

# THE ART OF CLOAKING

THE CASE OF SWEDEN  
OWNERSHIP



THE SECRET COLLABORATION AND  
PROTECTION OF THE GERMAN WAR INDUSTRY  
BY THE NEUTRALS

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The Authors

" *The Art of Cloaking Ownership* "

*The secret collaboration and protection of  
the German war industry by the neutrals*

*The case of Sweden*

" by "

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# Abbreviations

ADMF	Archives Dutch Ministry of Finance, The Hague
ADMJ	Archives of the Dutch Ministry of Justice, The Hague
ADNB	Archives of De Nederlandsche Bank, Amsterdam
ANMD	Archives of the Norwegian Ministry of Defence, Oslo
ARAB	Labour Movement Archives, Stockholm
ARAB/TEA	Tage Erlander Archives, Stockholm
CAA	City Archives Amsterdam, Amsterdam
COC	Archives of the Chamber of Commerce, Amsterdam
DDEL	Dwight D. Eisenhower Library, Abilene, Kansas
DEA	Department of External Affairs, Ottawa
DNA	Dutch National Archives, The Hague
FDRL	Franklin D. Roosevelt Library, Hyde Park, NY
HSTL	Harry S. Truman Library, Independence, Missouri
IFZG	Institut für Zeitgeschichte, München (Institute for Modern History)
MAE	Ministère des Affaires Etrangères, Brussels (Belgian Ministry of Foreign Affairs)
NA	National Archives, Washington DC
NMFA	Netherlands Ministry of Foreign Affairs, The Hague
NAC	National Archives of Canada, Ottawa
PRO	Public Record Office, London
RIOD	Rijksinstituut voor Oorlogsdocumentatie, Amsterdam (State Institute for War Documentation)
RLS	Royal Library Stockholm
SMFA	Swedish Ministry of Foreign Affairs, Stockholm
SNA	Swedish National Archives, Stockholm
SNA/BFA	Bank och Fondinspektionens Arkiv, Stockholm (Bank and Stockexchange Board)
SNA/FKB	Flykt Kapital Byrån, Stockholm (Foreign Funds Control)
SNBA	Swedish National Bank Archives, Stockholm
UPA	Undén Private Archives, Stockholm
WNRC	Washington National Records Center, Suitland, Maryland

# freedom of information act requests (foia)

FCIA	FOIA Central Intelligence Agency, Langley, Virginia
FDOC	FOIA Department of Commerce, Washington DC
FDOD	FOIA Department of Defence, Washington DC
FDOS	FOIA Department of State, Washington DC
FDOT	FOIA Department of the Treasury, Washington DC
FFBI	FOIA Federal Bureau of Investigation, Washington DC
FINS	FOIA Immigration and Naturalization Service, Washington

# Introduction

This study deals with the behaviour of large Swedish banks, corporations and influential businessmen who rendered assistance to companies and banks in Germany before and during World War II. It is also an analysis which in particular deals with one of the most powerful Swedish families, the Wallenberg family and their Stockholms Enskilda Bank, nowadays called the *Skandinaviska Enskilda Banken*. This family, and especially the brothers Jacob and Marcus, were the most prominent representatives of the Swedish business community and are still looked upon very favourably by many in Scandinavia. And specifically services which they rendered to Sweden during the period 1939-1945 were and are still highly appreciated. For instance, an important former Swedish diplomat once stated:

“That the Wallenberg brothers sacrificed a large part of their time and energy in order to operate to the benefit of their country, can be traced back to their responsibility and understanding that they could be of real significance to Sweden if they would use to the full extent their large and long-time experience and, not least, would also fully utilize their many longtime contacts abroad in the service of their country.”<sup>1</sup>

However, there is also the unrevealed side regarding the war-time activities of the Wallenberg brothers and their bank. It is the story of how important captains of Swedish finance and their financial institutions acted on behalf of, and closely cooperated with their counterparts in Nazi-Germany. Or as expressed in an American document:

“The method whereby the SEB (Enskilda) has succeeded in remaining in the good graces of leaders of both Allied and Axis nations throughout five years of war is interesting, if not unique.”<sup>2</sup>

We will therefore concentrate mainly on their help in the hiding of Nazi interests in the Allied countries, which also can be described as the “*cloaking*” or the “*art*” of hiding proper ownership from the authorities. In other words, subsidiaries of important German corporations were “*transformed*” into neutral Swedish firms. Nominally, the ownership was no longer German but Swedish. An outstanding example was the case of the electronic giant, *German Bosch*, in Stuttgart which was an important cog in the German war-industry.

We also examine the manner in which the Nazi’s, with the help of neutral banks, disposed of assets, diamonds, gold, jewels and other belongings which had been looted in occupied countries or were taken away from Jewish and other

deportees. We will show that neutral banks, among them Enskilda, played an important role in helping Germany to dispose of this booty.

We will also reveal the astounding role of *Svenska Kullager Fabriken* (SKF). During the war this giant Swedish ball-bearing company pursued a rather peculiar policy with respect to the sale of ball bearings in the United States.

Finally, we will focus our attention on the ultimate outcome of all these transactions, with what happened when they were discovered by the Allies, in particular by the American and British authorities. An outcome which in the end resulted in the vesting of the holdings of Enskilda in the United States by the Alien Property Custodian. Both Wallenberg brothers were placed on the "*blacklist of blocked nationals*" and could no longer operate in the United States. We will show that in the end they were able to arrange for the release of all their and Enskilda's holdings. We will reveal that the circumstances surrounding this release were rather strange and explain the probable conditions under which both brothers were pardoned by American officials.

We want to emphasize that the case of Wallenberg and that of Sweden serve only as an example. Cloaking operations were certainly not restricted to Sweden but were carried out in all neutral countries. We could just as well have taken Switzerland which played an even more striking role than Sweden. Why the Wallenberg case was selected is explained below.

We became interested in the Wallenberg family and Enskilda more than 10 years ago. On 20 February 1979 we read an article in the Swedish newspaper *Dagens Nyheter*, written by Professor Dr Gunnar Adler-Karlsson. Its title: "*Sweden, neutrality and the Soviet embargo. Did the USA remove Jacob Wallenberg?*"

In his article Dr Adler-Karlsson asserted that the American authorities compelled Jacob to leave the board of Enskilda as a result of its wartime economic cooperation with the Nazi's. He also maintained that Washington forced both brothers and Enskilda to collaborate in their embargo policy towards the Soviets. This cooperation consisted of the sabotage by the Wallenbergs and their affiliated companies of a Swedish credit of 1 billion crowns. The loan was extended by the government in Stockholm to the Soviet Union in 1946. The sabotage and Enskilda's cooperation in the looming cold war was of course an act contrary to the official Swedish neutrality policy. Due to insufficient evidence, Adler-Karlsson remained rather vague about the nature of these economic wartime transactions. He was not able to locate any documents with respect to this case and had to work with the statements of leading Swedish diplomats, politicians and businessmen, all of whom wished to remain anonymous.

Because we were working on the topics of postwar Swedish foreign policy and the formation of post-war European military alliances, the binding element with the Wallenberg-Enskilda affair was the Cold War. We decided in 1979 to start our research into this affair as a by-product of our main research topics. What also stimulated us was the fact that we were interested in the economic aspects of



World War II, a war which was also a major conflict about the partition of the economic and financial interests and markets of the world.

For several years it has been known that large American corporations cooperated intimately before and during the war with important German industrial conglomerations in the division of worldmarkets and the distribution of essential raw materials. Researchers such as Kolko, Bower, Reiman, Borkin, Martin and others produced several interesting publications on this subject. In Scandinavia extensive research was carried out into the export of ball bearings and other merchandise vital to Nazi-Germany, which was published in several excellent articles and books.

However, we quickly discovered that Adler-Karlsson was right in his assertion that the whole affair was very complicated. One day we even started to compare our research work with putting together a gigantic "jigsawpuzzle", consisting of more than 1000 little pieces of almost the same colour. We travelled to more than 25 major archives in 7 countries in order to find these small pieces. Generally speaking we consider the "war-puzzle-part" as finished, although we have to admit that the "postwar-puzzle-part" is still not yet fully complete. Some pieces just cannot be found because the relevant archival documents were destroyed.<sup>3</sup> Other pieces of evidence were oral understandings and therefore left no written traces. However, that did not prevent us from writing this particular part because we consider our discoveries to be important enough to be shared with the general public.

We would like to stress that the case of Sweden in general, and that of the Wallenbergs in particular, only serve here as an example of identical transactions which took place in other neutral states.

What about our methods of research? Although there are some publications on the topic of secret economic cooperation between the Allies and Nazi Germany before and during World War II, little has been published specifically about Swedish economic collaboration. There are some studies but they deal with the ordinary export of ball bearings and iron ore to Germany.

For this study we consulted thousands of documents in more than 25 archives in Belgium, Canada, Germany, Great Britain, the Netherlands, Sweden and the United States. We interviewed and consulted by correspondence with many people in several countries. We made extensive use of the US *Freedom of Information Act* and many still-secret documents and memoranda from the Treasury, FBI, CIA and the State Department were declassified. Also in Belgium, the Netherlands, Canada and Sweden many documents were declassified and could be consulted for the very first time. We realized from the start that many FBI reports had to be handled with great care and for this reason we have tried to check and counter-check the findings of the FBI with other official archival documents.

A final remark has to be made with respect to those archives which we consulted but did not visit. Because we wanted to concentrate this study foremost on the role of Swedish banks and companies in the various cloaking operations

with German corporations, our research concentrated more on Swedish archives than on German archives. As regards the post-war consequences, we made abundant use of documents from US, Dutch and British archives.

The main reason why we decided to follow this approach was that we had discovered most of the original German documents about these cloaking activities in the above-mentioned archives. The fact that official archives such as the State Institute for War Documentation (RIOD), Amsterdam and the National Archives, Washington DC act as repositories for captured German records was extremely helpful in this respect. Using these captured archives, we had abundant material from the German side with which to complete our study in the areas where the neutrals have a central place. Apart from this, we also used the various publications of researchers who had made extensive use of these German archives.

What remained, or rather what were lacking, were the archives of Enskilda. When a first result of our investigation was published in the *Scandinavian Economic History Review*, we were approached in writing and by telephone by the Wallenberg family through their lawyer, Emil Segerforss. He promised us important documents which would shed a different light on our research. We waited for more than a year but the promised material never arrived. In August 1986 we approached Segerforss and asked for these important documents. Until this day we have heard nothing from either him or the Wallenbergs. Therefore we approached Enskilda and asked for permission to consult their archives. We were received in a cordial manner at Enskilda's headquarters but to our astonishment we were told that their archives contained no documents about the various transactions: "We have decided that there is nothing to be found for you". We pointed to the fact that official Swedish archives just around the corner contained thousands of documents, including letters to and from Enskilda. We referred in vain to the fact that Professor Ulf Olsson was granted permission to consult Enskilda's archives, and used hundreds of documents from the archives of Enskilda for his company-study of the bank from 1946-1971. But to no avail: the official went on to claim that the documents we asked for could not be traced in the archives of Enskilda.<sup>4</sup> Equally curious was his statement that several documents had simply disappeared or probably had been taken home by officials from the bank. Thus we could only conclude that Enskilda flatly refused to grant us permission to consult their archives. They had the chance to give their interpretation but simply turned it down.<sup>5</sup>

The quest for archival evidence brought us into contact with a great variety of people. We would like to pay an extra tribute to the archivists who assisted us, and in particular we would like to thank David Barnouw, Johannes Houwink ten Cate and the late Mrs. N. Gerritse (Rijksinstituut voor Oorlogsdocumentatie), Dave Smith (National Archives of Canada), Jan Poulisse and Robert Bos (Netherlands Ministry of Foreign Affairs), Jaap van Doorn (Dutch Ministry of Justice), Iris Heidebrink and Sierk Plantinga (Dutch National Archives), Hans

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Waalwijk (De Nederlandsche Bank), Wilhelm Carlgren (Swedish Ministry of Foreign Affairs), Klaus Misgeld (Swedish Labour Movement Archives), Jan Lindroth (Swedish National Archives), Patrice Brown (Washington National Records Centre), Robert Walsh (US Army Intelligence Security Command), Emil P. Moschella (Federal Bureau of Investigation), Kathie Nicastro and John Taylor (National Archives) and Dennis Bilger (Harry S. Truman Library). We must also mention that a part of the research has been made possible by a grant from the Harry S. Truman Library Institute. Finally, we would wholeheartedly like to thank Dr. Bert Zeeman for his assistance and encouragement, and for reading the earlier versions of this study. Any mistakes which may remain are, of course, our fault.

Finally, the authors welcome all suggestions, additions, comments or critiques on this study. All letters can be sent to P.O. Box 18 210, 1001 ZC Amsterdam, the Netherlands.

Gerard Aalders & Cees Wiebes  
Amsterdam, 25 November 1995

# The Art of Closing a Sale

## Part One

### *The Setting*

# 1. The Art of Cloaking. A Survey

This study deals with cloaking, i.e. the "art" of concealing the true ownership of a company from the authorities. There are various reasons why the real owner of a company, assets, capital or patent rights may want to camouflage his property. Cloaking operations are carried out both in times of peace and war, but it will be obvious that the grounds for cloaking in peacetime differ fundamentally from those in time of war.

In the 1920s, at a time when there was no imminent danger of war, German sales companies abroad had several good reasons for developing a camouflaging program. The First World War had caused pronounced anti-German feelings in the important world markets, and for that reason it was advisable for a subsidiary to assume the character of a domestic organization in the country where it was situated, in such a way that the participation of the mother company was not apparent. That could be done by simply using another name: adopting an American name for a sales organization in the US and employing a Dutch one in the Netherlands. But anti-German feelings, sometimes resulting in boycotts of German goods, constituted only a minor part of the total complex of motivations. Paramount in the history of cloaking were reasons of taxation, as Dr. Gustav Küpper reported in October 1940 at a meeting of the Legal Committee of *IG Farben*, the giant German chemical trust with branches all over the world. The establishment of official subsidiary companies would have meant the foundation of "establishments" (*Betriebsstätten*) and the burden of taxes resulting from taxation of these branches would have been considerably higher than in the case of independent sales companies. Moreover, according to Küpper it was

"worth mentioning (...), that there was a distinct danger of arbitrary taxation based on high estimates in the case of branches and official subsidiary companies because they would have been connected at once with the tremendous total volume of *IG* business and its enormous tax potential."

Double taxation, another consequence of having a subsidiary in a foreign country, could also be avoided through cloaking measures, because normally taxes would have to be paid on the profits of the subsidiary as well as on those of the mother company.

Küpper mentioned more reasons which induced his company to its camouflage policy. He pointed out that right after the First World War it seemed advisable to conform to the national characteristics of the country concerned

"in view of the fact that the Reich was so weak as to be unable to afford sufficient-protection to German interests abroad."

Cloaking was also done in order to avoid protective measures taken in some countries, especially if the company was not allowed to export to a particular country, or if its products had become too expensive because of excessive tariffs. In that case the best solution was to produce in the target country itself, and preferably under another name. Cloaking also appeared to be the solution to circumventing German currency restrictions as well as the foreign currency restrictions in the countries concerned. Furthermore the American "*Anti-dumping Act of 1921*" was brought forward as a reason for camouflage activities. In the event of a dumping investigation by the US authorities, the invoice price would have been compared with:

- 1 The foreign market value, i.e. the price at which the respective goods or similar goods are freely offered for sale on the home market; this is in fact the German price;
- 2 if according to the price charged in the country of origin is inapplicable, comparison to be made with the price charged for export to countries other than the USA,
- 3 If neither of the above mentioned prices can be determined, comparison to be made with the cost of production. Naturally it is important for us that neither the German price nor the cost of production should be considered for comparison. It has been possible to eliminate the German price by pointing out that our sales in Germany are all subject to prohibition of re-sale, so that they cannot be considered as freely offered for sale. We must therefore take as a basis prices of export to third countries. In this connection, however, the anti-dumping law lays down that only sales to free and independent trade firms should be admitted for comparison. Apart from reasons of taxation we were forced to establish, in order not to endanger our export to USA, free and independent firms in Canada and Australia whose connection with us was not in any way apparent."

From the point of view of commerce and taxation those camouflage measures resulted in advantages of many millions. Despite these millions in extra profits Küpper appeared not to be happy with cloaking, because it also meant considerable disadvantages chiefly consisting of the necessity of establishing and maintaining a special organization. But when the war was won the position of the Reich would, according to Küpper's report, be so dominant that it would be necessary to re-evaluate the cloaking system. For political reasons he even considered it advisable to stress Germany's connections with their foreign agencies. Küpper said at that meeting in October 1940 that it seemed advisable

"to proceed on the principle that the German character of our agencies abroad should for sound political reasons become apparent everywhere, unless there are, from the point of view of national economy, strong financial reasons against it, or unless a discontinuation of camouflage would in fact mean endangering export to the countries concerned."

But abolishing the camouflage had to be carried out with all possible caution. Those acting as shareholders for IG Farben had to consider that retrospective tax demands as a result of a clumsy lifting of the disguise were to be avoided. Preferably the *decloaked* companies should operate under a national sounding name rather than as an IG Farben branch.<sup>1</sup> The described reasons for cloaking also apply, *mutatis mutandis*, to the other German firms whose camouflage operations are described in this book.

In times of war the principal incentive for cloaking is the avoidance of confiscation of foreign subsidiaries. Küpper informed the IG Farben Legal Committee that “(...) the camouflage system has enabled us in spite of the effects of the present war to safeguard our organization and our investments to a considerable degree (...)”

A common technique used was that the real owner transferred his property, located on the territory of the (future) enemy, to the name of a neutral entity who from then on acted as the *nominal owner*. The choice of a neutral is obvious: neutral properties are not likely to be confiscated. For a similar reason, ownership was also nominally transferred to strawmen in the host country instead of to a neutral corporation, but the IG Farben lawyers considered neutral cloaks much safer. One of the lessons learned from World War I was that, after the war, there had been many litigations with regard to seized property, and it had turned out that the APC in fact lacked the power to vest assets which were owned by corporations in non-enemy countries and that fact

“may well have been the reason why so many German-controlled corporations in countries outside of Germany arranged to hold assets in the United States. Whether this is true or not, it is certain that this type of problem is far more acute than during the First World War, and a far greater amount of assets is so held.”<sup>2</sup>

This study deals mainly with German cloaking practices, but that does not mean that cloaking was restricted to Germany. Other warfaring nations also concealed their foreign properties, but the German companies may be regarded as the most inventive in this field due to the lessons of the First World War, during and after which many of their foreign properties had been confiscated.

The cloaking of enemy property produced serious difficulties for the British and American financial authorities during the two world wars of this century. Their problem was how to distinguish innocent transactions from those inspired by the enemy. The history of camouflaging ownership in wartime goes back to the days of the Napoleonic Wars (1799-1809) when the cloaking activities of the Rothschild family were revealed. Financial practices in the Old World did in fact encourage cloaking operations. Bearer shares, so called because they do not bear the name of the owner, can easily be transferred or voted by its current owner without any restriction. Therefore they are almost impossible to trace. Countries like Switzerland and Liechtenstein made (and still make) it exceptionally easy to

perform cloaking operations. For a long time the Swiss have provided the world with a safe hiding place for uneasy capital, and Swiss banks have built up a reputation for keeping their clients' secrets. The Swiss secrecy law made it a crime for a banking institution to reveal to anyone, even to the Swiss government itself, any financial or commercial information of a confidential character. Clients of Swiss banks can make use of the so-called omnibus accounts which allow them to use numbers or initials instead of their full names. This practice makes the tracing of the real account owners virtually impossible. For that reason the true picture of German Nazi cloaking operations through Switzerland will never be known, anymore than will their financial and industrial penetration throughout the world. The value of German assets in Switzerland which were traced by the Americans after the war amounted to over \$800,000,000 but it was estimated that at least an equal amount never would be unearthed. As a refuge and centre for Nazi financial operations Switzerland was the most important of the European countries. Swiss francs and foreign currency, necessary for German warfare, were available to the Nazi regime through the Swiss banking houses. German industry had roughly 350 direct subsidiaries established in Switzerland, and in addition there was considerable German participation in Swiss firms. The greatest portion of capital was invested in companies which held German patents and whose shareholders were nominally Swiss but which were in fact German controlled affiliates.<sup>3</sup>

There are several techniques used to cloak companies, assets, capital, patents, etc. and some of them are extremely complicated. The simplest way of protecting a branch against seizure was the (German) owner's transference of his holding to the name of a non-German national who from then on acted as the nominal owner. Sometimes such a transfer was repeated more than once in order to make the tracing of the real owner virtually impossible. Usually there were secret contracts which involved regulating payments of profits, interests, duration of ownership and secret options for repurchase. We will take a closer look at the various techniques in the appropriate chapters.

