civil Service in Germany."

BOARD OF ECONOMIC
WARFARE

Banking and Insurance

(See also Key Group Controls)

- ✓ *1. Financial and Industrial Connections of Leading French Banks.
- ✓ *2. Financial and Industrial Connections of Leading Italian Banks.
- *3. Adaptation of European Insurance to War Risks and Post-War Effects.
- ✓ 4. Axis Penetration of European Insurance.
- *5. Relation between Neutral Insurance Companies and the Axis Insurance Structure in Europe.

Electrical Equipment

- *6. Axis Domination of the Electrical Equipment Industry in Europe.

Key Group Controls

- *7. Business Control Groups in Sweden.
8. Changes in Germany's Industrial Organization, 1941-1942.
9. Corporate Enterprises in French North Africa.
- *10. German Techniques of Control of Norwegian Strategic Industries.

*11. German

- *11. German Techniques of Control of Luxembourg Strategic Industries.
- *12. Key Groups in Italian Industry and the Need for Emergency Controls.
- *13. Nazi Penetration of European Economies.

Iron and Steel

- *14. Organization of the European Iron and Steel Industry.
- 15. Hermann Goering Works.

Non-ferrous Metals

- *16. Alais Froges et Camargue--Its Relationship to Reoccupation Problems.
- *17. Industrial and Governmental Controls in the Non-Ferrous Metals Industry of Europe--(Aluminum, zinc, magnesium, lead, copper).

Timber and Pulp

- *18. Timber and Pulp in Axis Europe.

* Items which are starred are still in progress.

IV. PROGRESS REPORT: SUBCOMMITTEE
ON PRIVATE MONOPOLIES AND
CARTELS WITH SPECIAL REFERENCE
TO THE AMERICAN MARKET

The subcommittee's terms of reference require it to examine international business relations in the field of private industry which tend toward monopolistic control or the lessening of free private enterprise. For the purpose of its work the subcommittee has prepared a working agenda that divides the problem of this field into three main categories (a copy of the agenda is attached).

1. International industrial combinations and how they operate.

The term "international industrial combinations" used in this connection is intended to cover both the loose combination or cartel, commonly based on a contractual association between business units otherwise independent, and the integrated combination, formed by the concentration of industrial property under common ownership or control.

Under this heading the subcommittee will survey the various devices commonly used to form and to carry out international industrial combinations; for example, patent and trademark agreements; contracts fixing quotas for export or for production, for dividing territories, or fixing prices; joint agency agreements; jointly owned subsidiaries; export associations; and holding companies. It is proposed to examine these and other devices, as far as possible, in terms of specific industries.

2. General consequences of and problems raised by industrial combinations, with particular reference to the United States.

Examination of the extent and effectiveness of international business organizations should in some measure reveal their influence upon the economy of the United States and other countries. A number of problems may then arise concerning the relation of such organizations to the commercial, political, and security interests of this Government. For example, it would seem appropriate to study the relation between monopolistic organizations, including cartels, and our

policies

policies toward the expansion of world trade, the development of industrially backward areas, the equitable distribution of raw materials, and the reduction of trade barriers.

3. Alternative Policies and Measures.

Finally it is proposed to devote attention to the alternatives in the field of policies and measures.

Several possibilities for implementing policy have been suggested by recent events. The anti-monopoly provision which was inserted into the recent Trade Agreements Act empowers the President to suspend the benefits of the Act to any country which permits cartels to operate in a manner detrimental to the commerce of the United States.

The report of the President's national Patent Planning Commission recommends that all present and future patent agreements between American and foreign firms should be registered with an appropriate agency of the Government. The subcommittee will consider whether this proposal should be extended to agreements and arrangements in the international business field that do not depend upon patent rights. In the field of international measures attention will be given to the feasibility, advantages, and disadvantages of an international supervisory agency. Attention will also be given to the effect of international conventions on patents and trademarks and proposals to enlarge the International Patent Office at Berne.

In the formulation of alternative policies and techniques it will be necessary to consider with care the potentialities and limits of the bargaining position of this country. It will also be necessary to determine in so far as possible the lines of policy which other governments may be expected to pursue.

The final objective of the subcommittee will be to formulate for purposes of discussion a minimum program for the United States in the field of international monopolies and cartels. This program will include both unilateral and international measures.

WORKING AGENDA FOR WORKING SUBCOMMITTEE

I. International Industrial Combinations and How They Operate

1. What devices have been used by business concerns to achieve international industrial combination?
2. With reference to particular industries, how have these devices operated to further the concentration of international control?
3. How prevalent have such combinations been in the past, and how far-reaching has been their relationship to the international economy? What has been the extent of the participation by the United States in such combinations? By what special means, if any, have American firms participated?
4. With respect to such combinations, what have been the major trends in more recent years as regards their extent, types, methods, relationship to the home government, or other important features?
5. (a) How far have international industrial combinations been used by enemy countries for pursuing aggressive economic policies or for weakening the military preparedness of other countries? (b) How have international combinations operated during the war: (1) in enemy countries, their satellites, and occupied countries; (2) in countries of the United Nations; and (3) between concerns belonging to countries at war with each other?

II. General Consequences, and Problems Raised, Particularly as Affecting the Interests of the United States.

1. (a) In the light of the broad historical background of international cartels and industrial combinations, and in the light of a study of specific cases, what is the relation between such combinations on the one hand and the expansion of world trade and economy on the other hand.
(b) In particular, how have the economic interests

of the

of the United States been affected? (c) To what extent has participation by United States industries in international industrial combinations been facilitated or impeded by the foreign trade policy of the United States? (d) What are the implications of the answers to the foregoing questions from the standpoint of United States commercial and economic policies?

2. In what manner has the military security of the United States been affected by international industrial combinations?
3. In view of the past tendency of many powerful American industries to give their foreign potential competitors a relatively free hand in third markets provided the American interests remain unmolested in their domestic market, what assurance have we that this will not continue to be the tendency after the war? Should this be the case, how will this Government be able to cope successfully with foreign politico-economic penetration into Latin America and other areas for purposes of economic and political aggression?

III. Alternative Policies and Measures

1. What are the possible alternatives for dealing with the problem of international industrial combination? What relations between American and foreign firms should be permissible?
2. (a) What policies with respect to international industrial combinations would probably be supported by other United Nations countries, in particular, Great Britain and the Empire Countries, and how might a strong policy on the part of the United States affect the position taken by other nations? (b) How would American commercial and other interests be affected if this Government should adopt different policies with respect to international industrial combinations from those adopted by foreign governments, and particularly by the British Empire or the nations of Western Europe? Should European cartel organization be regarded as a purely European problem, or are the interests of the United States such as to make this unacceptable?

3. How

3. How will the disposition and control of Axis properties -- when situated in enemy or in enemy-occupied countries--affect the international organization of the industries concerned? What are the broad outlines of policy which should be followed with respect to such policies?
4. What possibilities exist in the realm of United States commercial policy, or in other ways, for buttressing our national policy, when formulated, or for achieving the objectives which we desire to achieve, with reference to international combinations? What levers does the United States have to this end, and what are their relative advantages and disadvantages from the standpoint of practical use?
5. What international machinery, if any, might be devised for the supervision of permissible international industrial agreements or for otherwise coping with problems in this field?
6. What should be the minimum program of the United States in this field, with respect to matters with which we could deal: (a) by unilateral action; (b) by international action?