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To FILES

Subject: Report of Special Committee

From J. Burke Knapp

on Cartels

The attached document constitutes a report to the Committee on Post-war Foreign Economic Policy by a Special Committee on Private Monopolies and Cartels (constitution unknown). Aside from a brief introductory section, it consists of three separate progress reports by subcommittees covering the following questions:

(1) Problems of international cartels in Latin America

The report indicates that this subcommittee is studying the question of how the influence of European (especially German) cartels may be eradicated in Latin America, and how the essential activities which these cartels have carried on or sponsored in Latin America may be continued. These problems arise especially in the pharmaceutical, chemical, and similar industries where until recently German firms have had a monopoly position in many Latin American countries. The subcommittee is assembling factual information on this subject and studying how the policies of this Government in this field might be more vigorously pursued.

(2) The organization of industry and cartels in Germany and German occupied countries

The subcommittee on this subject has divided its work under three general headings:

- a) What policies should the occupation authorities follow in the field of business organization to hasten the resumption of normal business activity;
- b) What policy should be adopted toward the concentration of industry which has taken place during the war in Axis and Axis-occupied countries (it is pointed out that there has been a marked shift in these countries during the war away from a competitive industrial structure toward a concentrated structure dominated by Government controls - the question of United Nations' control of industry in enemy countries is also raised.)
- c) What policy should be adopted with respect to German ownership and control of enterprises in occupied countries (it is pointed out that the reoccupation authorities will immediately be confronted with all sorts of conflicting claims and interests).

There follows in the report a summary of studies which have been pursued in this field by civilian agencies of the Government and it is suggested that in the near future it is planned to establish liaison with the Civil Affairs Division of the War Department to ascertain what plans are being developed by the Army for industrial control. This summary is not very enlightening except to indicate that the State Department has done some thinking about the implementation of the United Nations' joint declaration against property transfer in occupied Europe during the war, and about the question of the economic disarmament of Germany after the war.

- (3) International industrial combinations, how they affect international trade and how they should be controlled

The report of this subcommittee indicates that its studies are to cover a very broad range of questions, including not only international patent cartels and other contractual associations between national enterprises, but also international enterprises under common ownership or control. The question is raised of how these forms of business organization affect our long range policy for the expansion of world trade, etc. and it is stated that attention will be given to the powers which this country unilaterally, or some international agency, might exercise in order to escape the undesirable effects of these international combinations.

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The work of the first and third subcommittees lies in an extremely important field, but it is also very technical and not one in which we have particular interest or competence.

The work of the second subcommittee is really not a study of international cartels at all, but rather a study of the reconstruction of industry and property rights in reoccupied countries, and questions of the economic disarmament of Germany.

Within this field, the subject of most intimate interest to us would be the question of the restitution of property rights in the

German occupied countries; this problem has a great many financial aspects, the banks themselves in German occupied countries having been acquired in many cases by German interests.* It would therefore be of special interest to us to see the results of this subcommittee's labors.

* Incidentally, the second subcommittee's report lists a series of studies which have been prepared by Government agencies, including a modest survey of the penetration of German commercial banks into occupied Europe, which was prepared in this section.