In order to gain a better understanding of the planned post-war measures against the defeated Third Reich we must go back to the period immediately following the First World War. The Allies were aware that the Peace Treaty of Versailles (1919) had caused an enormous – albeit unintended – wave of cloaking. Germany, which was held responsible for the outbreak of World War I, had to be disarmed and demilitarized. Any chance of a revival of their militarism had to be thoroughly eliminated. Those plans were of course not welcomed by some industrialists; plans for evading the Treaty were already worked out before "Versailles" was officially concluded, and the result was that activities which had become illegal in Germany were transferred abroad, often with the support of the German government. For although Chancellor Wirth had signed the Treaty of Versailles stating that Germany was determined



"To carry out without reservation or delay the measures relative to the disarmament of military, naval, and aerial forces ..."

he appeared to have his own peculiar ideas about disarmament. Large amounts of money for the rearmament of Germany, "possibly 120 million marks", were put at the disposal of *Krupp* at the *Mendelssohn* bank in Berlin, from where it was transferred to the *Mendelssohn* branch in Amsterdam.<sup>4</sup>

Many allied economic warfare specialists agree that the foundations for rearmament which finally resulted in the Nazi empire were laid down in the immediate post war years as a direct result of attempts to avoid the provisions of Versailles. In July 1945 Orvis A. Schmidt, Director of Foreign Funds Control which was responsible for the management of vested enemy property during the war, stated:

"We know now that immediately after World War I an important segment of Germany's physical war plant facilities were moved to other countries to provide a nucleus for a new German effort at world conquest".<sup>5</sup>

*Zeiss*, for example, organized a subsidiary in Holland and produced there the military optical instruments that it was not allowed to make in Germany.

The *Dornier Airplane Company* commenced operations in Switzerland, and the competing firms of *Heinkel* and *Junkers* started building planes in Sweden. This last-named aviation company also had shops in the Soviet Union from 1924 to 1927, not only for technical cooperation but also for the training of crews which would continue until 1932. *Junkers* stopped its manufacture in the Soviet Union in 1927 (after the affair was leaked to the press) only to continue in Sweden where it bought shares in *AB Flygindustri*. "*AB Flygindustri in Linhamn is nothing more than a branch of the German Junkers works.*", said the Swedish Prime Minister P.A. Hansson in the *Riksdag*, the Swedish parliament. It never became a prosperous undertaking but military experts showed themselves enthusiastic about *Junker's* technical developments.<sup>6</sup>

The old German General Staff made arrangements with the brand new Soviet government to provide Russian factories with machinery and technicians for the development, manufacturing and testing of military planes, poison gas, flame-throwers and other war material, the production of which was prohibited in Germany. The secret agreement provided for secret rearmament of Germany on Russian territory and was signed on behalf of Berlin by the Commander in Chief of the *Reichswehr*, Colonel General Hans von Seeckt. Since the 1920s the German Ministry of Defence had been giving financial assistance to companies setting up armament industries abroad, particularly in the Soviet Union. The *Junkers* plant in Moscow was only one of the projects inspired by the *Reichswehr*. Firms like *Siemens* and *Stinnes* also concluded agreements with the Soviets. *Rheinmetall-Borsig*, the largest armament plant in Germany after *Krupp*, established with the

support of the German General Staff a munitions plant in Leningrad, the Putilow Works. The agreements provided the Soviets with skills needed for the development of their young Republic and technical relations were not severed before the mid-1930s.<sup>7</sup>

Very little of Germany's foreign war production reached the fatherland, but what was most important was that German know-how did not disappear and was kept up-to-date. It was considered essential that the development and improvement of new arms and military material should continue. The first designs for the famous Tiger tank for instance can be traced back to 1927 and the development of mountain howitzers and other different types of experimental weapons had begun even earlier.<sup>8</sup>

The steel, coal and armament giant Krupp established branches in the Netherlands and produced cannons, machineguns and tanks at the plant of its subsidiary, *Siderus Smit*. A branch of the Krupp Germania shipyards in Kiel built submarines in its branch yards in Holland. In Spain, German naval technicians developed new torpedoes<sup>9</sup> in *King Alfonso's shipyards* at Santander.

Alfried Krupp systematically circumvented the restrictions which Versailles had placed upon the German armament and depicted his company at the Vorstand (managing board) in 1938 as a kind of Atlas, bearing the burden of history on its shoulders:

"Our company decided to preserve the precious experience irreplaceable for the war potential of our people. This we did as the trustee of an historical heritage (..) in order to be ready to execute armament orders when the time came."

In March 1941 Gustav Krupp von Bohlen wrote that

"Through years of secret work, scientific and basic groundwork was laid in order to be ready again to work for the German armed forces at the appointed hour without loss of time or experience."

In 1929 the first experiments with the remote control of naval fire were carried out and one year later the first rocket designs appeared on Krupp's foreign drawing tables. At Nuremberg it was proposed that the foreign patents and agreements of Krupp

"...were used to restrict foreign production, keep foreign prices high, provide Krupp with technical information and general economic intelligence and furnish foreign exchange to Krupp through royalty payments."<sup>11</sup>

The Swedish steel and munitions works of *Bofors*, one of the largest in Europe, was chosen by Krupp for the further development of certain types of guns and experimental ammunition. The experience that Krupp thus gathered in Sweden was also passed on to the German Ministry of Defence.<sup>12</sup>

In the early twenties Krupp started to buy shares at Bofors and by 1925 the firm

held approximately one third of the Bofors shares, giving it a controlling interest.

Krupp's most important straw-man at Bofors was Axel Wenner-Gren (1881-1961), the founder of *Electrolux*, today the world's largest producer of white goods.

Wenner-Gren cloaked Krupp's foreign holdings during World War 1, but after 1918 he also played an active part in the camouflage of other German interests abroad which sought to circumvent the Versailles Treaty.<sup>13</sup> Swedish law prohibited foreigners from holding more than 20% of the voting control but Krupp circumvented that restriction by placing its shares in the name of a Swedish dummy holding company, *Boforsintressenter*, in which no trace of Krupp could be found. Mauritz Carlsson was the director of this dummy company, whilst at the same time exercising Krupp's vote on the board of Bofors.<sup>14</sup>

The other representative of Krupp on the Bofors board was Sven Wingquist, director of the Swedish ballbearing giant SKF and a close friend of Wenner-Gren. Carlsson held 63,000 Bofors shares whilst at the same time owing Krupp 63,000,000 Swedish crowns, and had pledged his block of shares with Krupp. Wingquist's shares were deposited (and blocked) in a bank at Krupp's disposal. The dividends of Krupp's Bofors shares were partly transferred to the Mendelssohn bank of Fritz Mannheimer in Amsterdam where Krupp had an account under the name of *Custodia*.<sup>15</sup>

The Swedish government discovered that many German firms acted through dummies in Swedish firms and the disclosure of Krupp's influence in Bofors was to lead to the so called anti-dummy law of 1934. From then on anyone who evaded the laws of foreign ownership by having a strawman or cloak acting for him, was subject to punishment. Krupp postponed the sale of its shares for as long as possible, hoping that Stockholm would change her policies, and even proposed that a representative of the Nazi regime should take up the matter with the officials in Stockholm.<sup>16</sup>

The Swedish anti-dummy law appeared to be quite ineffective, proving in the first place that little could be done against sophisticated cloaking techniques. Mainly they provoked new cloaking activities, albeit with one big difference: they were more ingenious and much harder to detect. It was, and probably still is, the ultimate dilemma for the legislator that improved laws only generate improved methods of cloaking.

In the end, nothing changed in the relation between Krupp and Bofors and, because of Sven Wingquist, Krupp even managed to exercise some influence on the new anti-dummy law which had come into force

"...after consultation between the Swedish government and the chairman of the Board of Directors of AB Bofors, dr. Sven Wingquist."<sup>17</sup>

Krupp's Bofors shares were bought by the men who had already distinguished themselves as reliable cloaks: Wenner-Gren and Wingquist. *Boforsintressenter* had become useless and was consequently liquidated. Mauritz Carlsson left the

board of directors of Bofors and his seat was occupied by Krupp's confidant, Wenner-Gren.<sup>18</sup>

Wenner-Gren's support for Krupp was to continue even after the Second World War. At the Nuremberg Trial, Alfried Krupp was forced to decartelize his concern and to sell big parts of the plants. Two world wars had convinced the Allies that Krupp must never revive again. Therefore all the coal mines and steel works were to be removed from the Krupp sphere of interest, but it was allowed to retain its interests in truck-, locomotive- and shipbuilding. As a compensation for the losses Krupp would receive \$70,000,000. Krupp's *Constantine the Great* coal mines were sold to the *Bochumer Verein* steel works, one of the biggest plants in Germany which did not belong to the Krupps. At least not yet, because no one knew what Krupp and Wenner-Gren had arranged. At the same time that the mines were sold a holding company, owned by Wenner-Gren, started to buy shares of the *Bochumer Verein* and sold them, when the time was right, to Alfried Krupp. When Wenner-Gren died in 1961, a long cooperation came to an end: the Swede had camouflaged Krupp interests in the Interbellum, in two world wars and finally in the Cold War.<sup>19</sup>

All these examples prove that secret transfer to foreign plants was an important method of cloaking. However, this did not necessarily mean that heavy industry was finished after the war, or that this transfer before Hitler came to power was somehow part of a continuous German corporate commitment to a revanchist war. They are only examples which show that some corporations could circumvent "Versailles" by means of cloaking. The relationship between German industry and the government is a very complicated one and is still the subject of extensive debates among historians. Furthermore, it is a subject of "extraordinary sensitivity".<sup>20</sup>

Orvis Schmidt, however, was not troubled by scholarly debates and remarked before a US Senate Committee:

"The under-cover expansion of German industry throughout Europe was an integral part of similar activity within Germany under the very nose of the Inter-Allied Control Commission. For example, the Reichsverband der Deutschen Industrie (RVDI) was organized in 1919 as the central organization of German industry which very quickly embarked upon a policy of long-term planning, both within and without Germany, skilfully integrated to Germany's future military needs. Through this organization, secret subsidies were paid by the German Government to various firms for research and experimentation adaptable to military use. The RVDI had a secret department which collaborated closely with the Ministry of Defence in planning the manufacture and perfection of armaments of the types forbidden by the Treaty of Versailles, including such items as heavy guns, tanks and airplanes (...). This was all part of the German underground military movement immediately after World War I was corroborated in a recent speech by Karl Waninger, director of Rheinmetall-Borsig, one of the great metallurgical and armament combines. He outlined step by step the

manner by which his organization secretly retained a technical staff and developed construction models, under the eyes of the Allied Control Commission, which made possible the earlier resumption of artillery manufacture after World War I."

Foreign Funds Control discovered that German industrialists tried to follow the same pattern of safeguarding their foreign interests again after the Second World War. Immediately after this war Germany still owned or controlled about 750 subsidiaries and affiliates in the neutral countries Portugal, Spain, Sweden and Switzerland.

But that was only the tip of the iceberg. Also bank deposits, securities and patent rights were part of the post-war hiding scheme.<sup>22</sup> The Allies had, thanks to the First World War and the Interbellum, learned to regard cloaking as a dangerous phenomenon which could have far-reaching consequences, not least because Hitler

"...had effectively mobilized all German foreign resources for the purposes of the German State. 'Legitimate' business holdings were not merely a source of economic strength to the Germans but were often, in fact, footholds for espionage, propaganda and similar activities. The recent IG Farben indictment is an example of the integration of the German military and economic systems."

There were large amounts of money involved in cloaking. In 1946, US State Department officials estimated the approximate value of German holdings in neutral countries as follows: Switzerland \$250,000,000, Sweden \$105,300,800, Spain \$90,000,000 and Portugal \$27,000,000.<sup>23</sup>

Since 1932 German corporate bodies and natural persons were obliged by the regulations of the German foreign exchange to report their foreign property to the Reichsbank. Concealment of foreign property could, according to the National Treason Act of 1933, even result in capital punishment. According to Hermann J. Abs, former director of the *Deutsche Bank*, it was "quite out of the question that more than very trivial amounts have not been reported."<sup>24</sup> Since 1935, whenever a German company wanted to make an agreement with a foreign concern it was compelled to submit first a complete text of the proposed agreement to the Reichsbank, which always disapproved if it did not fit into the plans of the Nazi state. It even happened that the Reichsbank itself rewrote a proposed contract.

"At the present time", said the US Attorney General, Francis Biddle in 1944, "it is probably inaccurate to speak of separate combines or cartels in the German economy." He predicted that after the fall of the Reich they would emerge again as separate combines "...in the guise of ordinary commercial firms." He warned against a reiteration and emphasised the fact that

"...the pattern of the activity of these firms was established before the Nazi's came to power and during the early days of the German Republic."

Biddle proposed to break down the power of the German monopolistic firms, which had survived through two wars, and to reshape the industries in such a way that they would no longer "...constitute a menace to the civilized world." President Roosevelt was also aware of the far-reaching powers of German companies and remarked in 1944 in a letter to his Secretary of State, Cordell Hull:

"The history of the use of the IG Farben trust by the Nazi's reads like a detective story. Defeat of the Nazi army will have to be followed by the eradication of those weapons of economic warfare."<sup>25</sup>

Roosevelt's intention to eradicate the trusts was not realized. IG Farben survived, although its name in the old meaning as a conglomerate of chemical works disappeared. "IG Farben in Dissolution" merely managed the firm's pension funds, kept alive the old claims to its lost properties in the East, and restituted nearly 28 million deutschmarks to some 6000 Jews who had survived working at the IG Farben Auschwitz plant. The actual corporation was split into three main pillars which we know today as *Hoechst*, *BASF* and *Bayer*.

Another method of cloaking was the use of patents. Industrial monopolies like IG Farben based a substantial part of their domination on the ownership and exploitation of patents. Patents were used in order to permanently monopolize the results of technical research all over the world. As a consequence, enterprises which did not own the patent but had merely obtained a licence, refused to spend money on research since only the patent owner would profit. They centralized and controlled the research of the entire industry, thus perpetuating their exclusive control beyond the duration of the patent itself. Essential information was often withheld when patents were filed, as protection against illicit use. Without the help of the patent-owner they could not be exploited and were consequently worthless.

False or insufficient data were often included as an extra protection for the holder of the patent. For instance, during World War I when the Americans seized the patent on Salvarsan which was used for the treatment of syphilis, and went to work to produce the medicine, it turned out to be violently poisonous. Patents were also used in gathering economic intelligence. For a patent-holder could not only obtain a controlling influence on foreign industries could but also abstract information of strategic value: the licensees were obliged to supply the holder with figures about their output.

By making innumerable patent contracts IG Farben was able to prevent major US chemical and metal firms from failing independent, commercial and development policies. It also forestalled the building of the productive facilities which were later to become vital in the prosecution of the war. In effect as the American historian Gabriel Kolko noted, IG Farben worked firms off against each other because its myriad contracts allowed its obligations to remain unclear and undefined, save to IG Farben.<sup>27</sup>

German firms used patents to restrict the use and manufacture of strategic commodities, especially in the USA, and they were remarkably successful. In 1928 Krupp formed a patent-holding and licensing company, *Krupp Nirosa*, in Delaware (US) in the stainless steel field. During World War I its two basic patents covering the manufacture of stainless steel were seized by the Alien Property Custodian and sold to the *Chemical Foundation* which issued licences to interested US companies. But two patent applications which had not been seized during the war were approved by the United States Patent Office in 1926. The licences issued by the Chemical Foundation were now infringing upon the new Krupp patents and were therefore worthless.

The US licensees succumbed rather than risking protracted and expensive litigation. From then on Krupp Nirosa controlled the most important patents in stainless steel and limited the number of licensees to the important US steel companies. Reports showing the exact production of special steel for turbine blades, aircraft exhaust systems and other applications requiring rustproof or acid-resisting metal were sent to the Krupp head office in Essen, Germany, from where they found their way to the German intelligence services. Figures about output, US Government orders and research were transmitted to Germany until June 1941.<sup>28</sup> There are more examples of the paralyzing influence of patent agreements on American production. The US production of Diesel engines was so delayed due to patent agreements between Robert Bosch of Stuttgart and *American Bosch (ABC)* that the US could not adequately meet the German submarine menace when they entered the war in 1941. The production of magnesium, a key material for the aircraft industry, was seriously crippled and so was the output of military optical instruments which were indispensable for the location of targets. The same was true of fuel injection equipment which the Navy and Air Force desperately needed in large supplies.<sup>29</sup>

The US market was heavily penetrated by German concerns. IG Farben had several patents in the field of synthetic chemistry and had completely covered new fields of industrial technology by procuring basic patents covering all known or supposed processes for producing synthetic materials.<sup>30</sup>

The secret connections and patent agreements between IG Farben and Standard Oil of New Jersey were renowned. Their relationship went back to 1926. In 1929, two years after the first contacts, they consummated "a full marriage" which meant that Standard Oil got a free hand to sell oil all over the globe (except in Germany). IG Farben was thus confident that it did not have to fear global competition in the chemical field including competition from the US.<sup>31</sup>

As late as 22 September 1939, when the Second World War had already started, IG Farben and Standard Oil concluded an agreement in the Hague ("*the Hague Memorandum*") in which it was agreed that both companies would remain in business irrespective of whether or not the USA entered the war. In the Hague IG

Farben sold various patents and shares of her stock to Standard Oil. They also prepared a separate agreement giving IG Farben the right to cancel the Hague transfer and re-obtain its stock and patents as soon as it was considered safe to do so: i.e. after the war.

A direct result of the Standard Oil-IG Farben agreement was that when the USA was drawn into World War II it was immediately confronted with an unparalleled shortage in rubber. Due to the war, natural rubber could not be obtained from world markets in the Far East, and a synthetic rubber industry had to be created overnight and with inadequate technology. Although under the Hague agreement Standard Oil had the buna rubber patents, it did not have the technical knowledge because this was forbidden by the German government. Therefore the US had to start almost from scratch in building up their synthetic rubber supplies.<sup>32</sup>

IG Farben officially owned numerous international patents monopolies through which it controlled complete industries, but its foreign cloaks also carried out research and held patents on new products: with the help of foreign technology and foreign financial means IG Farben was able to control new technical and industrial developments abroad and could thereby reserve some important discoveries for the Third Reich. When war was unavoidable, IG Farben transferred part of their American interests, mainly for the sake of the patents rights, to its Swiss branch *IG Chemie* which, for that purpose, was formally transformed into an independent "neutral" company. In the eyes of the world IG Farben no longer owned any part of this Swiss subsidiary.

At the end of the war Sweden became one of the asylums for German patents. In 1944 the Nazis registered about 6000 patents through the central Swedish patent office, the largest number in the history of the office, and in the spring of 1945 there was a positive explosion of patent registrations, many of them taken out by IG Farben.<sup>33</sup> It was evident that with the complete collapse of German resistance every effort was being made to salvage something from the ruins. Sweden was popular for cloaking purposes because the Nazi's knew from the previous World War that it could be relied on as a safe haven. A good indicator of increased activity in the area of patents was that patent applications in Sweden in 1944 totalled 10,671 compared with 1618 in 1938.<sup>34</sup> In addition the Swedish government was involved in buying up Bosch patents (i.e. for injections pumps) on behalf of the Swedish Forces.<sup>35</sup> American investigators estimated that more than 50% of all patent applications originated from such major German enterprises as IG Farben, Zeiss-Ikon, Bosch, Daimler Benz, AEG and Siemens.

The three-way arrangement among the aircraft-equipment firms of *Bendix* (US), *Zenith* (England) and Siemens was an outstanding example of the prevailing business-as-usual mentality the big companies during the war. Bendix, in which *General Motors* had a controlling stock interest, had an agreement with Siemens prohibiting *Zenith* from granting patent licences to the British War Office which



wanted to expand its production of aircraft carburettors. Bendix and Siemens also freely exchanged data on automatic pilots and present and future aircraft instruments and divided the world into sale areas. But the idea of granting licences to the War Ministry had not even crossed the mind of the Zenith management. This aircraft-equipment firm was:

“...anxious that post-war business should not be complicated by departing from the conditions of the contract in the meantime and under the excuse of war conditions...”<sup>36</sup>

There are more examples. *Rohm & Haas* in Philadelphia could not produce enough transparent plastic sheets for the noses of US bombers. It turned out that this firm had *American Du Pont* under a special contract which was part of a larger four-way agreement involving both US companies, IG Farben and the German *Rohm & Haas* in Darmstadt. Under this agreement Du Pont was permitted to produce only a small quantity of the unprocessed plastic sheets.

The British researcher Tom Bower produced the following example. In his *Blind Eye to Murder* he relates how Zeiss had made an agreement with *Bausch & Lomb* in Rochester NY. The German company promised to give the US firm all their scientific and technical expertise. Zeiss expected that this agreement would rescue them from future confiscation. *Bausch & Lomb* produced throughout the war for the war industry but – according to Bower

“...faithfully submitted to Germany accurate and detailed monthly production returns for licence payments. From those returns, Zeiss could easily tell German intelligence what sort of tanks, aircraft and submarines the Americans were producing.”

Cloaking can indeed be far more effective than the classical cloak-and-dagger sabotage.

Cloaks and international cartels also proved to be excellent transmission belts for espionage. Thanks to the various cloaks the Nazi's were kept informed on technological developments which were vital for the national defence of the country where the cloak was situated. The American Bosch Corporation (ABC), for instance, provided the mother company in Germany, Robert Bosch of Stuttgart, with technical information developed in the laboratories of the American Navy and the Army Signal Corps. This concerned high frequency and shortwave radio which was to become the basis of communication in the Army of the Reich.<sup>37</sup> One of the reasons for Bosch reacquiring a controlling interest in the American Bosch Corporation was their desire to get on the approved bidding list of the Navy and Army. Once on that list Bosch received drawings and specifications in addition to participating in experimental work in the laboratories of the Army and the Navy. In this way Bosch in Stuttgart received all the details they wanted and needed on radio. From that time on

“...the application of short wave and high frequency to military use in Germany may be said to begin.”<sup>38</sup>

IG Farben had a very effective intelligence bureau of its own: NW 7, headed by Max Ilgner, which worked closely with the Nazi intelligence services. The US branch of NW 7 had its headquarters at the *Chemnyco Company*, (Chemical Corporation) a Farben affiliate.<sup>39</sup> Rudolf Ilgner, brother of Max, was Vice President of Chemnyco. For a long time, via this subsidiary, IG Farben had been a member of the National Industrial Conference Board. It was an economic research organization of American industry but the US War and Navy Departments were also members. From time to time they informed the Board on the status of the US military forces. Through IG Farben's Chemnyco these sessions were in fact open to the German General Staff.<sup>40</sup>

An approved (IG Farben) tactic was to parachute prominent employees into foreign countries where, in due course, they became naturalized. They had orders to infiltrate the highest social classes and were expected to become respected citizens in their new fatherland. Prince Bernhard zur Lippe-Biesterfeld, an employee of NW 7, who married Princess Juliana, the future queen of the Netherlands, was according to one of his biographers sent to the Netherlands for exactly this reason.<sup>41</sup>

Walter Duisberg, son of the founder of IG Farben, Karl Duisberg, also became an American citizen for cloaking purposes. Through this naturalization-manoeuvre IG Farben top management believed that the US government would be legally unable to seize IG Farben patents and cloaks even during the war, because they were "owned" by (naturalized) Americans. It is a variation on the approved way of using neutrals for camouflage operations, one big difference being, of course, that the preparation time is much longer (naturalization takes time) so these "moles" could only become useful in the course of time.

The American Securities and Exchange Act (1934), caused some problems because it required that the name of foreign mother companies should be made known to the government. Duisberg was asked about the Chemnyco's connections with IG Farben Germany – the US authorities knew of course about his personal relationship with Germany – but Duisberg simply maintained that he did not know who owned *American IG Chemical Corporation (Chemnyco)*. Also IG Farben itself was asked directly but it alleged that it had no interests in American IG whatsoever. Soon after, with the outbreak of the war in 1939, American IG changed its name to *General Aniline and Film Corporation (GAF)*.<sup>42</sup>

But even when the secret economic relations between Germany and the USA were more or less revealed by the US government during the war, the administration in Washington did not intervene directly. Sometimes because the law was not tailored to such circumstances, sometimes because the companies were simply too powerful. What could be done against this? Arousing public opinion was perhaps the best weapon against this business-as-usual mentality. However, the Roosevelt administration showed little enthusiasm for attacking US industrial giants directly because of their influence. The British Security Coordination (BSC),

which had a bureau in New York, therefore exposed the IG Farben connections with Standard Oil to the public in a booklet called *Sequel to the Apocalypse*. It told US citizens "the uncensored story" of how their "dimes and quarters helped pay for Hitler's war". The BSC got help from Nelson Rockefeller, a member of the Rockefeller family who owned *Standard Oil*. The booklet (1942) revealed the secret interests of IG Farben in the USA and contained at the same time (for reasons of propaganda) disturbing rumours which were meant to deter the Americans from buying IG Farben's pharmaceutical products. Standard Oil put up a reward of \$50,000 to anyone who could reveal the source of the publication. Nobody ever collected the prize.

One of the few results of this publication was that Wilhelm von Rath, German born director and secretary of General Aniline and Film, resigned from the board. Despite the fact that the Federal Bureau of Investigation (FBI) was informed and provided with sufficient legal grounds for action against Nazi-controlled enterprises, that was about all that happened. This was largely due to the feud between the State Department – with its excellent relations in the highest business circles – and the investigators of the Departments of Justice and Treasury who were in close cooperation with the FBI. J. Edgar Hoover, director of the FBI, was on particularly bad terms with the leading officials in the State Department. Others have pointed out that Roosevelt certainly could have taken measures because both his administration and Congress were empowered by the War Powers Act to end this situation.<sup>44</sup>

Martin of the US Economic Warfare Section compared the entanglement of important business leaders with one another, via interlocking directorates and cartels, to a spider's web.<sup>45</sup>

Nonetheless in times of war companies take measures to safeguard their interests. Sometimes contracts were "suspended" for the duration of the war, and of course it was inevitable that considerations of post-war cooperation should affect their war-time relationships.

It is obvious that industrialists who had kept in touch with their business connections on the opposite front were not interested in what were, for them, embarrassing post-war investigations, and tried to stop them wherever they could. The investigation teams of the US Department of Justice were hampered at every turn:

"After two and a half years, I came back from Germany quite well aware that I had been wrestling with a buzz saw. We had not been stopped in Germany by German business. We had been stopped in Germany by American business. The forces that stopped us had operated from the United States but had not operated in the open. We were not stopped by a law of Congress, by an executive order of the President or even by a change of policy approved by the President or any member of his cabinet. In short, whatever it was that stopped us was not 'the government'. But it had clearly command of channels through which the government normally operates."

He concluded that:

"The relative powerlessness of governments in the face of growing economic power is of course not new. Between the two world wars the outstanding development in world economics was the division of territories and markets, by private agreement, among the largest corporations of Britain, Germany and the United States, with minor participations by their counterparts in France, Italy and Japan. National governments stood on the sidelines while bigger operators arranged the world affairs."<sup>46</sup>

James Stuart Martin became head of the Decartelization Branch of the US Military Government in Germany in 1945 and was one of the investigators. His superior, Brigadier General William H. Draper, was a former vice-president of Dillon Read Bank. He was in charge of the military decartelization in Berlin and successfully opposed Martin's work wherever he could. The latter resigned his job in frustration. He was replaced by Phillips Hawkins who was soon to become Draper's son-in-law. Hawkins was related to the Du Ponts, the proprietors of the chemical giant. Draper had some more faithful assistants like Rufus Wysor, president of the *Republic Steel Corporation*, and Fred Devereux, ex vice-president of *AT&T*. Later, both gentlemen were accused by an American Senate commission of having been interested only in resuming commercial relations with old German business friends. On the other side Martin's department were also hampered by ignorant military commanders. On one occasion 400 tons of documents from the IG Farben archives were dumped on the street just because the US Army needed the headquarters of IG Farben. Martin was not the only one who, tired of everlasting obstruction, resigned his job in frustration. Russel Nixon, Josiah Dubois and Joseph Borkin also resigned from the investigation team in frustration. When asked about these investigators, the military governor of Germany, General Lucius D. Clay, described them as

"...either members of the Communist party or tended in that direction. This was not the place not the time for them. It did create some problems that took a long time to correct. Many of these men had come to us on Treasury teams."<sup>47</sup>

The relations between German and American businessmen can be traced back to the 18th century, but they became truly important during the 1920s. After World War I both the American dollar and American industry appeared to be stronger than ever before, and the economic boom of the twenties produced enormous investment funds in various American banks. Much of this capital found its way to Germany in the form of loans to industry and direct investment in companies. Specialized US banks (for example *Dillon, Read & Co* and *Brown Brothers, Harriman*), lawfirms (*Sullivan & Cromwell*) and companies (*ITT*, *Standard Oil of New Jersey*, and *General Motors*) successfully focused their efforts on opening the market to their capital and became closely involved with German interests. Some of these institutions, as well as some individuals from their top-manage-

ment, continued to play important roles in US-German affairs for many decades to come. An interesting phenomenon emerges here which Simpson refers to as "double-think". Allen Dulles provides a notable example: while publicly supporting American backing for Great Britain on the eve of the war, he was privately representing German clients in their attempts to buy out the *American Potash and Chemical Corporation*. This firm was an important potential source of foreign currency and strategic chemicals. At the same time, Dulles was director of the American subsidiary of the *Schröder Bank*, which was one of the most active proponents of trade with Nazi Germany. This pattern of double think can also be observed in the case of John Foster Dulles.<sup>48</sup>

There was some controversy between the US Departments of Treasury and Justice and the State Department as to what was to be done with post-war Germany. Within the wartime US administration there was a clear division between anti-Nazi "hardliners" and "appeasers". The former were mainly to be found in the Treasury (with Secretary Morgenthau as their main exponent) and the War Department, while the latter were strongly represented in the State Department. Many of the State Department's career diplomats, particularly the political and economic experts who dealt with post-war Germany programs, came from the upper walks of business life because they had the required expertise. The historian Kolko claims that between 1944 and 1960 more than half of the key posts at State were occupied by men who had at one time been with major financial institutions, banks, law firms and big business companies. That does not mean that those firms determined US foreign policy, but neither can their influence be denied. Their plans aimed at a swift economic reconstruction of post-war Germany which they considered to be the best option for the stabilization of Europe, whilst at the same providing a new cordon sanitaire against the Soviet Union. They were in favour of using the old German élite who had, for the most part cooperated with the Nazi-regime, because they were the people with the required skills. Henry Morgenthau was the leading opponent to that approach. He had allies within the Departments of Justice and War, and there was widespread suspicion among Morgenthau-group that Germany, unless it was adequately stripped of its economic and military power, would unleash a new world war in the future. In order to prevent World War III Morgenthau's group advocated, instead of a *cordon sanitaire*, the closest possible post-war cooperation between the US and the Soviet Union. During the period 1945-1949, the "appeasers" and anti-Nazi "hardliners" fought a hard bureaucratic battle from which the former faction emerged victorious. This bureaucratic fight, in which sometimes the appeasers and at other times the anti-Nazi hardliners gained (temporary) dominant influence, largely explains the confusing American policies pursued in occupied Germany during those years. Morgenthau resigned just before the Potsdam Conference at which, among other things, the future of Germany was discussed. John Snyder, a banker formerly belonging to the group of appeasers,

became the new Secretary of the Treasury. Draper was appointed Chief of Economics for OMGUS, while the former Dillon Read president James Forrestal, as Secretary of the Navy and (from 15 September 1947 onwards) Defense, gained considerable influence over the US military. Other Morgenthau allies were given subordinate positions at OMGUS under Draper and were, in time, pushed out by him. Their reports were buried in classified files from where they have only recently been unearthed and (partly) published (translated in German) by an institute in Hamburg. The US occupation policy for which the Morgenthau faction had won Roosevelt's support, and which was laid down in the April 1945 Joint Chiefs of Staff directive (JCS 1067) to General Eisenhower and General Clay, was never implemented. The document was an uneasy blend of War, Treasury and State ideas. According to Acheson the American ideas, as laid down in JSC 1067, (among others prosecution of German industrialists, and an anti-trust program to break up German cartels and monopolies) had changed profoundly since their implementation in the spring of 1945, while Clay should have considered them to be unworkable from the outset. However, the recently unearthed reports referred to above shed a different light on the matter.<sup>49</sup>

The feud between the State Department, Treasury and Department of Justice, and the emerging Cold War, were not the only reasons why so little happened after the war to the huge German industrial conglomerates. The US military government in Germany had no experts at its disposal who were able to expose the complicated cloaking operations. For that reason American businessmen were appointed as military government officials to uncover the secret economic operations of IG Farben and other German firms, but they showed little enthusiasm for their job. After all, their investigations might disclose embarrassing transactions between German and US companies with which they were connected. As might be expected, these researchers researching themselves revealed next to nothing. Instead the investigators obstructed the investigations whenever they could and deemed their own work *"a waste of taxpayers' money"*.

They maintained that

*"troubling busy German industrialists with unfriendly questions would tend to 'interfere with German recovery' and might arouse 'antagonism'."*<sup>50</sup>

Senator Harley M. Kilgore of the Senate Committee on Military Affairs accused certain military government officials of countenancing and even bolstering Nazism in Germany's political and economical life. He also complained that those officials took

*"...the position that German businessmen are politically neutral and that no effort should be made to penalize German industry or to prevent it from recapturing its pre-war position in world markets."*<sup>51</sup>

Cloaking proved to be quite an effective way for the Nazi's to protect their economic interests abroad, but the Germans would never have succeeded in their operations without the help of banks and corporations in neutral countries. The Stockholms Enskilda Bank of the Wallenberg family was one of the banks which facilitated the complex cloaking operations.

## 2. Stockholms Enskilda Bank and the Wallenberg Family

The shot that killed Ivar Kreuger in Paris on 12 March 1932 paved the way for the Wallenberg family and their Stockholms Enskilda Bank to rise to the top of Swedish business life. In the first two decades of this century, Kreuger build up a world-wide empire which was largely based on the production monopoly of the famous Swedish safety-matches. In 1908 he formed a partnership with Paul Toll, another young civilian engineer, and established the building contractor firm of Kreuger and Toll which soon became the greatest building firm in the country. But it was the match-industry in which Kreuger was most interested and this was to bring him the nick-name of "match-king".

Kreuger's method was in fact quite simple: he provided a loan to a nation in exchange for monopoly rights for the manufacture of matches. Over the years Kreuger managed to build up a financial empire and an expanding group of companies, controlling about 75% of the world output of matches. It has been alleged that he created his empire through swindling. Kreuger raised huge sums for his enormous economic activities without close examination of his own financial background. In fact his book-keeping had been designed to facilitate the raising of capital without giving an account of his state of business.<sup>1</sup>

The world crisis and the consequent liquidity problems of the thirties became the death blow for his imperium; because of the scarcity of capital he could not raise the funds needed to meet its liabilities. Kreuger had been in New York since December 1931 trying to get new credits in order to solve his liquidity crisis. He needed hundreds of millions of dollars but was able to raise only four million which had to be paid back within one month. Half of this amount was provided by the *Central Bank of Sweden* and various other banks in order to save Kreuger's concern from total collapse, the condition being that he should return to Europe to give full account of his financial position.

Kreuger arrived in Paris on March 12 1932 but, because of the fatal shot, was never to meet the representatives (among them a Wallenberg) of the Swedish and American banks. His suicide or murder (the circumstances under which he died are still an intriguing mystery) precipitated the collapse of his immense empire, and sent shockwaves not only through Sweden, but through the financial world, for Kreuger lent and borrowed money all over the world. Many mainly small investors saw their fortunes suddenly disappear and the Swedish Prime Minister, Carl Gustaf Ekman, was forced to resign because he had falsely denied that his liberal party had accepted 50,000 Swedish crowns from Kreuger. Rumour said



that he had been bribed by the late match-king. This might explain a loan to Kreuger obtained one month before his death, which was largely financed by the Central Bank of Sweden, thanks to the personal intervention of Ekman.

The Wallenbergs and Enskilda profited greatly from the Kreuger crash, and managed to acquire (through means never satisfactorily explained) a large and sometimes even decisive influence in leading Swedish firms such as SKF (roller and ballbearings), Swedish Match, LM Ericsson (telephone), Alfa Laval (machinery) and *Stora Kopparberg* (mines). A few days after his death, a "Kreuger Commission" was formed in Stockholm consisting of the principal competitors of Kreuger and Toll, among them Jacob Wallenberg. The formation of this commission, which was self-appointed, is quite unusual: a lawyer, Hugo Stenbeck, advised the Minister of Finance that the management of Kreuger and Toll had formed this commission. Thereafter he went to the Kreuger and Toll company to inform them that the government had appointed a Kreuger commission.<sup>2</sup>

A wave of rumours about Kreuger's death, falsifying, swindling, and other reprehensible ways of doing business swept across the country; the Stock Exchange in Stockholm closed and many small savers, seized with panic, sold their shares for next to nothing. It has been maintained, but never satisfactorily proven, that these rumours were spread deliberately by certain financial circles in order to reduce the value of the Kreuger shares. Wallenberg was one of the financial groups which took advantage of this and bought up shares for next to nothing. There is no hard evidence that the Kreuger crash was the result of a conspiracy of hostile financiers (some big Swedish and American banks), but at the same time it is obvious that they profited greatly from it.<sup>3</sup>

The roots of the Wallenberg empire date back to the 19th century, when André Oscar Wallenberg founded the first private bank of Sweden, the Stockholm Enskilda Bank (1856), which was to play a leading role in Sweden's industrial revolution. Two of his twenty children, Knut Agathon (1853-1938) and Marcus (1864-1943) – they were half-brothers – brought the bank to great prosperity, and by 1910 (when Kreuger was just beginning to build up his empire) the Wallenbergs had become the most powerful family in Sweden. After 1911 Knut became more and more engaged in politics and during the First World War he was Minister of Foreign Affairs, while Marcus Sr. took over active control of the family bank.

Marcus Sr. was also active in politics and, from 1916 to 1918 negotiated with the Allied powers regarding trading matters. He was a member of several post-war economic conferences, in 1924 became a member of the financial committee of the League of Nations, and was one of the instigators of the International Chamber of Commerce. Through all these activities the Wallenbergs established new contacts all over the Western world,<sup>4</sup> and one of the results of this was that Marcus Sr. started to act as a strawman for the German Munitions Trust (*Deutsche Waffen- und Munitionsfabriken AG*).<sup>5</sup> World War I and the following years brought

great profits and influence to the Wallenbergs and their Enskilda bank, but the great leap ahead came after the Kreuger Crash in 1932.

The credo of the family was (and still is) *Esse non videri* ("to be but not be seen"). Their influence on the Swedish economy and finance after 1932 can hardly be exaggerated, although their power and influence is not easy to establish due to the fact that their name is hardly ever openly connected with the companies they control, or in which they have decisive influence: SKF, ASEA (electrical engineering, the Swedish pillar of the present *ABB ASEA-Brown Boveri*), *SAAB* (aircraft and cars), *Alfa Laval* (machinery), *Swedish Match*, *LM Ericsson* and *Electrolux* (white-goods).

In Sweden it is not absolutely necessary to possess a share-majority in order to exercise a decisive influence. One reason for this is that most of the shares are divided among hundreds of thousands of small investors who never attend shareholder meetings, and who obviously have hardly any influence, while there is often a concentration of shares in the hands of one or more financial interest groups.

Furthermore, the majority of Swedish companies issue shares with dual voting rights (A and B shares), which means that voting power is strongly concentrated, even more than with shareownership, because an A share has 1000 times the voting power of a B share. This practice, which is used more widely in Sweden than anywhere else in the world, ensures that the control over a company remains in safe hands. Shareholders who own between 5 and 10% of the shares can control a firm, provided that the company concerned has enough shareholders. Alongside this dual voting structure, Swedish firms also issue restricted and free shares. Foreigners are allowed to buy only free shares which are generally B shares with lower voting rights. Apart from this shares do not necessarily bear the name of their owner and therefore the name of the Wallenbergs is very often *not to be seen* even if they are in control of a company.<sup>6</sup>

The Wallenberg empire rested on four main pillars: the private interests of the individual family members; the Knut and Alice Wallenberg foundation; Enskilda; and the holding companies of which Investor and Providentia were the most important. These two holdings were only the beginning of an endless chain of subsidiaries which in their turn had daughter companies which owned subsidiaries and so on. Investor and Providentia, with their close connections with Enskilda, played a central role in the Wallenberg empire. According to Swedish banking law, banks were prohibited from owning shares in other firms. Officially, Investor and Providentia were independent juridical entities, but in reality they were closely connected with Enskilda.

The form of the Wallenberg's art of cloaking could already be discerned in 1916, when they decided (*"wisdom ordered to consider"*) to liquidate Providentia and set up another new holding company in such a way *"that the experts would not class it among the subsidiaries"*. According to the plan, Providentia would go into liquidation and the majority of its shares would be transferred to the newly-

established *AB Investor*. However, "Providentia in Liquidation", as it should have been called henceforth, became more active than ever before. Enormous amounts of assets, which according to the law it was not allowed to have, were put up with Providentia. In practical terms, "in liquidation" meant that Providentia withdrew itself from the control of the authorities, and that Jacob Wallenberg became liquidator.<sup>7</sup>

In 1945, the Swedish banking inspection reported that Providentia, although having gone "into liquidation" almost 30 years before, was still buzzing with activity. It held blooming subsidiaries and the group consisted of more than 35 companies. Providentia was never actually liquidated and still exists today. As a supplier of loans, Enskilda had good insight into the position of many companies, and quite often it appeared that members of the board of Enskilda were also members of the management of other companies.<sup>8</sup>

In short: the influence of the Wallenberg family on the Swedish economy was (and still is) unique and can hardly be exaggerated. Enskilda, the family bank, working in close collaboration with the numerous affiliated companies, played a major role in the transformation of Sweden from an agrarian into an industrial society and was, therefore, considered to be the industrial bank "*par préférence*".<sup>9</sup> During the Interbellum Enskilda wove a web of closely related financial and holding companies all over the country. Due to this group's intimate client- and owner-relationship with the bank and its management, it acquired a dominating economic influence. Between 1933-1945, the Wallenbergs and Enskilda were also heavily involved in various German-Swedish financial schemes which netted enormous profits, in particular during the first three years of World War II. For example, in 1940 the total financial resources of Enskilda were reported at \$544,000,000 – a huge amount of money – but in 1943 these resources had already jumped<sup>10</sup> to more than \$647,794,917.

In this study, as regards the Wallenbergs, we are chiefly concerned with the activities of Marcus Jr. (1899-1982) and Jacob (1892-1980). Both received an excellent international training in banking and financial matters. For example, Jacob was trained at the *Schweizerischer Bankverein*, *National City Bank* and *Brown Brothers* (both in New York), while his brother Marcus received part of his banking training at the offices of *Lazard Brothers* and *Hambros Bank* (both in London). Like Jacob, Marcus also worked at the *First National City Bank* and at *Brown Brothers*. Marcus was considered by the outside world to be pro-Allied while Jacob was regarded as pro-German. In October 1941, in recognition for services rendered to Germany, Hitler made Jacob "*Knight Commander of the Order of the German Eagle*".<sup>11</sup> The Order was founded by Hitler in 1937 and gratefully awarded to foreigners who had rendered services to the Third Reich. In 1945 Marcus was on the board of directors of 33 companies, while Jacob served as a director in 25 companies. From 1927 to 1946 Jacob was managing director of Enskilda, a position which was taken away from him in 1946, probably under

American pressure, and transferred to his brother Marcus.

The above outline will have given the reader an insight into the growth of the Wallenberg empire and their Stockholms Enskilda Bank. Today it is still one of the world's largest business empires. The name of the bank has changed to Skandinaviska Enskilda Bank (but is still viewed as the Wallenberg bank), and the Wallenberg empire, more influential than ever, is now led by Peter Wallenberg, son of the late Marcus Jr. In 1990, the firms controlled by the Wallenberg family accounted for nearly 40 percent of the market capitalization of the Stockholm stock exchange, including seven of its ten biggest companies.

# Part One

## Part Two

### *The Facts*

### 3. Enskilda and German Bosch

Robert Bosch started his company by manufacturing electrical products in small workshops in 1886. His products were a success; the Bosch-invented spark-plug in particular turned out to be a 'bestseller'. In 1901 Robert Bosch opened his first factory in Stuttgart and, as a result of his achievements, he very soon organized several foreign subsidiaries which were initiated in close cooperation with the Englishman, Frederick R. Simms. The production of spark-plugs was very successful and by 1911 more than 1 million of them had been manufactured. The demand for Bosch articles grew very quickly and before long the *Bosch Magneto Company* was also established in the United States. In the first few years this firm was merely a selling company for German Bosch products. However, the American demand for Bosch commodities was so high that it was decided to build a plant in Springfield, Massachusetts. This was run by Karl Wild. By the outbreak of World War I, the German Bosch corporation owned 5 foreign subsidiaries and had representatives in 25 other countries.<sup>1</sup>

For the Bosch company the First World War meant an enormous increase in the demand for all kinds of electrical commodities and production expanded very rapidly. For instance, between 1915 and 1917 the total output of spark-plugs rose from 2 to 10 million and the Bosch company became an important asset in the German war-economy. However, the end of World War I brought heavy losses to the company. All its foreign subsidiaries were vested, and the loss of the factory in the United States in 1917 was a particularly heavy blow. It was seized by the *Alien Property Custodian* (APC) on the basis of its German ownership.

The Alien Property Custodian was assigned the power of vesting companies, shares and patents which were owned by an enemy of the US, while the Bureau of Foreign Funds Control, part of the US Treasury, became primarily responsible for the management of these vested properties. Vested patents were licensed on a royalty-free basis to American industries. Seized business enterprises were devoted, as far as was practicable, to war production. The APC sold the American Bosch subsidiary, including its patents and trade marks, to American interests on 7 December 1918, with the express stipulation that it was not to be resold to any German interests. A new company was organized under the name of *American Bosch Magneto Company*.

After 1918 Bosch started to build up a new foreign network and established new subsidiaries and selling agencies in, among other countries, France, Great Britain and the United States. It organized a new sales company in New York in 1921: *Robert Bosch Magneto Company Inc.* In October 1929 the *American Bosch Magneto Company* and *Robert Bosch Magneto Company* concluded a "trade agree-

ment" specifically defining the rights of the use of the name "Bosch" (which was an excellent trademark), and the respective territories of the two firms. On 1 January 1931 the two companies were formally united and continued under the name of *American Bosch Corporation* (ABC).<sup>2</sup> The amalgamation was made to appear as one in which the seemingly US-owned corporation had the dominant role.

It was round 1929 that Bosch considered that the time had come to re-establish control of *American Bosch Magneto Corporation*. Bearing in mind the experiences with the APC it was little inclined to deal openly and risk revealing the company's German ownership. The financial director of Bosch, Hans Walz, was made responsible for the secret merger which was carried out in close cooperation with Jacob Goldschmidt of the *Darmstädter National Bank* (Danat) in Berlin, himself a close personal friend of Walz and Robert Bosch. Being a German Goldschmidt was prevented from acting directly and therefore he contacted *Kuhn, Loeb & Cie* in New York. Soon afterwards a syndicate of banking houses, consisting of Kuhn, Loeb & Cie, Danat and the *Internationale Bank of Amsterdam* was formed. Through this syndicate a loan of roughly \$2,500,000 was made available to Kuhn Loeb & Cie which it used, together with \$900,000 loaned by Bosch in Stuttgart, to buy up 90,000 shares of American Bosch Magneto Corporation on the New York Stock Exchange. Being an American corporation, Kuhn, Loeb & Cie. bought the shares in its own name but they were in fact acquired and held for the benefit of German Bosch. The reacquiring of control was made relatively easy by the heavy decline of security values in 1929 and 1930, due to the great crash. Walz later admitted that

"the loan in its final effect was a loan to German Bosch and that it was with this loan that the 90,000 shares were purchased."<sup>3</sup>

The reacquiring of a controlling interest also meant an additional advantage for Bosch. The company was very interested in certain radio developments in the short wave and high frequency field which were being developed for the US Army and Navy. These American discoveries and the different technical and climatic conditions in this country proved to be quite useful:

"...so we collected the experience for the construction of products in order that they could stand the Russian winter and the Libyan desert."<sup>4</sup>

However, the adoption of the US Security and Exchange Act in 1934 made the continued holding by Kuhn, Loeb & Cie. of the ABC shares no longer desirable. Bosch thereupon decided that these shares were to be sold to a Dutch bank, *Mendelssohn & Company*. Bosch and that bank had already had close connections since 1931 when the Danat went bankrupt and its ABC shares were sold to the Mendelssohn Bank.<sup>5</sup> This Dutch bank, a branch of the Berlin Mendelssohn & Company, was headed by Fritz Mannheimer who was willing to hold the shares for the benefit of Bosch. The Dutch bank advanced the required foreign exchange

to be transferred to Kuhn, Loeb & Cie, with the understanding that the Bosch company could regain possession by paying back the loan plus interest and profits. Thus by the end of 1935 the Mendelssohn Bank held the controlling majority of the ABC shares. Mannheimer designated the former vice-president of the *New York Trust Company*, George Murnane, as director and chairman of the board of the American Bosch Corporation.<sup>6</sup> Why was a Dutch bank chosen?

During World War I all German banks in Belgium, France and Great Britain were seized and those confiscations led to severe losses. A return to Brussels, Paris and London was thus viewed as an unwarranted risk and was not even allowed by the authorities in those countries. In Sweden the establishment of foreign banks was prohibited and Switzerland was considered by German banks as geographically too isolated. The decision to locate new German affiliates in the neutral Netherlands was therefore obvious and all major German banks had a subsidiary in Amsterdam.<sup>7</sup>

Other important factors such as the "strong" Dutch guilder, the very favourable economic situation of Holland in contrast to other European countries, and the Dutch government's intention of preserving her policy of neutrality, were decisive grounds for Bosch's selection of a Dutch bank in Amsterdam, which was an important European financial centre during the Interbellum.

In 1930, in order to protect the shares of the other subsidiaries abroad, Bosch had founded *Industria Kontor* in Chur, Switzerland. Bosch held all the stock of this company in the neutral alpine resort, and it was decided to transfer all the shares of its foreign holdings (except those in Hungary) to *Industria Kontor*. Apart from the "cloaking" aspect, this relocation was also motivated by a desire to circumvent the increasing rigidity of German foreign exchange regulations, to facilitate inter-company finances and external borrowing on these securities.

*Industria Kontor* also controlled a minority interest in the American Bosch Corporation and in addition owned various manufacturing and trading companies located in numerous European countries and in Latin America, all of which were supervised by Bosch. In order to conceal her interest in *Industria Kontor*, Bosch organized a new dummy company in 1933, the *NV Amsterdamsche Maatschappij voor Nijverheidsbelangen* (henceforth the *Amsterdamsche*), Amsterdam. Bosch transferred all the shares of *Industria Kontor* to the new holding which, after this transfer, owned almost all Bosch subsidiaries in and outside Europe.<sup>8</sup>

The rise to power of Hitler and his Nazi-regime also brought changes for the Bosch corporation. Production for the German war-industry intensified rapidly and the company's annual turn-over rose sharply. Nevertheless, exports stagnated due to the German practice of economic self-sufficiency. The new economic orientation also gave a boost to the development of all kinds of new products and the Bosch factories became increasingly involved in the German War Economy.



From the mid-thirties onwards Bosch gave active support to the rightwing opposition against Hitler. Bosch employed several members of the opposition, like Dr. Karl Friedrich Goerdeler as a financial advisor. He was one of the leaders of the conservative German resistance and played an important role in the coup against Hitler in the summer of 1944. The leading Bosch director Hans Walz also belonged to this resistance group. Nonetheless, Walz was also a member of the Nazi Party (NSDAP), the SS and the *Circle of Friends of Heinrich Himmler* ("Freundeskreis Heinrich Himmler") in which he represented the Bosch firm. In this Circle of Friends, 40 to 50 representatives of the leading German war-industries (IG Farben, Siemens, *Flick*, etc.), banks (such as the Deutsche Bank, *Dresdner Bank*, Reichsbank), the Nazi regime and the SS met frequently. The Circle made large sums of money available to Himmler's SS. The membership was restricted to those personally invited by Himmler or who were recommended by other members.

Through this Circle of Friends the members could also enlarge their sphere of influence in the Nazi economy. How was it possible for Walz to reconcile his membership with the activities of the opposition group? One likely answer is that, apart from direct access to the Nazi élite and economic gains, there were also political advantages, such as Himmler's protection against reprisals. Walz might have used the Circle of Friends as a facade, as did other members who were politically opposed to Hitler's policies. Furthermore, it is not inconceivable that Bosch was using Walz, for the time being, to try to woo both political and military factions in Germany.<sup>9</sup>

In 1936 two important factors led to a series of negotiations and transactions dealing specifically with the Bosch subsidiaries abroad and Mendelssohn. Firstly, the rising anti-Jewish sentiment in Germany and its effect on the Jew, Mannheimer. He informed Walz that he wished to sever the connections between Bosch and Mendelssohn because of the treatment of Jews in Germany, and demanded that Bosch purchase Mendelssohn's holdings in *Industria Kontor*, including the shares of the American Bosch Corporation. Secondly, prior to Mannheimer's demand, Walz had been invited to a conference of German industrial leaders organized by Hermann Göring, at which those present were ordered to sell or pledge their foreign holdings in order to raise foreign exchange for the German government. However, the industrialists convinced Göring that it would be better not to pledge their foreign holdings, for if there was a subsequent failure to raise the necessary foreign currency this might result in complete loss of the investments. Instead they preferred to sell their holdings in such a way that they might reacquire the investments when circumstances permitted.<sup>10</sup>

Walz, bearing in mind Göring's orders and Mannheimer's demands, decided to meet Mannheimer again in Paris, and later in Rotterdam in December 1936, for the purpose of making a counter-offer. He suggested to Mannheimer that instead of severing their relations, the Mendelssohn Bank would take over all foreign

Bosch subsidiaries, including the American Bosch Corporation. After this transaction there would be no record of ownership and Mannheimer would accomplish his objective of not participating in German holdings. Furthermore, Bosch would comply with Göring's orders because the sale to the Mendelssohn bank would provide the German government with the foreign currency needed. On the other hand, the Bosch company also wanted the opportunity to reacquire their foreign subsidiaries when circumstances permitted. Therefore, a secret agreement was drafted between the Mendelssohn bank and the Bosch company at the time of sale, which explicitly gave Bosch first option to repurchase ("*Vorkaufsrecht*") their holdings. Bosch was also

"...to be credited with accumulated dividends during the period of record ownership by Mendelssohn."

Bearing in mind the two important considerations which Bosch had to reckon with, the directors decided to sell their foreign subsidiaries (including ABC) to the Mendelssohn bank

"...while at the same time retaining complete rights to reacquire them when feasible under German foreign exchange restrictions and the state of war."

Thus, instead of using the form of a loan and pledging the shares, they utilized a form of sale which was in

"...its final effect a loan to them by a banking house with the shares as security and with greater profit to the banker than he could have earned on a straight loan."

This greater profit for Mannheimer consisted of a basic commission (at least \$100,000) for the purchase of the shares and additional fees for supervision and administration of the shares. The size of the amount was subject to the length of time the investment was to be held by Mannheimer. The contracts between Bosch and the Mendelssohn bank were signed on 6 and 7 April 1937, but the amount of compensation was covered by an oral understanding between Mannheimer and Walz. Bosch appointed Otto Fischer as a safeguard on the board of Mendelssohn.

A more convincing reason for the sale to Mannheimer in 1937 was expressed in a speech by Walz to the Board of Directors of Bosch in November 1940 when he stated that

"...fear of the outbreak of war motivated our sale to Mendelssohn in 1937 [...] War was calculated on at all times."<sup>12</sup>

From the original contract between the Mendelssohn bank and Bosch we learn that Mannheimer took over the shares of more than 29 Bosch subsidiaries in the United States, England, Spain, France, Sweden, Norway and Denmark. These were called the *M-companies* and among them were the *Amsterdamsche, Fundus* (Maastricht) and the *Nakib* (Amsterdam). It was decided to use the *Nakib* as the

controlling dummy company for the shares of the 29 M-companies.<sup>13</sup>

The Nakib was founded in December 1929 and was a full subsidiary of the Internationale Bank. The latter was established in 1924 by a consortium of banks, among them Danat and Enskilda. The managing director of the Internationale Bank was Paul Goldschmidt. Enskilda and the Danat were represented on the board by Jacob Wallenberg and Jacob Goldschmidt. An issue of bonds by the Bosch corporation worth \$1,500,000 was arranged through this Dutch bank. However, in the summer of 1931 the Nakib was taken over by the Bosch corporation and new directors were appointed who later also held positions in another branch, the Amsterdamsche. On 27 April 1937 the importance of the Nakib in the Bosch-Mannheimer cloaking scheme was emphasized by the appointment of Otto Fischer as the new managing-director of the Nakib. Fischer was described as a private banker, member of many industrial boards and leader of the Nazi Organization of Banking. He was also the Bosch executive in charge of the firm's foreign subsidiaries. In order to vindicate its substantial participation to the outside world, the nominal capital of the Nakib was boosted from 50,000 to 2 million Dutch guilders. From that moment on Nakib was the controlling cloak for 29 subsidiaries.<sup>14</sup>

However, because of an unexpected development, the cloaking scheme turned out to be wholly inadequate when the Dutch Mendelssohn bank ran into problems resulting in the suicide of Mannheimer on 9 August 1939. In the same month the Mendelssohn bank collapsed and the bank was placed in the hands of the receivers. The main reason for its bankruptcy was large scale speculation by Mannheimer in the summer of 1939, whereby the interests of some Dutch banks and corporations were considerably affected. Bosch needed a new bank for the cloaking of her foreign subsidiaries and subsequently turned to Stockholms Enskilda Bank.<sup>15</sup>

According to the agreements Bosch had the first right to repurchase the shares of its subsidiaries and the receivers and Bosch started negotiations. An important role in these talks was played by the German banker Waldemar von Oppenheim. He was closely linked to the Wallenbergs and related to them by marriage. Furthermore, part of his education and training as a banker had taken place at Enskilda in Stockholm. Bosch reached an agreement with the receivers on 22 September 1939. It was stipulated in the settlement that the former Bosch holdings which were still fully controlled by the Nakib were to be sold to Bosch, or to a third party to be designated by Bosch. The significant part of the contract was the renunciation by Bosch of its rights to repurchase the Bosch subsidiaries in Great Britain (*Ascot Gas Heaters Ltd.*) and France (*Lavalette SA*), i.e. in countries with which Germany was already at war. Why this renunciation?

"The method is clear. The right of purchase is deliberately renounced when Germany goes to war with the country in which the business is located. It temporarily disassociates the firm from German control in an effort to save the investment."

The same contract also contained the important provision that Bosch renounced its right to purchase the American Bosch Corporation (ABC). This seemed strange because Germany was not yet at war with the United States. The answer to this question will not be found in the basic contract between the receivers and the Bosch firm; however, it will be found in

“...a separate and secret agreement executed on the same date which provides that the surrender of the right to purchase American Bosch is to become effective only at the moment of the existence of a state of war between Germany and the United States.”

But after the bankruptcy of Mendelssohn matters became more complicated than Bosch had expected. It turned out that Mannheimer, due to his financial difficulties, had pledged 427,000 ABC shares to the New York Trust Company as collateral for a loan. The New York Trust Company required payment for these shares or else they would be sold on the American stockmarket. Bosch director Walz could hardly be accused of overstatement when he cabled to Murnane that they regretted their transactions with Mannheimer.

At this stage another Bosch director, Dr. Erich Rassbach, intervened and he made it clear to the New York Trust Company that any sale of these shares required the consent of his company. This was because ABC could only run its business with patent licences which were granted to them by the mother-company. If these licences were withdrawn, the American branch would be “*an empty shell*” and the shares would become worthless.<sup>16</sup>

Bosch therefore had to find another banking house which was willing to purchase and cloak the shares of the American Bosch Corporation from the New York Trust Company, and the shares of the other Bosch subsidiaries from the receivers of the Mendelssohn bank. Bosch turned to Stockholms Enskilda Bank which was willing to play the same role as Mannheimer had played before. Under the agreements with the Mendelssohn receivers, Bosch had the right to designate a third party to which the receivers were obligated to sell the former Bosch foreign subsidiaries. The third party turned out to be Enskilda which

“...entered without hesitation into a clandestine alliance with German Bosch, this despite the fact that it has consistently represented itself to be in sympathy with the United Nations.”<sup>17</sup>

Representatives of Bosch and Enskilda started to negotiate about the ABC shares at the end of November 1939. The Wallenbergs were willing to cooperate and, at the request of Bosch, established a cloak, the *AB Planeten*. The Bosch negotiators soon discovered that dealing with the Wallenberg brothers was a very different matter to dealing with Mannheimer.

Firstly, the Wallenbergs demanded a commission payment in advance of their services; Mannheimer had always wanted payment when accounts were finally

settled between him and the German firm. Bosch tried to attain a reduction in the size of the commission but failed. After talks with the German Ministry of Economics, they gave in to the Swedish demand and paid an initial fee of \$665,000 for the acquisition of the ABC shares.<sup>18</sup> In addition to this amount, Bosch had arranged with the German Foreign Exchange Office to purchase German bonds from Enskilda at premium rates. Talks about this "inducement" continued well into 1940, but the German military successes increased the material value of these assets and Enskilda refused to sell. The German officials were disturbed and regarded this as a breach of contract. Nonetheless, they accepted the offer by the Bosch negotiators to pay an extra fee of \$65,000.

The second difference between dealing with Mannheimer and the Wallenbergs was that the latter wanted all agreements in writing and, unlike Mannheimer, refused to enter into any oral understandings. Therefore *two contracts* were drawn up: a basic open agreement which dealt with the transfer of the ABC shares to Enskilda, and a secret contract which dealt with the extent of the Bosch interest in the investments; Bosch's absolute right to repurchase at Enskilda's acquisition price; the provision that the Bosch company would receive credit for dividends and Bosch's interest payments to Enskilda at cost price.

On 20 July 1940 the agreements were signed. Both parties agreed that the whole arrangement was a gentleman's agreement. The reason why Enskilda was now prepared to enter into an oral understanding (the secret part was *not* signed), is obvious.

None of the parties involved wanted to sign a document which might cause trouble with the Allies in the future. The open contract stated that Bosch renounced the right of first option to repurchase the ABC shares. But the secret agreement obligated the Wallenbergs to sell "a majority of all outstanding capital stock of American Bosch", and it also included Bosch's right to dividends which would be held by Enskilda until the end of the war.

The option was to extend 2 years beyond the end of the war and profits from any sale of the balance were to be divided equally between Enskilda and Bosch. At the time of sale, the latter would refund the purchase price paid by Enskilda to the Wallenbergs, together with interest and risk premium, increased by possible losses and cost of participations. This amount would be reduced by the profits out of the participations. In fact this meant that, thanks to Enskilda, Bosch could make large revenues out of the war-industry on both sides of the Atlantic Ocean.<sup>19</sup>

On 6 May 1940 Enskilda had deposited \$2,942,500 into the account of the New York Trust Company and this company returned 77% of all the outstanding ABC shares to the Nakib. They needed Murnane's help in this and were just in time, because they learned that General Motors and *Chrysler* were also seriously interested. This could have led to an endangered position of ABC and might have resulted in the complete absorption of the Bosch line of products. In fact, Enskilda paid 30% less than American bidders were prepared to pay.<sup>20</sup>

On the same day that AB Planeten bought the shares from Nakib, the latter was paid by one of Enskilda's affiliated companies, the investment institute *AB-Caritas*. On 30 November 1940 the ABC shares were transferred from AB-Planeten to another Enskilda subsidiary, the *AB Investor*. As a further safeguard against possible disclosures, Enskilda and Bosch decided to communicate in code, a decision made despite the fact that the Swedish government had officially prohibited any private communications in code. Bosch was satisfied because their subsidiaries were now placed "in safe and reliable hands". Indeed, it was a step which prevented the US government from extending its blocking control to a German-owned company, ABC, held by third parties.<sup>21</sup>

There were various motives for a secret agreement. First of all, the desire for concealment, as an OSS-report noted; but also the absolute right and obligation of Bosch to purchase a large majority of the ABC shares,

"...the provision of cumulation of dividends to be paid over to German Bosch upon re-purchase, the provision for German Bosch receiving half the profit realized on the sale of remaining shares to third parties, all reveal too clearly the extent of German control and beneficial ownership to be open to public scrutiny."<sup>22</sup>

Now that Enskilda was cloaking the ABC shares for Bosch, the Wallenbergs had to formalize cloaking operations in the United States itself. In November 1940 Marcus Wallenberg crossed the Atlantic Ocean by steamer and established a voting trust, in close cooperation with John Foster Dulles. Dulles was a senior partner of the law firm of Sullivan & Cromwell, the American representative for Enskilda and the Wallenbergs. The trust was instituted in order to avoid "further questioning" by the US Securities and Exchange Commission, and to assist the American Bosch Corporation in obtaining US Army orders. Murnane was appointed as

"...the sole voting trustee with complete power to vote the American Bosch stock at stockholders meetings."

The choice of Murnane was an obvious one; he had been appointed by Mannheimer as director and chairman of the ABC board in 1935. Marcus Wallenberg also arranged that if Murnane died, Dulles was to name his successor. A close personal relationship had already existed for a long time between Dulles and Murnane, and both men had been deeply involved in the liquidation of the *Kreuger & Toll* empire. Another close associate of Dulles and the Wallenbergs, William L. Batt (president of *American SKF*) was designated to be president of ABC. Dulles and Batt were both members of the *America First Committee* which had pro-German leanings. Calissendorff later confessed that Batt (compared to Murnane) "was nearer to them for giving information" on ABC. However, Murnane tried to out-manoeuvre Batt and wrote to Fischer:

"In these delicate times on matters having to do with the whole Bosch structure it would be well to initiate matters through me. I am sure our understanding on that point is adequate and no more need be said about it."

Lisagor and Lipsius allege that the legal manoeuvres of Sullivan & Cromwell and Dulles hindered the manufacture of more efficient diesel-fuel injection motors which the American armed forces needed so badly. In addition Dulles also helped the Wallenbergs in setting up similar protections for American SKF.<sup>23</sup>

Marcus Wallenberg also took the opportunity to set up three corporations which would act as holders of the assets of Enskilda, and Swedish companies associated with Enskilda in the United States. These assets totalled several million dollars, in addition to the ABC shares, which alone had a stockmarket value of approximately \$10,000,000. Significantly, during his visit Wallenberg informed the US authorities that there was *no* German interest in ABC. However, at the same time, ABC furnished all kinds of economic intelligence to the German government about, for instance, the engine manufacturing industry. It even sent Albert Zimmerman, the ABC director of inventory and production planning, to Stuttgart in order to report to Bosch.

Under the new voting trust, business was going well for ABC. Only a few weeks before the Nazi invasion of the Soviet Union, Murnane reported to Marcus Wallenberg that profits would continue to rise as long as the US Army went on placing so many orders. He further wrote that they were in agreement with German Bosch that all

"...patent royalty relations are terminated for the period of war between Germany and Britain or Germany and any country in the Western Hemisphere, but in any event for a minimum of two years. For this freedom we paid \$150,000 in cash."

Thus Murnane kept Enskilda very well informed about all secret agreements with German Bosch and about the profits of the American Bosch Corporation. In turn Enskilda acted "*as a channel for vital information from the United States to German Bosch*".<sup>24</sup>

The war raged over Europe and on 22 June 1941 the Soviet Union was attacked by Germany. American-German relations were becoming even more strained and the US government decided to extend its blocking control to Swedish- and Swedish-owned property. This measure triggered a heated debate between Bosch and Enskilda as to which of the two was to bear the loss if the ABC shares were seized by the American APC. Enskilda demanded that Bosch should bear the entire loss, but the latter rejected this demand. After negotiations a compromise agreement was reached by which the German firm would bear the loss on 350,000 shares and Enskilda on the remaining 185,000 shares which they held. Later the division was revised to 397,000 and 138,000 shares respectively.

On 11 December 1941 Germany declared war on the United States, an action

which changed the scene drastically because now Enskilda was in breach of American law by protecting an enemy-owned subsidiary. In fact the economic warfare against Germany, Japan and their Allies had started before the US officially entered the war. When Germany invaded Denmark and Norway in April 1940, Roosevelt prohibited all transactions involving Danish and Norwegian property within the US except with the authorization of the Secretary of the Treasury. During the summer and autumn of 1940 the control was successively extended to the assets of those states which were under German occupation: the Low Countries, France and the Balkan States. With these measures Foreign Funds Control discouraged the looting of securities in the overrun countries of Europe, and prevented the use of these assets (within the USA) by the Nazi regime. The second aim was to prevent Berlin from acquiring vitally needed foreign exchange and to protect US financial institutions from being imposed upon for Nazi purposes. In June 1941 the control was extended to Italy and Germany and, one month later, to the rest of Europe as well as Japan and China. The primary purpose of these measures was to prevent cloaking.

By the time the US entered the war in December 1941, all the official preparations for economic warfare had been made. The Alien Property Custodian took over the enemy assets which until then only had been frozen. The freezing control covered more than \$7,000,000,000 of foreign assets spread over 35 nations. The freezing also included bank deposits, securities, gold, patents, commodities and more than 4000 business enterprises.<sup>25</sup>

The war made Enskilda and Bosch fear, quite rightly, that the APC would confiscate the ABC shares. They were warned by Dulles, who pointed out that the Trading with the Enemy Act had been amended in December 1941. This permitted the seizure of properties and assets held on behalf of German corporations by third parties. Dulles urged the Wallenbergs to present a formal declaration to the Swedish government stating that there was no German interest in the American Bosch Corporation. The Swedish government would then submit this statement to the American government.

On 15 December 1941 the US Treasury blocked the ABC shares as being of German origin. The Wallenbergs immediately summoned a legal representative of Bosch, Dr. Gustav Thöma, to Stockholm. Although the agreements with Bosch were not signed, there still remained the gentleman's agreement. Calissendorff admitted to Thöma that the payment of \$655,000 produced the greatest difficulty. As requested, Thöma made the official statement that there was no German interest in the ABC shares. He was able to do this because it conformed with the open contract and this would have no consequences due to the secret contract with Enskilda. Thöma's statement was the basis for Enskilda's representation to the Swedish government and one may assume that the authorities did not know the real facts. However, a memorandum from the archives of German Bosch showed that Enskilda later



"...made a more accurate revelation of the facts to the Swedish Government, which passed them on to its diplomatic representative in Washington but instructed him to use his own discretion as to how much of the information should be furnished to the United States Government."<sup>26</sup>

According to Calissendorff he informed the secretary general of the Ministry of Foreign Affairs, Erik Boheman, about the secret option clause after 1942. Boheman noted in his book *På Vakt* that relations between Marcus Wallenberg and the Americans were temporarily disrupted by the so-called Bosch affair. According to Boheman, this was an affair where ignorant and over-diligent American economic spies accused the Wallenberg group unjustly of having acted in collusion with the Germans in the matter of a certain acquisition of shares. If Calissendorff's statement was correct, Boheman should have known better than to write as he did in his memoirs. There was another reason why Boheman was economical with the truth: he was a member of the Board of two Swedish Bosch subsidiaries.<sup>27</sup>

On 17 January 1942 the official Swedish declaration was handed over by the Swedish ambassador in Washington to the Treasury. The declaration, in the form of a letter, stated that the American Bosch Corporation "*was definitely bona fide as Swedish*" and that Enskilda had been the sole owner of the ABC shares since the date of purchase. There existed "*no qualifying agreements, undertakings or promises impairing this ownership*". Contacts between Enskilda and German Bosch in Stockholm dealt only with matters regarding patent-rights. However, the Treasury was not satisfied and immediately started an investigation into the affair. An extra reason for this hurry was that the Treasury suspected officials of the American Bosch Corporation of industrial espionage on behalf of the Nazi regime. Murnane immediately informed the Wallenbergs and they summoned Thöma back to Stockholm in April 1942.

Several conversations were held between the Wallenberg brothers, Calissendorff, Goerdeler and Thöma in April, May and June 1942. Goerdeler had been employed from 1937 onwards at Bosch and this was not his first trip to Sweden in order to do business with the Wallenbergs for Bosch. He had indeed been in Stockholm more than 10 times already and was also the Bosch representative who had agreed to the open and secret contracts of July 1940.<sup>28</sup>

Goerdeler reported back to Stuttgart about these talks but his telegrams were intercepted by British communications intelligence. Wallenberg had negotiated thoroughly and made it clear that maintenance of prestige was a matter of the utmost importance.<sup>29</sup> After lengthy talks two decisions were made. Firstly, it was decided to destroy the secret contracts on the ABC operation. Although the Wallenbergs destroyed the contracts, Bosch did not and the documents, with a red mark drawn through the text, were found in the Bosch archives in Stuttgart after the war. All the other documents prepared as supplements to the contract

of 5 December 1939 were rewritten to exclude all references to ABC. Secondly, Thöma gave in to the Wallenberg's demand that the German firm should finally make a formal public renunciation of its rights to the ABC shares. This last decision was agreed upon in order to save the investment for both parties, because on 19 May 1942 the ABC shares, which were still under the control of AB Investor, were de-blocked but at the same moment confiscated by the APC. They had no full proof of German ownership but had "a very strong presumption of an overall German-controlled pattern". The APC pointed, for instance, to the Enskilda take-over of the ABC shares despite a higher US bid; the fact that Murnane discouraged American bidders from buying the ABC shares, and the agreements on patents.

Thöma returned to Stuttgart, prepared a formal renunciation letter and personally delivered it to the Wallenbergs on 25 June 1942. As the OSS report noted, this final step was taken on the advice of Murnane. The report continued

"The fact that German Bosch waited until half a year after war was declared between the US and Germany to write its renunciation of rights, might indicate how reluctant they were to loosen their hold on American Bosch in any manner. Or it might indicate a belief that the secret agreement could remain undetected. On the latter score, the Wallenbergs must have lost their nerve by May 1942, when they asked for the letter of renunciation".<sup>30</sup>

In spite of this letter the situation remained the same, because in talks between Thöma and the Wallenbergs on 25 July it was agreed that the previous agreements would be remembered later.

A letter from Bosch to the Deutsche Reichsbank also shows that nothing had changed. The German firm admitted that the renunciation letter was only for use in connection with third parties, i.e. the officials of the US Treasury. Bosch was very pleased with the cooperative position taken by Enskilda. They wrote to the German Ministry of Economics that the efforts of the Wallenbergs further prevented the US authorities from undertaking drastic steps against ABC. Of course, the ABC shares had been seized for the time being, but they were still "legally" owned by Enskilda and had not yet been sold on Wall Street to an American competitor of Bosch.

Nonetheless, in spite of this letter, the Wallenberg brothers continued to worry and decided to bolster their position, and Enskilda

"...reversed in its books the original payment to it from German Bosch in order to make its position seem less culpable to the Swedish Government. To this day, however, German Bosch has not made a corresponding entry on its books and the proceeds, which were invested by SEB in Swedish bonds, are held in a suitcase in the *Svenska Handelsbanken* in the name of an individual, rather than in the name of Bosch."

Needless to say, the old situation between Bosch and Enskilda remained the same in practice, in spite of the anti-trust action in the United States on 29 December

1942 against the American Bosch Corporation, whereby the latter was forced "to issue licenses under all of the Bosch patents" to American firms but without royalties.<sup>32</sup>

In this respect it is interesting to observe that Bosch, in intercepted telegrams, referred to an important confidential agent who was Enskilda's representative in the United States. Calissendorff informed Goerdeler and Thöma that this agent belonged to the US government. This was probably William Batt, Vice-Chairman of Roosevelt's War Production Board, but also working for ABC and SKF.<sup>33</sup>

In the spring of 1943 Bosch decided that it would use the option clause in its secret agreement with Enskilda. Thöma and Goerdeler again went to Stockholm for talks with Jacob Wallenberg and Calissendorff. Goerdeler and Jacob Wallenberg had known each other since 1934 and they frequently discussed various political problems. Goerdeler used the Wallenbergs for making contacts with the Allies about a separate peace on the westfront. Both he and Jacob Wallenberg feared a strong Soviet Union and, according to Belgian diplomatic sources, Goerdeler might even have warned the Swedish government in February 1942 of an imminent German assault on Sweden.<sup>34</sup>

On Goerdeler's return to Stuttgart he wrote a memorandum concerning his conversations with Jacob and Calissendorff. It transpired that the point of his mission to Stockholm had been to convey the Bosch decision to use the option clause in the secret contract. Bosch wanted to avoid the interest payments to Enskilda for its investments in the ABC shares. Goerdeler told Jacob that Bosch wanted to repurchase these shares, and that the necessary funds were already in deposits in Swiss banks. Once again, the German banker Waldemar von Oppenheim played an important role in negotiating this arrangement.

But the Wallenbergs had probably had lost their nerve and they were not the only ones. From October 1943 onwards, due to military and political developments, the Swiss bankers reduced their help to the Nazi's. They were afraid that even the most secret agreements would be exposed to the Allies and did not want to run that risk. The same applied to the Wallenbergs, because if the US Treasury were to find out about this final transaction, it would have been "a clear admission of the falsity of their earlier assertions" that there existed no German interest in these ABC shares. The risk was too high; Jacob Wallenberg decided that Bosch could stop paying interest to Enskilda, but he also decided to leave the funds in the Swiss banks until the war had finished. This last decision somewhat surprised Goerdeler and we learn from his report that he told Jacob that "he should surely be able to make use of those funds".

But Jacob decided to leave the money in Switzerland and he told Goerdeler, regarding the future of the ABC shares, that after the end of the war "one could speak again of further developments – and when possible under the circumstances". Jacob also told the Bosch official that

"It must be taken into account that the Swedish Government is informed that Bosch has an option on the shares of AB Planeten and that in case of enquiry from America, the Swedish Government cannot evade answering it."

He further stated to Goerdeler that he believed that he could hold the ABC shares, otherwise "...Murnane would have written if there were a new proceeding".

Murnane was not Jacob's only source of information. William Batt, president of American SKF and the American Bosch Corporation, flew to Stockholm at the beginning of October 1943 for talks with Jacob. Another source of information was the Alien Property Custodian, Leo T. Crowley, himself. He was on very good terms with Murnane and also with Dulles, who became special legal counsel for Crowley. Thöma was for instance informed by Calissendorff that the intervention had not come from the Custodian himself, but from the Treasury.<sup>35</sup>

Bosch stopped paying interest, the funds stayed in the Swiss banks, Enskilda kept the ABC shares and this situation continued until the end of the war. And although sometimes there was a grave threat that the shares would be sold on Wall Street, this could be prevented by the American "friends". Therefore Goerdeler could report in 1944 to the Reichsbank that Wallenberg

"...is acting loyally on our behalf and will surely to be prepared to do as much as he can in order to safeguard the interests of Bosch."<sup>36</sup>

However, during the same conversations in October 1943 another arrangement was made. Because the Wallenbergs had become nervous, they wanted to get rid of the other foreign Bosch holdings in Europe and Latin America. Once this could be arranged, the American authorities would be able to find no other ties between Enskilda and Bosch and this would improve Enskilda's position regarding the delicate question of the ABC shares. In order to throw light on how Enskilda acquired the other Bosch subsidiaries, we must return to the bankruptcy of the Mendelssohn bank in 1939.

As we have already shown, Mannheimer owned the foreign holdings of Bosch in Europe and Latin America through the Nakib. In the agreement between Mannheimer and German Bosch, the latter was granted first option to repurchase these subsidiaries, except those in Great Britain and France. This was acknowledged after Mannheimer's suicide and the Mendelssohn bankruptcy, in the contract of 22 September 1939 between the receivers and Bosch, whereby the latter could also designate a third party. In this case too Enskilda was willing to act as a cloak. On 5 December 1939 Bosch and the Wallenbergs entered into one open and two additional secret agreements ("*Niederschrifte*") regarding the European Bosch branches and, once again, in the secret arrangements, Bosch was granted the first option to repurchase these shares. The terms of the secret contracts with ABC also emerged in these secret European agreements.

Enskilda would keep the subsidiaries for Bosch for the duration of the war, and it was further agreed that Bosch should repurchase its foreign branches within two years after the end of the war. They would pay Enskilda the amount which they had paid the Mendelssohn receivers, plus interest and expenses. As with the ABC transaction, the Wallenbergs demanded an advance commission

payment and were offered 660,000 Swedish crowns as a "bonus" for their services and the risks run by them. The Wallenberg brothers agreed to this "premium" and were willing to pay the Mendelssohn receivers for the Bosch subsidiaries other than the American Bosch Corporation. On 14 December 1939 the money was transferred to the receivers, and on 2 January 1940 Enskilda received its bonus. On 16 December 1939 the Wallenbergs established the AB Planeten and the latter bought the 11 subsidiaries from the Nakib. AB Planeten raised the funds for the purchase in the following manner. Enskilda loaned Skr. 3.9 million to one of its affiliated companies, AB Caritas, which in turn loaned this amount to AB Planeten.

AB Caritas belonged to the Wallenberg-owned AB Providentia ("in Liquidation") which was an additional security measure because corporations in liquidation withdrew themselves from all governmental control. As security Bosch opened a special account at Enskilda containing the same amount as AB Planeten's loan and on 16 February 1940 all the shares of the 11 Bosch subsidiaries were transferred to AB Planeten. Bosch and Enskilda then decided that the Dutch cloak *Fundus* would play the same role as Nakib had played before the bankruptcy of Mannheimer. Therefore in the autumn of 1940 *Fundus* issued nominal f230,000 new shares, which were subscribed by AB Planeten. This was done in order to justify the more important role of *Fundus*. By 9 October 1940 all the cloaking operations were completed and Enskilda now owned, through AB Planeten and *Fundus*, the Bosch subsidiaries in Europe and Latin America.<sup>37</sup> This situation continued until the beginning of 1942.

In that year Bosch decided, probably inspired by the German military successes, not to wait until the end of the war for the repurchase of her foreign subsidiaries, other than the American Bosch Corporation. They exercised the secret option right, paid off AB Caritas' debt to Enskilda, emptied their special account at Enskilda and regained possession of their subsidiaries from AB Planeten/Enskilda in accordance with the secret agreement. Enskilda received full payment (acquisition price plus expenses plus interest) from the German firm.

Bosch started ingenious re-cloaking operations in Holland and Switzerland. However, these operations produced considerable difficulties with leading Dutch Nazi's, which was probably why Enskilda continued to hold the formal title to the Bosch subsidiaries, through AB Planeten, until the summer of 1943. Bosch paid Enskilda an additional bonus for this service. A Dutch official could therefore only conclude that the Bosch corporation

"...used AB Planeten as if it were a subsidiary company of Robert Bosch A.G. instead of being a subsidiary of Stockholms Enskilda Bank. This went so far that, until after the German capitulation, Stockholms Enskilda Bank ignored all transactions which had been entered into by and in the name of AB Planeten."<sup>38</sup>

During conversations between Jacob Wallenberg and Goerdeler in May 1943 it became clear that Enskilda definitely wanted to get rid of the Bosch subsidiaries,

which were still formally held by AB Planeten. Goerdeler understood Wallenberg's wish and it was also in his interests to keep the Enskilda shield effectively clear of AB Planeten interests. It would then be easier for Enskilda to defend the ABC shares, and that would also be in the interests of German Bosch.<sup>39</sup> Despite the difficulties with the re-cloaking operations in Holland, the separation of Enskilda from AB Planeten was now quickly completed. Bosch decided to use her Swedish branch, the *AB Tessalia*, for this final transaction. Enskilda sold the AB Planeten shares to AB Tessalia and AB Planeten became a full Bosch subsidiary.

On 15 July 1943 Bosch concluded a secret contract with AB Tessalia which governed the conditions under which AB Tessalia now held subsidiaries (other than ABC) for the benefit of Bosch. This secret contract with AB Tessalia was then deposited in safety deposit box No. 1218 at Enskilda under the control of Hugo Stenbeck. However, the shares of AB Tessalia were transferred to three Swedish lawyers (Hans Holm, Herbert Lickfett and Stenbeck) in Stockholm, who then held AB Tessalia for German Bosch. They were members of the board of some Bosch subsidiaries in Sweden. However, the consequence of the transfer of the Bosch subsidiaries to AB Tessalia was that these branches were again owned outright by Bosch.<sup>40</sup>

These re-cloaking arrangements became so complicated that by 1945 not one of the staff of German Bosch knew all the details. Even Thöma experienced considerable difficulty in explaining everything to his American interrogators. Nevertheless, after the war the Bosch directors were extremely chagrined to discover that Allied intelligence was apparently well-informed in spite of their strenuous efforts to keep all agreements top secret.<sup>41</sup>

## 4. Enskilda and IG Farben

Another corporation with which Enskilda had business transactions was the chemical giant IG Farben. This corporation was the product of the amalgamation in August 1916 of the firms BASF, Bayer and Hoechst together with five other chemical firms. This merger created the largest single company in Germany.

The German defeat did not have dramatic consequences for IG Farben which expanded and absorbed many more chemical firms in the years to come. Several agreements were made with foreign competitors, such as the British ICI and American Standard Oil, about the exchange of technical and scientific information and the division of world markets. By 1931 IG Farben had almost completely recaptured the chemical market in Europe through take-overs, cartel agreements and foreign investments. For instance, in 1933 IG Farben's gross profits rose by more than 70% and the net profits reached 65 million marks. With the support of IG Farben, the German chemical industry was mobilized for war long before its outbreak. IG Farben was one of the firms which had started, at an early stage, to take part in the secret manufacturing of arms. In 1933 they were involved in the build-up of the prohibited German Airforce and contracts for the manufacturing and distribution of synthetic oils were signed.<sup>1</sup>

The company's assistance in the accomplishment of Germany's objectives resulted in a close affiliation with the Army. IG Farben's financial resources had developed enormously, as is evident from the balance sheet of 30 September 1944. The book-value of their assets exceeded more than 3 billion marks and it was estimated that '*hidden reserves*' totalled more than 1.5 billion marks. Between 1939-1944 IG Farben added more than 1.1 billion marks to its retained earnings, twice as much as in the preceding 13 years.<sup>2</sup>

IG Farben had organised a system of cartels which would secure its domination of the chemical industry on a global scale. It participated for instance in a dye-stuff cartel, which was established in 1932. This *Four Party Cartel* (German/Swiss/French/British) included the huge British dyestuffs combine ICI and by 1938 controlled about 90% of the world export trade in dyestuffs, and represented over 60% of the entire world dyestuff production. IG Farben and its branches accounted for about three quarters of this 60%. They also participated in chemical cartels, where world markets were divided up by IG Farben, ICI and the Belgian *Solvay & Cie*. Another cartel area in which the company participated was the division of world markets in industrial explosives (with ICI and American Dupont). Furthermore, there were agreements with *Standard Oil*, *Shell* and ICI which took care of the pooling of technical and scientific information and patent rights on synthetic fuels and rubber. Finally, there was an understanding between

IG Farben and Standard Oil whereby the American company agreed to stay out of the chemical business.<sup>3</sup>

In addition, the corporation had acquired substantial interests in other concerns both in Germany and foreign countries. In fact, the firm participated in more than 400 companies in Germany and in 613 companies in more than one hundred countries around the world. The value of these 613 enterprises was more than 737 million marks excluding hidden reserves, because foreign acquisitions were frequently accomplished in great secrecy. American IG Farben, later *General Aniline and Film Corporation* (GAF), was one of her most important subsidiaries. Although GAF relocated many products and large profits to Germany, it also acted as an active Nazi-espionage organization and actively collaborated with IG Farben's own intelligence network, NW 7 in Berlin. Of course, these immense interests in the United States needed a perfect camouflage. So IG Farben "sold" her US sales outlet, the *General Dyestuffs Corporation*, to an American NW 7 agent and began a complicated operation in order to conceal her control over GAF through *IG Chemie* in Basle, Switzerland.

IG Chemie was established in 1928 to administer foreign assets and the chairman of IG Farben's Board of Directors, Hermann Schmitz, became its first president. Nevertheless, the intriguers made sure that control definitely lay with IG Farben. They also worked out a settlement with Standard Oil with respect to two other important American properties, the *Standard IG Corporation* and *Jasco*. If the United States were to enter the war, at least these two IG Farben interests would be saved from seizure by the APC.<sup>4</sup>

The cloaking manoeuvres met serious difficulties. Several high-ranking members of the Nazi regime rejected such actions because they considered them to be defeatist. However, the more pragmatic officials supported IG Farben's activities in this respect and even threatened that the failure to repatriate foreign profits would be treated as sabotage of the German economy. Thereupon IG Farben concocted an accord with the German Ministry of Foreign Affairs, whereby they would transfer their surplus earnings, in complete secrecy, to the accounts of German embassies, legations, etc., and the German authorities would transfer equivalent sums in marks to ZEFI, the central financial section in Berlin. This would also alleviate the foreign exchange position of the Third Reich and was in complete compliance with the official economic policy.<sup>5</sup>

Another repercussion of the arrangement with the Foreign Ministry was that IG Farben was forced into a closer relationship with the German counter-intelligence organization, the *Abwehr*, run by Admiral Canaris. The company opened her files for the *Abwehr* and cooperated on several levels. For instance, IG Farben instructed her foreign representatives to give as much valuable information as possible to the *Abwehr* agents. In particular, information on raw materials, shipping, trade, economic warfare, etc. was very welcome. Directors of IG Farben had already been members of Himmler's Circle of Friends since long before 1939



and shortly after the outbreak of World War II these ties with Himmler and his SS were tightened. This ever-closer association was to pay off later when IG Farben ran short of labourers.<sup>6</sup> The SS took care of that and filled these shortages with captured soldiers, forced labour and even concentration camp inmates. This use of slave labour reached its peak when IG Farben arrived at Auschwitz. IG Farben also exploited prisoners in her own concentration camp, *Monowitz*. Within three to four months of their arrival they became unproductive for IG Farben Auschwitz and were gassed with the poison gas Zyklon B. This was one of IG Farben's chemical products, although it was originally designed for agricultural purposes.<sup>7</sup>

Now that IG Farben had made all the necessary official arrangements for successful cloaking operations, Enskilda came back into the picture. Many of these operations took place in the thirties and, as in the Bosch affair, the Netherlands was selected. The reasons which were valid for Bosch also applied to IG Farben: the favourable economic situation of Holland, the leading financial position of Amsterdam, and the official policy of neutrality. Therefore IG Farben's Legal Committee concluded that if the shares of the IG Farben subsidiaries were actually held by corporations in a neutral country, enemy economic warfare measures would be ineffective, and even an option on the shares in favour of IG Farben would remain unaffected. They also stated:

"...the risk of seizure of the sales organizations in the event of war is minimized if the holders of shares or similar interests are neutrals residing in neutral countries."<sup>8</sup>

The choice of the Netherlands was thus an obvious one.

Another advantage was that IG Farben already owned some "dummy companies" in this country which were already involved in cloaking operations, or which were "dormant" companies.

The oldest branch in the Netherlands was *Voorindu* (1925), which was engaged in many cloaking operations as late as 1939. *Voorindu* was an important stock-owner of GAF, in addition to this, it controlled IG Farben subsidiaries in Australia, Belgium, Canada, Egypt, Great Britain, France and the Netherlands.<sup>9</sup> When tensions grew in the late thirties, the management of IG Farben started to re-examine their cloaking measures and concluded that the cloaking through *Voorindu* was too transparent and therefore too vulnerable to offer real protection in the case of war.

Consequently most of the *Voorindu* subsidiaries were transferred to another Dutch cloak: *Chehamij*. This dummy company was established in 1934 and had lain dormant until 1939. Its managing director was Ludwig Brehm, a naturalized Dutchman who was described by the British Foreign Office as an IG Farben cloaking expert. These operations had only one aim: the safeguarding of IG Farben's foreign interests against seizure in case of war.<sup>10</sup>

In furtherance of this scheme, the directors of IG Farben decided that *Chehamij*

would take over most of IG Farben's foreign cloaks from Voorindu. However, this substantial participation had to be made plausible to the outside world. Therefore Chehamij's stock was increased to f1,000,000 of which f200,000 was issued. In order to *deFarbenize* the ties between Chehamij and IG Farben, three Swiss companies and a bank were chosen to act as shareholders of Chehamij. These firms were closely affiliated to IG Chemie (IG's Swiss affiliate) which controlled American GAF. The chosen bank, *Ed. Greutert & Cie.*, later called *H. Sturzenegger & Cie.*, was closely connected to IG Farben. Hans Sturzenegger acted as a general trustee and banker for IG's foreign holdings, and often acted as an intermediary for fictitious transfers of stock between IG Farben's various cloaks. This is amply illustrated by the fact that Sturzenegger owned 44% of the stock of IG Chemie. In March 1942 he joined the board of Chehamij.

A satisfactory understanding was arrived at with the three companies, as is indicated by IG Farben's letter to the German Ministry of Economics, in which it was stated that they and the shareholders were in agreement as to IG Farben's dominating influence on Chehamij. IG Farben further pointed out that the shareholders

"...without having any influence on Chehamij contributed the capital of Hfl.200,000 paid out of their own funds, they demanded from IG to guarantee them internally a minimum dividend of 6%."<sup>11</sup>

By cautiously selecting these three shareholders, IG Farben had not only reduced its legal ties with Chehamij, but had simultaneously safeguarded its influence on Chehamij to the fullest extent. Or as a British report noted:

"...Chehamij was an attempt by IG Farben to differentiate [...] between ownership and control, in order to avoid the consequence of the former. There is no doubt that Chehamij was at material dates controlled by IG Farben."<sup>12</sup>

Nevertheless, one serious problem remained. How could Chehamij get hold of the funds needed in order to acquire the IG Farben subsidiaries, mainly in Europe and the Commonwealth? Most of these branches were still in the possession of Voorindu. Procuring the funds from IG Farben directly or indirectly would of course have been too revealing, and was therefore out of the question. It would be preferable for the money to be provided by a foreign bank in a neutral country with no direct ties with IG Farben. And again Enskilda was willing to render the necessary assistance.

If we have to summarize the arrangements with IG Farben, we can describe Enskilda's role as follows. A number of IG Farben's cloaks were sold to companies in Holland and these

"...were purchased using credits granted directly or indirectly by holding companies, which were subsidiaries of Stockholm's Enskilda Bank."<sup>13</sup>

Another reason for the use of Enskilda for this cloaking operation was that recently attempts at similar operations involving other banks had floundered.

In October 1938 IG Farben had already tried to come to a satisfactory arrangement through the *Hollandsche Koopmans Bank (HKB)*. This bank was originally jointly owned by the Swedish *Kreuger & Toll* corporation, IG Farben and Enskilda. Initially it had a Scandinavian outlook in its financial dealings. After the crash of *Kreuger & Toll* in 1932 the HKB shares were taken over by IG Farben. However, Enskilda kept a substantial participation of 20% of the total share capital of the HKB and had a representative on the Board of Directors, Maurice Philipson.<sup>14</sup>

IG Farben decided to sell its interests in Czechoslovakia and Great Britain to a Dutch cloak. The HKB loaned this cloak more than f6.2 million against 4% interest for this operation. IG Farben deposited the same amount in her account at the HKB, and in this scheme her dummy company would only have to pay the 4% interest to the HKB. However, this scheme was rejected at the official level in Berlin and the IG Farben directors had to work out a new strategy.<sup>15</sup>

Consequently Enskilda was already passively involved, via the HKB, in IG Farben's cloaking operations. Soon they would play an active role. On 7 June 1939, G.M.A.J.H.K. Fritze, director of the HKB, travelled to Stockholm to visit the headquarters of the Enskilda Bank. He asked Calissendorff whether or not Enskilda was willing to furnish the sums for the new cloaking manoeuvres. Fritze explained that IG Farben was organizing a company in the Netherlands which would take over its foreign holdings. Chehamij would require a large loan which IG Farben was willing to secure by a deposit of funds equal to the amount of the loan. Enskilda was willing to cooperate and Calissendorff promised to work out the details of the loan. He assured Fritze that Enskilda would do this in such a manner that IG Farben's interest in the transaction would be fully concealed.

When interrogated in 1946, the Wallenbergs and Calissendorff declared that they were confident that there was no IG Farben interest in the HKB, and that Chehamij was a wholly independent company. They alleged that it only later that they discovered this to be a lie. Of course this was not true; in fact the whole scheme had been arranged by Enskilda and IG Farben so as to ensure that IG Farben's interest would be concealed.<sup>16</sup>

On 13 July 1939 a secret agreement was worked out between IG Farben, Enskilda, AB Caritas and AB Akont (another Wallenberg company) which enabled the German firm to complete its cloaking operations. The registered office of Chehamij was transferred to Amsterdam and its new address was the same as the HKB's. It was arranged that Chehamij would receive the necessary capital in the following manner.

IG Farben would maintain a "special account" at Enskilda's subsidiary AB Akont, containing funds equivalent to the amount that Chehamij wanted to borrow. The IG Farben deposit with AB Akont would serve as a collateral for the loan. Another of Enskilda's affiliated companies, AB Caritas, would then make a

loan to Chehamij of the same amount. In this scheme with Chehamij there would be no clear relationship between Enskilda or AB Akont and AB Caritas which Dutch officials labelled as "an outpost of German interests during the war!". One month later IG Farben asked Berlin for permission to go on with this project. They wanted to transfer the money from their accounts at Ed. Greutert & Cie., Basle to Enskilda.<sup>18</sup>

IG Farben appears to have run into difficulties with Enskilda because the Wallenbergs demanded further guarantees. They apparently considered IG Farben's account at Enskilda an insufficient pledge for the transactions which Enskilda and AB Caritas had to conduct. Nevertheless, IG Farben managed to deal with this matter successfully and were able to write to the authorities in Berlin:

"We are only bound to maintain with Enskilda Bank currently an account of the same amount to the extent of which the credit will be given to Chehamij by the investment institute related to Enskilda Bank."

Furthermore, it was arranged that Chehamij could borrow a maximum of 3 million Swedish crowns (against 5% interest) from AB Caritas, as long as IG Farben maintained a sufficient deposit. In order to compensate the Wallenbergs for their "trouble" in covering up the operation, IG Farben would pay a commission of 1% per year of the amount Chehamij borrowed.

In July 1939, on the basis of this agreement, AB Caritas loaned Chehamij the sum of almost 3,000,000 Swedish crowns, so that it could buy IG Farben's subsidiaries in Great Britain, the Commonwealth and the neutral states. Chehamij bought, for instance, the *IG Dyestuffs Ltd.* (Manchester), *Chemdyes Ltd.* (Bombay), *Dychem Trading Company Ltd.* (Melbourne), *Consolidated Dyestuff Corporation Ltd.* (Montreal) and *AB Arto* (Malmö).

The Canadian firm was founded in 1926 as a camouflaged selling company of IG Farben. It was also used as an IG Farben export channel in order to evade anti-dumping measures and the American tariffs.<sup>19</sup>

In November 1939, IG Farben sold AB Arto to Enskilda, which in turn sold it to Chehamij for about 240,000 Swedish crowns. The purchase of AB Arto was preceded by a large loan of 2,750,000 Swedish crowns from Enskilda's subsidiary AB Caritas to Chehamij. Thus the Caritas loan provided the money for this transaction. This loan had been arranged by IG Farben, which deposited with Enskilda's subsidiary, AB Akont, an amount equal to the amount borrowed as collateral for the loan. As security for the loan, Chehamij pledged the shares of Consolidated Dyestuff Corporation, IG Dyestuffs and AB Arto, which were all deposited in the vaults of Enskilda. The agreement between Enskilda and IG Farben authorized the Wallenberg brothers to call in the loan at any time after giving two weeks notice. In that case Enskilda would seize IG Farben's deposit with AB Akont and consequently transfer the claim of AB Caritas against Chehamij to IG Farben.<sup>20</sup>

The German attack on the Netherlands did not create drastic changes. It only

resulted in the departure of the confidential IG Farben agent and HKB Director, G.M. Fritze, who moved to the United States in order to protect the interests of IG Farben and the HKB. He tried to get hold of some 15,900 GAF shares which were deposited with Brown Brothers, but the American government had blocked all Dutch accounts and the law firm was thus unable to dispose of these assets.<sup>21</sup>

This problem with GAF recurred when tensions grew in mid-1941. GAF shares had already been blocked since 14 June. There were two types of shares, A and B; these had equal votes, but the A shares drew 10 times the amount of dividend as the B shares. Nevertheless, the B shares were more important because they were the controlling shares, and were in the hands of four IG Farben cloaks. Fritze tried in January 1941 to transfer the Dutch shares to IG Chemie, Switzerland but this was blocked by the Secretary of the Treasury, Henry Morgenthau. The Swiss company owned 91.5% of the GAF stock through the National City Bank of New York and *Chase Manhattan Bank*.

In the same period John Foster Dulles tried to get American officials from the Department of Justice and Treasury onto the Board of Directors. In this way Dulles hoped to diminish the possibility of official steps against GAF but his attempt failed. The authorities also discovered that GAF had purchased strategic materials which could only be used for the construction of submarine periscopes. Furthermore it was revealed that GAF executives took photographs of shipyards, airports and coastal installations, and that young chemists were trained for jobs in Japan. GAF was also involved in shipping priceless raw materials to Germany which were withheld from the US war industry.

Some arrangements between US and German corporations caused a serious reduction in the American production of strategic materials.<sup>22</sup> An understanding between the *American Aluminium Corporation* and IG Farben restricted the production of aluminium in the United States, and the 1929 Tetracene Agreement between *Remington Arms* and IG Farben prevented the US government in 1941 from supplying Great Britain with Tetracene, which was an important chemical compound used in priming machine guns, rifles and pistols. Furthermore, the production of some critical materials for use in the American war industry was curtailed.

These disclosures finally led to the decision on 16 February 1942 to vest GAF. However, this was not the end because during the course of the war it became clear that GAF enjoyed the protection of many high officials, and Orvis Schmidt already had to acknowledge: "*I am afraid we are going to be fighting a losing battle.*"<sup>23</sup>

The American troubles with GAF were a clear indication that problems lay ahead for Enskilda. On 14 September 1943 the Wallenbergs suddenly decided to return to IG Farben the pledged shares of Consolidated Dyestuff Corporation and IG Dyestuffs, which had been deposited in their vaults as a security for the Chehamij loan. Enskilda kept the AB Arto shares and the reinstated shares were not replaced by other securities. Enskilda had obviously decided to pull out of

IG Farben's cloaking scheme. When questioned about this after the war, Calissendorff stated that they had returned them because these pledged shares

"...which belonged to a Dutch company situated in German occupied territory, were worthless."

He was being rather "*economical with the truth*", because he did not explain why this decision was only taken in the autumn of 1943.

During an interrogation, an IG Farben representative gave a more accurate explanation for Enskilda's behaviour when he said that the return of the pledged shares probably had to do with the new official Swedish currency regulations of 1943. These laws forced Swedish citizens to report all foreign securities to the Swedish Government. The IG Farben official therefore assumed that the Wallenbergs had preferred AB Caritas to return the pledged shares. There were no risks involved because the real security was IG Farben's financial deposit at Enskilda.

This intelligent step further prevented the disclosure of the cloaking construction of the credit arrangement. An official Dutch report confirmed that this was one of the main motives for Enskilda's step, and IG Farben concurred because the credit by AB Caritas was regarded

"...as so important to the whole Chehamij scheme that, even in Zefi (Zentralfinanzverwaltung of IG Farben), knowledge of it was limited to the few officials immediately concerned with it."<sup>24</sup>

When the German military situation deteriorated rapidly in 1944, Enskilda presumably decided that the time was ripe to terminate the agreement with IG Farben.

At the beginning of October 1944, IG Farben's directors received a letter from AB Akont, in which it was announced that Enskilda wished to dispose of the money in IG Farben's special account. As was agreed in November 1939, Enskilda could call in the AB Caritas loan to Chehamij at any time, after giving two weeks notice. Enskilda could claim IG Farben's deposit with AB Akont in settlement of IG Farben's debt. This claim against Chehamij would then be transferred to IG Farben and on 16 October 1944 they became the direct creditor of Chehamij. The conclusion must be that the Caritas credit was 100% German-owned and controlled.<sup>25</sup>

In October 1944 an IG Farben official, Helmut Henze, went to Stockholm and conferred with Calissendorff about the shares which were still deposited as a collateral in the vaults of Enskilda. Calissendorff wanted Henze to take the shares back to Berlin but the latter refused. He preferred to leave the shares in a neutral country because the military situation for Germany was rapidly worsening. On 19 December 1944 both men met again. Calissendorff now suggested that the AB Arto shares be handed over to Lickfett. However, since Enskilda had called the loan without the approval of the Swedish authorities Lickfett refused to take these

shares. The Wallenbergs were now the unwilling and secret possessors of the AB Arto shares. A final solution was worked out and Enskilda stored the shares in its vaults as a deposit for Chehamij.<sup>26</sup>

The combined Enskilda-IG Farben cloaking operations were conducted so successfully that even as late as July 1946 the Dutch authorities had not the faintest idea of what had been going on during the war. When the Swedish authorities questioned them about the true status of Chehamij in relation to AB Arto, the Dutch ignorantly stated that this cloak was "*entirely free from enemy interests*". The directors of IG Farben therefore could write to the Reichs Ministry of Economics:

"We declare, moreover, that the decisive real influence we shall have on the foreign sales companies [...] will be sufficient in every respect."<sup>27</sup>

Indeed with the help of banks and companies in neutral countries like Sweden and Switzerland, IG Farben succeeded in misleading the Allied authorities in the United States and Great Britain. It was only in 1945 that some of the circumstances surrounding the genuine ownership of these cloaks became public.<sup>28</sup>

But this is not the whole story of Enskilda's involvement regarding the activities of IG Farben because, as well as helping the German corporation with various cloaking operations, the Swedish bank was also involved in extending loans to *Norsk Hydro* during the war.

"Had the Germans been allowed to continue research on heavy water, they might well have been in a position to produce an atomic bomb, and this could have meant defeat for the Allies."

This line can be found in the leaflet distributed to visitors to the resistance museum in Rjukan in the Norwegian province of Telemark. Close to Rjukan is the small town of Vemork, with the huge factories and power station of Norsk Hydro in which heavy water was produced before and during the war.

This product was first discovered in the United States in 1933. It looks exactly like ordinary water but the difference is that it contains one more hydrogen element, and it is precisely this element which makes it suitable for use as a "brake fluid" in atomic fission. This nuclear process can be "tamed" with the help of heavy water. It was discovered that normal water contained about 0.02% heavy water. In order to separate these two, ordinary water is subjected to electrolysis, a scientific process which when repeated yields up to 99% heavy water. Heavy water was thus of crucial importance in nuclear research and in the development of the atomic bomb.<sup>29</sup>

Obviously all the belligerents were interested in this and the ultimate control of Norsk Hydro was important for both Germans and Allies. In the thirties Norsk Hydro was owned by several interest-groups. The major shareholders were IG Farben (25%), *Banque de Paris et des Pays Bas* (60%) and Enskilda.<sup>30</sup> Marcus Wallenberg Sr. was one of the founders of Norsk Hydro. His son Marcus was

President of the Norsk Hydro Board which also included E. Moreau (Paribas) and Hermann Schmitz of IG Farben. Norsk Hydro was represented in Sweden by Herbert Lickfett.<sup>31</sup>

Just after the beginning of the war, in the autumn of 1939, Norsk Hydro was approached by a representative of IG Farben who wanted to buy the entire stock of heavy water. They promised important orders and wanted to buy 100 kilograms per month. In February 1940 the Norwegians replied that they could not comply with the demand. IG Farben realized the importance of heavy water for nuclear research, which is also confirmed by the fact that they divulged to the Norwegians that they were interested in the French progress on atomic fission. Information about this would of course be of great value for Berlin, because it was the French atomic scientist Frédéric Joliot who discovered the real importance of heavy water. In order to prevent German scientists from using the heavy water, the Norwegians transported the entire stock by air to Paris. The mission was carried out in a secret French-Norwegian operation.

However, the German invasion of Norway in April 1940, and the capture of the world's only heavy water factory fully intact, brought a complete change in the German project. The occupation forces discovered that the heavy water had disappeared to Paris, which was a clear indication that the Allies were also engaged in atomic research.<sup>32</sup> News of IG Farben's need for larger quantities of heavy water, and references to the French-Norwegian operation, must have trickled through to the Board of Norsk Hydro, which included Marcus Wallenberg. It is therefore hard to believe that he was not aware of the importance of heavy water for the Nazi regime. In this respect a recent statement by a Norwegian resistance hero is revealing. He was involved in the extensive sabotage-raid on Norsk Hydro and stated that the Norwegian resistance was of course not aware of the possibility of constructing nuclear weapons, but that they had realized that heavy water was of vital importance for the German war effort.<sup>33</sup>

Immediately after the occupation of Norway the German occupiers ordered Norsk Hydro to increase the production of heavy water to 1500 kilograms a year. When the British government learned of this the Allies knew for certain about German activities in the field of atomic research. The Ministry of Economic Warfare (MEW) were especially concerned. This body was the successor of the Ministry of Blockade of World War I and since 1936 had worked out thorough plans for economic warfare. It had made an inventory of Germany's economic problems under wartime conditions (outputs, stocks, supplies) and constantly looking for ways to take advantage of those weaknesses.<sup>34</sup>

The MEW discovered that part of the German atomic research was carried out in IG Farben laboratories, and that the method used made them very dependent on heavy water from Vemork. Official visitors from Berlin therefore made frequent visits to Norsk Hydro and ordered them to speed up production.<sup>35</sup>

The supply of heavy water remained the bottleneck in the German project



because Norsk Hydro was not able to meet the desired increase. Despite this failure they were awarded a new contract for the production of 5 tons of heavy water, but at the same time IG Farben decided to build a pilot plant in Germany itself. These developments in the summer of 1940 aroused even more curiosity in London, and the MEW tried to find out what was going on in Vemork. Initially Norsk Hydro refused to give the information through the secret channels. They suspected that Imperial Chemical Industries, IG Farben's main competitor, was behind the request. But finally, Norsk Hydro gave in to demands from London, which considered the resulting information so alarming that it was decided to destroy the plant in Vemork, in order to effectively sabotage the atomic research which had already led many Germans to the (optimistic) conclusion that military application of nuclear fission could be expected in the future.

Between the US and the Norwegian government-in-exile there was considerable misunderstanding as to what action should be taken against Vemork. The US investigator Ivar Olsen, complained to US under-secretary of the Treasury, Harry Dexter White:

"It is difficult to avoid the impression that the Norwegian Government-in-exile in London has deliberately misrepresented the importance of these industries (i.e. Norsk Hydro and Norsk Aluminium) in order to forestall Allied bombing which would severely cripple or destroy the plants. In any event, such charges are openly made by certain Norwegians here who state that the London Government is playing political ball with important Norwegian industrial interests. That these industries have contributed importantly to the German war effort is unquestionably true, as is the fact that the Norwegian Government in London had steadfastly resisted any programs of bombing them out."<sup>36</sup>

Olson was only partly right. The Norwegian government-in-exile indeed opposed bombing Vemork, but for reasons other than those put forward by Olson. They were not against bombing *per se*, and in some cases even seemed to be in favour of air-attacks because they realized that the people in occupied Norway would see this as a sign that they had not been forgotten and that liberation was on its way. But the government-in-exile also worried about the losses of civilian lives which would be an inevitable result of the bombardments. For this reason they preferred demolition by skilled sabotage-teams flown in from Scotland.<sup>37</sup>

Norsk Hydro was unquestionably of the utmost importance for the occupation forces because, apart from the heavy water, it was also a giant producer of cheap hydro-electric power which was an absolute prerequisite for the production of aluminium. This metal, which was manufactured in large quantities, was the other reason why IG Farben wanted to increase its grip on Norsk Hydro. Primarily this metal was vital for the construction of planes, but it was also important for another reason, as bombed British cities had experienced. The Luftwaffe enriched their bombs with small quantities of aluminium powder

which increased their efficiency by 80%. Since 1940 defence specialists in the United Kingdom had been aware of the effects of aluminium-enriched bombs but the supply of this raw material was so difficult to come by that the development of a similar British bomb was discontinued.

The aluminium even caused an internal German contest in Norway. Göring had discovered that his Luftwaffe had run short of aluminium, which meant a decrease in production of new planes. After the occupation of Norway he therefore gave orders to speed up aluminium production, but the largest aluminium manufacturer in Germany, the *Vereinigte Aluminium Werke (VAW)*, could not meet the increasing demands of the Luftwaffe. Göring's representative in Norway, Heinrich Koppenberg, was instructed to administer the 6 aluminium plants and act as trustee for the Luftwaffe. Furthermore, Göring wanted to exclude other firms from the aluminium industry but this endeavour was met with tough resistance from IG Farben. Nonetheless, on 3 December 1940, Koppenberg established a new holding company controlled (51%) by the *Bank der Deutschen Luftfahrt*, owned by Göring's Air Ministry.<sup>38</sup>

IG Farben's role in the Norwegian aluminium industry was consequently reduced to furnishing electric power through Norsk Hydro, which was of course unacceptable. The struggle went on but at the beginning of 1941 IG Farben had to give in, temporarily. Koppenberg decided to build new aluminium plants in Heroen and gave IG Farben orders for the construction. Göring provided the necessary short-term credits in the early stages of the plan. The fight seemed to be over because IG Farben had to comply with this pressure by Göring, but Koppenberg ran into some problems. Firstly, the German Reichskommissar for Norway, Josef Terboven, refused to sanction the exploitation of water power by foreign-dominated firms. Exclusion of foreigners was an established Norwegian practice, and it is obvious that Terboven's decision was primarily inspired by political motives. Max Ilgner's plan of creating an intermediate holding company provided the solution. So *A/S Nordag* was founded in 1941 and chartered as a Norwegian firm, although it remained under German control.

"Nordag would own majorities in all the producing companies, save the power plants, in which Norwegians would hold 60% of the shares, and the Heroen factories, which would become the property of A/S Nordisk Lettmetall, whose shares IG, Nordag and Norsk-Hydro would divide equally."<sup>39</sup>

*Nordisk Lettmetall* (completely controlled by the Germans) gradually took over the work on the most important six aluminium projects. The company, with a share capital of \$10.2 million, would be responsible for the production of aluminium and other raw materials for the Luftwaffe. Terboven was forced to agree with this artificial construction.

The second problem in this affair was that the VAW, with the support of the German Ministry of Economics, also wanted its share in the Nordag holding com-

pany. A collision between VAW, backed by the Ministry of Economics, and IG Farben supported by Göring's Air Ministry was unavoidable. Because neither Göring nor IG Farben wanted any VAW participation the Norsk Hydro stock in France held by the Dresdner Bank had to be brought to safety. The idea behind the plan was that the position of IG Farben vis-à-vis its competitors would be much stronger if the company could secure the French capital holdings. The management of IG Farben asked Marcus Wallenberg as president of Norsk Hydro to act as an intermediary, and it was not long before Wallenberg travelled to Paris in order "to sign an agreement with the French directors on behalf of IG Farben."<sup>40</sup>

But the German Ministry of Economics realized what had happened and intervened immediately with the result that the entire transaction was cancelled. IG Farben then tried again to strengthen its grip on Norsk Hydro. A share increase of 50 million Norwegian crowns was announced, while at the same time a plan was worked out to place the majority of Norsk Hydro shares in the hands of IG Farben. French stockholders were excluded from the operation and could not buy new shares. They were accordingly forced to sell their subscription rights to future Norsk Hydro shares to Enskilda which, despite French protests, acted as a go-between for IG Farben. This plan produced the following result: IG Farben's holding rose from 25 to 31.5% but the state's share also rose to 21.5%. Thus it was to all intents and purposes a pyrrhic victory.<sup>41</sup> This fight between VAW & Ministry of Economics and IG Farben & Ministry of Air provides us with a fine example of state-business relations during the Nazi-era. Neither side could completely control the other and, because of clashing interests, unity was sometimes difficult to achieve.<sup>42</sup>

Obviously, the Allies disliked the developments in Norway. In March 1942 the first Norwegian agent was dropped in the area and soon more followed. Their task was to prepare the ground for the destruction of Norsk Hydro, and in the meantime they gave London all available information on the production of heavy water. On 19 November 1942 two gliders carrying a British sabotage team of 34 men left England for Vemork. The attack on Norsk Hydro ended in total disaster: one glider crashed into a mountain while the other failed to land on the right spot. All survivors were captured, tortured and later executed.

On 16 February 1943 a Norwegian group was despatched to the area around Vemork. They encountered many problems, but on the evening of 27 February the saboteurs managed to blow up a large part of the plant, including most of the stock of heavy water. But by August the Americans were informed that deliveries of heavy water to Germany were to be resumed at the end of October, and perhaps even earlier. The Allies did not wait for that to happen and on 16 November 1943 the power station and plants in Rjukan were attacked by 176 bombers of the US Eighth Air Force. The American bombardment was unsuccessful and several Norwegian civilians were killed.

It was the Norwegian resistance that delivered the final death-blow to the pro-

ject by blowing up the railway ferry "Hydro" on lake Tinnsjö, which transported the remaining containers of heavy water. The attack destroyed Germany's last hope for success in the field of atomic research. And although Walker has correctly observed that by this time "...there was no chance that Germany could have produced nuclear weapons before the foreseeable end of the war" this was of course not known in Washington and London. But the threat of a German nuclear weapon was gone and remained therefore both "a German fantasy and an Allied bad dream."<sup>43</sup>

In August 1944 the Americans questioned Enskilda's General Manager Rolf Calissendorff and Marcus Wallenberg about their connections with Norsk Hydro. They learned that between 1941 and 1943 Enskilda had advanced 12,700,000 Swedish crowns in credits to Norsk Hydro. These loans were guaranteed by a subsidiary of Norsk Hydro. In November-December 1941 a credit of 6,800,000 Swedish crowns was granted to Nordisk Lettmetall and used for the purchase of Swedish machinery for aluminium production.<sup>44</sup>

In the main Wallenberg corporations such as *Atlas Diesel*, *AB Uddeholms*, *ASEA* and *AB Sandvikens Järnverk* profited most from the credits. Repayment had to occur between 30 September 1942 and 30 June 1945. Apparently Enskilda did not consider the German controlled Nordisk Lettmetall as sufficiently reliable for the repayment of the loan. The problem was solved by an arrangement with *A/S Norsk-Hydro-Elektrisk Kvaelstof* and *A/S Norsk Aluminium Company (NAC)* whereby both companies (compulsorily) agreed to guarantee the repayment. The reimbursement was not transferred to Enskilda via the usual clearing transaction but took place through a special account. The Swedish customers of the Norsk Aluminium Company were asked to pay their bills into that special account, and Enskilda was entitled to draw money from that account as repayment for the credit to Nordisk Lettmetall if the latter failed to meet its obligations.

The Norwegian government accused the Swedish government of having approved a proposal whereby goods were delivered to the German occupiers, thereby accepting as a collateral a Norwegian company which had been coerced into cooperation by the Germans. According to the Norwegians, Stockholm was therefore co-responsible for a business transaction involving looted property, and this was in clear violation of the inter-allied declaration of 5 January 1943, which stated that the validity of transfers of looted property would not be recognized.<sup>45</sup>

In April-May 1942 a new credit of 4,400,000 Swedish crowns was given to Norsk Hydro. The principal part of this loan was used by *A/S Nordag* and Nordisk Lettmetall while Norsk Hydro only used a minor share. In December 1943 a third loan of 1,500,000 was granted to Norsk Hydro. The timing of this loan is interesting because it was granted a few weeks after the huge American bomber attack on the Rjukan plant. Calissendorff admitted that

*"...this loan was to be used for the purchase of materials to rebuild the Rjukan plant!"*<sup>46</sup>

Thus the loan was apparently used in an (albeit futile) attempt to reconstruct the

heavy water plant. According to Calissendorff, if Norwegian aluminium exports to Sweden did materialize, Enskilda was also entitled to be repaid from proceeds from exports of fertiliser to Sweden. By assuring deliveries of aluminium and fertilizer in this way, the Swedish government guaranteed up to 75% of Enskilda's first two credits to Norsk Hydro. A yearly interest of 5% and a commission of 1% were provided for in all three loans. Finally, he admitted that Enskilda was fully aware of the real ownership of Norsk Hydro and Nordisk Lettmetall.<sup>47</sup>

Was Enskilda perhaps unaware of the true importance of Norsk Hydro when it provided these loans? One learns, from an excellent study by Walker, that members of the Norsk Hydro board met on a regular basis, particularly after the Allied attack in November 1943. The contents of the discussions between them were probably sent to Stockholm because the other board members were very disturbed about the attacks. Apart from this, if they had wanted additional information Enskilda could have contacted the Norsk Hydro director who had fled to Sweden after the sabotage raid.

And the news of the sabotage of Rjukan certainly reached Stockholm because on 1 March 1943 Swedish radio reported the attack which

“...had hit the German war potential in a sensitive area. The goal had been the heavy water installation, the radio announcer claimed, since heavy water was desperately needed in Germany for the production of high-quality explosives.”<sup>48</sup>

Thus the vital military importance of Norsk Hydro for Germany was no secret in Stockholm. The Norwegian government-in-exile had good reasons to protest against Enskilda's financial support.

## 5. Svenska Kullager Fabriken (SKF)

The ball-bearing producer SKF, founded in Gothenburg in 1907 by Sven Wingquist, was extremely successful right from the start. Soon after its foundation new subsidiaries in Sweden, England, France and Germany were opened, other companies were taken over, and before long SKF was the largest manufacturer of bearings in the world. It soon controlled 80% of the total ball-bearing output in Europe.

Quality has always been SKF's trademark and consequently it needed good and reliable steel. The SKF laboratories discovered that the Hofors mines (*Hofors bruk*) produced the most suitable iron ore for ball-bearings. Hofors was owned by Enskilda which had bought it at an auction in 1897, but the bank had been rather disappointed with the results. They were thus pleased that SKF was interested in the partial purchase of the Hofors mines. From 1916 onwards Hofors Bruk was jointly owned by Enskilda and SKF.

Germany, the country where the ball-bearing was originally invented, offered one of the most promising markets within Europe, but the German ball-bearing cartel excluded all foreign producers from their home market. The industry held a vital position in the field of bearings, not only in Germany but all over the world, and possessed many key patents, among them the famous "*Conrad patent*". However, in 1913 SKF managed to get a foothold in Germany itself by purchasing a 50% interest in the *Norma ball-bearing company* in Cannstad. Through this acquisition SKF got access to both German patents and to the German market.

The demand for ball-bearings increased tremendously during the war years, and SKF's sales spiralled from 8 million in 1914 to 58 million crowns in 1918, although SKF stated that "*the world war compelled us to limit our operating activities to neutral countries*".<sup>1</sup> SKF's best customer appeared to be "neutral" Germany which even received a 40% price reduction on ball-bearings. During the war SKF acted as an agent for various German corporations in the Allied world, and in 1917 the company became the largest non-German subscriber to the war loan drive.<sup>2</sup>

The war was a flourishing episode because SKF gained enormous profits on both sides of the fence. The Allies placed the Swedish company on the "Black List" because of its extensive trade with Germany, but the blacklisting was only temporary due to the British who considered that the measure endangered their own supplies from SKF, and SKF was delisted on 2 May 1916. Winston Churchill, the Minister of Munitions, declared that the British war machine could not function without Swedish ball-bearings. The fact that both the Germans and the Entente needed Sweden for their war plans had placed Stockholm in a comfortable position.<sup>3</sup>

Even before the outbreak of war SKF realized that the USA, with its emerging motor-car industry, offered a market which was even more promising than Germany, but export was impossible for three reasons. Firstly, there was little or no capacity left because of the bearing-consumption of the war-waging countries. Secondly the naval blockade and the "total" German submarine warfare made export to the USA virtually impossible and, last but not least, the Americans had put up tariff barriers in order to protect their own industry. But there appeared to be a way out of this dilemma through SKF's American sales organization, the *SKF Bearing Co. of Hartford, Connecticut*.

According to a contributor of a *liber amicorum* on the occasion of Jacob Wallenberg's 80th birthday, SKF unexpectedly got the opportunity to take over the share majority in the *Hess-Bright Manufacturing Company* of Philadelphia.<sup>4</sup> Hess-Bright owned the original German Conrad licence rights for the manufacture of bearings in the USA and it was common knowledge that the company owning the Conrad patent would have complete control of ball-bearing production in the USA.

However, this opportunity was not quite as unexpected as the *liber amicorum* author suggests, and the entire transaction was in fact a cloaking operation. The only problem was to present a credible story which would explain the necessity of selling Hess-Bright to SKF. This was solved by claiming that SKF Hartford had entered a period of rapid expansion and thus needed additional facilities. At the same time the American government was told that Hess-Bright had production problems which made their business suffer considerably. The story is scarcely believable because Hess-Bright was a prosperous undertaking. During the first three years of the war, for every bearing sold by SKF in the USA, Hess-Bright sold six ball-bearings based on the Conrad patent.<sup>5</sup>

Birger Steckzén, the official historian of SKF, calls the offer for taking over Hess-Bright "*a gift from above*" but he also seems surprised that the company was sold in the middle of a boom period. Wallenberg Sr. appeared to be of great help in the purchase transaction which, due to patent rights, communications and the political atmosphere in the USA, was quite complicated.<sup>6</sup> It may be assumed that Marcus Sr. in turn received help from his half-brother Knut, at that time acting Swedish Minister of Foreign Affairs. Financial support for the transaction was granted through the Wallenberg subsidiary *Emissions Institute* which became shareholder of the Philadelphia plant.<sup>7</sup>

Wallenberg Sr. did not operate alone. A syndicate of New York and Swedish financiers was formed consisting including, among others, Frank Vanderlip (National City Bank, New York), Thatcher M. Brown (Brown Bros., New York) and Sven Wingquist, but the major financial contribution came from Wallenberg and his *Emissions Institute*.

Was it really such an unexpected opportunity for SKF to obtain a foothold in the USA? Hess-Bright was taken over on 12 March 1917, about three weeks before the USA declared war on Germany on 6 April 1917. The dates are interesting

because the majority of shares in Hess-Bright were owned by the *Deutsche Waffen- und Munitions Fabriken* (DWM), i.e the German Munitions Trust. In the eyes of the outside world at least, DWM was forced get rid of Hess-Bright in order to avoid seizure by the US authorities. Marcus Sr. was found willing to act as a front for the Munitions Trust in order to prevent the seizure of their property by the Alien Property Custodian (APC), which had become suspicious about the sale of Hess-Bright when they found out that a cash transaction of \$ 2,800,000 (paid by SKF to the DWM) could not be traced in the books of the companies concerned.

The US War Trade Board was ordered to investigate the transaction but the inquiry turned out to be a farce because:

“...the final report of the investigation was written for the US Secret Service by the vice-president of SKF in the United States. Evidence available in the United States Archives, however, shows that SKF (Sweden) acted, during World War I, as a front for the German Munitions Trust.”<sup>8</sup>

How could the War Trade Board accept a report in which the accused carried out research on himself? A US official concluded that bribery was involved and remarked that it was tantamount “...to saying that Al Capone would be requested by the US Government to investigate his own activities.”

The investigation was a farce but there were more peculiarities. For instance, the price SKF paid for the Conrad patents was also quite remarkable: \$ 600,000, which was included in the total sale price of \$2,800,000. All the American companies that produced ball-bearings were licensees of the Conrad patent and the yearly royalties paid by the Americans were more than the total sum of money that SKF reimbursed for the Conrad patents. The real value in 1917 was estimated at between 20 and 60 million dollars. The unanimous answer of the American ball-bearing manufacturers, when asked whether the patents could have been sold for \$600,000, was that it was “ridiculous” to believe that such a sale could be bona fide, especially in view of the fact that the expiry date of the patents was still 8 years away.<sup>9</sup> It is difficult to believe that the entire German ball-bearing interest in the US was eliminated three weeks before the US entered the World War. If the DWM interests had not been “sold”, the APC would have vested the patents and freely licensed them to the American ball-bearing manufacturers, thereby saving enormous amounts of dollars which were now being paid to alleged Swedish interests.

The question arises as to whether any transaction was ever made because the ultimate destination of the money could never be traced. The alleged payment was destined for the account of the *Sveriges Privata Centralbank* in Stockholm, which was known to act on behalf of the German government. On the date of the final sale, American SKF paid \$2.8 million into the accounts of the *4th Street National Bank*, Philadelphia. A wireless message from DWM on 5 March 1917 ordered them to deposit the amount into the accounts of *Sveriges Privata Centralbank*.



This Swedish bank instructed the 4th Street National Bank to transfer the amount to the National City Bank of New York. Vanderlip, its chairman, was known for his close ties with German interests. Acting on the instructions of Sveriges Privata Centralbanken, he deposited \$1 million each with the *Guarantee Trust Co.*, the *Irving National Bank* and *Brown Bros.* of New York. In order to deceive the APC, these three returned this amount after one week to National City Bank.<sup>10</sup>

SKF emerged from the war stronger than ever. Until 1928 it was exclusively Swedish-owned and controlled, but in 1929 the German branch of SKF, Norma, became involved in a merger whereby most of the German ball-bearing companies were amalgamated into the *Vereinigte Kugellager Fabriken* (VKF). Martin, investigating the SKF case, concluded that after the merger

“...SKF showed on the record as the owner of 99.7 per cent of the stock of German VKF. The mystery is how SKF could possibly have managed to pay the German owners either money or some substantial stock interest in the Swedish firm, SKF. The management of Swedish SKF denied that any stock was given to German interests; but they never explained how the German interests were paid off.”<sup>11</sup>

Nevertheless, the connection between German and Swedish ball-bearing interests is much older than the merger of 1929 suggests. In 1913 SKF had already purchased 50% of the Norma shares, and in 1926 SKF-Norma started a joint stock company which would lay the foundations for the 1929 merger, because an amalgamation was the only way for the German ball-bearing industry to survive the post-war crisis.

The German Army and Navy, both important consumers, were defeated and placed no further orders. Foreign markets were lost or protected with high tariff barriers, while the German market could not absorb the total home production. The war had shown that SKF, situated in neutral Sweden, could be an excellent partner. It had sales organizations all over the world, and during the First World War it had been the only company that could sell bearings to both belligerents. Furthermore, because of the war, SKF had captured the foreign markets that Germany had lost and now needed so badly. The advantages of close cooperation with the Swedes were unmistakable: greater profits through manipulation of prices, easier access to world markets, access to SKF patents and techniques and lower prices for Swedish steel. In this way they could also lay their hands on Swedish machinery for ball-bearings and the matching spare parts of which SKF was the main producer.<sup>12</sup>

The merger was also attractive for SKF. In the late twenties, like the German ball-bearing industry, they too had suffered from a lack of efficiency and excessively-high production costs which had resulted in a waste of labour, capital and machinery<sup>13</sup>. A reduction in the types of bearings (standardization) was one of the solutions, but that could only be dealt with via a mutual agreement with the Germans. There were other reasons which made a merger attractive for SKF.

Germany had lost the war but it was still economically prominent in the field of machinery production. Furthermore, it had not lost the goodwill of machine industry worldwide. Therefore it was considered advisable to eliminate competition with the German companies since they both suffered from high tariff barriers on the foreign markets. The best way to circumvent those trade barriers was to increase the production capacity of the foreign branches. Like the Germans, SKF wanted to lower the cost price and reorganize the industry on a mass production basis. And for SKF, because of its own mines, there was the opportunity of establishing a European cartel of roller-bearing steel. Both SKF and the Germans got what they wanted and in 1929 the VKF combine was born. It was accomplished by eliminating the small manufacturers by means of a tariff war. They also purchased and closed down the weaker plants and the French ball-bearing industry was bought out. In this way, approximately 80% of ball-bearing production in Europe became "Swedish", and the merger enabled the Germans to export about 34% of their total output.

Ever since 1929 SKF has claimed that it purchased the complete German VKF combine and has tried to prove this by showing that 99% of the VKF shares were registered in Sweden. This claim is however considered to be "*entirely false*".<sup>14</sup> The total capitalization of the VKF combine amounted to 60 million German Reichsmarks and Sweden was entitled to claim only 5 million Reichsmarks, this being the total SKF capital investment in Germany.

"There is ample reason to believe that instead of B. shares the Germans were given A. shares, because the German ball-bearing industry has never relinquished the control of its own industry. Exhaustive research into this matter leads to the inevitable conclusion that the German A. shares are held by a Swedish cloak, probably Marcus Wallenberg of the Enskilda Bank, Stockholm. Marcus Wallenberg has been known to act for German interests for a number of years. His father, Marcus Wallenberg, Sr., acted as a cloak for the German Munitions Trust in 1916 and 1917."

Germany was primarily interested in making a comeback on the world markets so it is difficult to believe that it sold its complete ball-bearing industry. In fact, they combined forces. Fritz Dunkel, former representative for Norma-SKF, stated that the merger was initially inspired by the Germans because they could not survive without access to world markets.<sup>5</sup> SKF, in turn, could gain higher profits and establish a steel cartel although, unlike the German ball-bearing industry, its existence was not in danger. An account by VKF published on 20 October 1933 supported Dunkel's remark for it said that a voluntary dependence on SKF had developed.

"In spite of this dependence it was mostly German capital which is interested in the share capital of the VKF A.G (...) because the former owners are holders in the concern shares and still other shares are in German private ownership. The close connection between VKF A.G and the German economy is still further strengthened

by the composition of the Board of Directors to which leading men in German economic life belonged.”<sup>16</sup>

The Germans did not sell their ball-bearing industry; they only exchanged shares and that was also admitted by SKF in its 1929 Annual Report.

Apparently the Swedes agreed to take over 99% of the VKF shares. They paid for this take-over to *Fichtel and Sachs* (the principal German members in the combine) in SKF shares. Because of their dominant position in the combine, the Germans were able to drive a hard bargain. They insisted upon sufficient shares to give them ample voting rights in SKF. Swedish law stipulated that shares with voting rights could only be held by Swedish citizens, however that prerequisite could easily be circumvented by using Swedish cloaks, and some of the partners in VKF had had ample experience in the art of cloaking.<sup>17</sup>

This cloaking proposal thus presented a relatively easy way out for the roller- and ball-bearing industry, and it was an ideal way for arms manufacturers to circumvent the Versailles Treaty. The cloaking of VKF was also profitable for Sweden, not least because a steel cartel could be established. The Wallenbergs had cloaked German ball-bearing interests in World War I and were familiar with its great advantages. They had considerable financial interests in the Swedish steel industry and therefore had every reason to play their part in this operation. Moreover, the relation between the Wallenberg family and the ball-bearing industry is, though hardly visible, a crucial one:

“The name Wallenberg has its place on many pages in the SKF history book, even when the name is not fully spelled out. He who has the capability to read between the lines will discover a strong and lasting engagement between the finance family and the roll-and ball-bearing company.”

And although the exact percentage of German interests in SKF was never fully revealed Martin assumed, on the basis of the allocation of production, that about 60% was owned by Germans, among them the steel and arms corporations of *Thyssen* and *Krupp*.<sup>18</sup>

No changes occurred after Hitler’s rise to power in 1933 and the Nazi regime probably had great expectations of the partnership. They could envisage adequate supplies of ball-bearings in case of war, participation in the earnings of SKF, and the SKF subsidiaries could not be vested in the event of war. In the second half of the thirties, when rearmament was in full swing, it became all too clear that the strategic importance of ball- and roller-bearings would rise enormously. When the war finally broke out SKF saw itself faced with great difficulties with regard to the overseas markets.

There is quite some confusion about the volume of Swedish ball-bearing exports to Germany and about the importance of them for German war production. German statistics concerning the production and import of these vital items are

very poorly preserved. For this reason we are dependent on the figures from the Swedish Department of Commerce, but these are unreliable because the Foreign Office in Stockholm manipulated figures to cover SKF exports vis-à-vis the Allies. Ball-bearing machinery reached Germany "disguised" as "general purpose machinery".<sup>20</sup>

The Swedish researcher Martin Fritz claims that the Allies exaggerated the importance of SKF ball-bearings for Germany, although he admitted that sometimes shortages of special ball-bearings occurred. And more than 10% of the war material needed special types of bearings. In January 1944 the Anglo-American Air Staff evaluated the German requirement for certain special bearings and attached the highest importance to reducing or stopping the shipments from Sweden.<sup>21</sup> In another memorandum it was pointed out that Swedish ball-bearing production had increased tremendously to meet the German demand and that roughly 10% of German war consumption was covered by Swedish imports. Furthermore, according to Milward, SKF's gross profits in 1943 were three times their 1939 level. In 1938 total exports of bearings to Germany were valued at 6,914,000 Swedish crowns, compared to 59,139,000 crowns in 1943. During the last half of 1943 in particular, after the air-raids on German bearing plants, the export to Germany of ball-bearings and rollers rose very sharply, with a substantial increase in the demand for special types. Furthermore, SKF's contribution involved more than finished bearings: they also delivered special steel for German bearing production. These transactions were executed by SKF on a strictly voluntary commercial basis because if they had refused almost certainly no German invasion could have taken place. In that unlikely situation the destruction of the mines and factories would have been thoroughly planned and taken care of by the Swedish government. And it was well known in Berlin that the Swedes were deadly serious about this.<sup>22</sup>

Significantly Philipp Kessler, who was responsible for the overviewing of Germany's ball-bearing production, remarked in 1944 that the problem was not only a matter of quantity but also of quality, i.e. certain special types of ball-bearings.<sup>23</sup> As well as this, SKF held a key position in the supply of ball-bearing machinery which was produced by *Lindköpings Mekaniska Verkstad*. Germany was almost wholly dependent on Sweden for the replacement of damaged and bombed-out machinery. It was obvious that the SKF contribution to the Nazi war industry was very important and of much more weight than the figure of 10% suggested.

The Allies had very good reasons for wanting to stop Swedish exports to Germany; obviously there was also a political element involved. Apart from the fact that many large Swedish corporations profited greatly, there were also the actions of the Swedish government who at one time even gave the Germans consent to transport troops and material through Sweden to Finland for the war against the Soviet Union. At the same time the Swedish Navy escorted German

ships through Sweden's territorial waters, while the German air force was allowed to make (limited) use of Swedish space.<sup>24</sup>

The Allies decided to work out a plan to stop the flow of ball-bearings to Germany. In the autumn of 1943, London and Washington reached an agreement with SKF concerning a reduction of her exports to Germany, but this failed. Thus Churchill instructed his ambassador Halifax to tell the Americans that

"Ball-bearings are of such direct benefit to the German war machine, and consequently cause death to so many American airmen and soldiers, that every possible means at its disposal must be used by the United States government to bring about an end to these exports."

Six days later the British embassy in Washington informed London that the US "*military had gone off at full cock*" and that they had exercised the "*strongest pressure (...) to leave no stone unturned to get these exports stopped.*"<sup>25</sup>

The War Cabinet in London was informed by the Chief of Air Staff about the vital importance of ball-bearings which were considered an indispensable cog in the production of war material. For this reason the VKF plant in Schweinfurt, Germany was given the highest priority for attack by the British and American strategic bomber forces.

The roller- and ball-bearing factories in Schweinfurt became an important bombing target at the end of 1943, and during the first half of the following year. A lack of bearings was to produce a major bottleneck in the production of aircraft, tanks, etc. and would thus facilitate the future invasion of Europe. However, the raid of 14 October 1943 was extremely costly in human lives and planes. Sixty American planes were shot down and a further seventeen were so seriously damaged that they could not be repaired. General Henry H. Arnold, US Air Force Chief, stated on 19 October: "*I don't see how they could have prepared the defense they did unless they had been warned in advance.*" The US bomber group was attacked by 300 German fighters and, according to Cave Brown, it was "*the blackest day in the history of the American aerial campaign against Germany.*"<sup>26</sup> Interestingly, Batt was in Stockholm in the beginning of October 1943 in the company of Army representatives. He was to meet Jacob Wallenberg and Sven Wingquist in order to talk about the purchase of ball-bearing production machinery for the United States. A rather strange mission because there was no lack of machinery in Philadelphia.<sup>27</sup> Nonetheless, Currie wrote to Acheson that the 14 October raid was only one of a series of heavy and costly attacks on Schweinfurt. And he added bitterly:

"But while we are eliminating German production at tremendous sacrifice in planes and men, Swedish production continues to be available to the enemy. Swedish shipments to Germany in 1943 were at an all time peak."

General Carl Spaatz of the US Air Force was also angered because SKF tripled its export to Germany after the Schweinfurt raid. The shipments were carried out

with American and British official authorization (due to the War Trade Agreement). Spaatz strongly protested to the US Ambassador in London John G. Winant: "*Our whole bomber offensive is being nullified*". But the latter informed him that the Ministry of Economic Warfare (MEW)<sup>28</sup> which would enforce the limitation of shipments, was more or less powerless because they were too dependent on SKF for their own supplies, especially after the SKF plants in Luton had been bombed by the Luftwaffe.<sup>29</sup>

Arnold and General George Marshall were not only worried about the Swedish exports after the Schweinfurt raid, but also condemned the US authorities. They: "...spared no words telling the chiefs of the civilian war agencies that they do not propose to sacrifice the lives of American fliers in order to preserve diplomatic amenities."

Both generals had spared no profanities in

"...lashing the State Department and the Economic Foreign Administration officials for their failure to tell Sweden that it cannot send more ball-bearings Germany wants to replace the productive capacity lost in the Schweinfurt bombings."

General Arnold told American officials that

"If you people had one tenth the guts of the fellows downed at Schweinfurt you would have told the Swedes that we shall boycott them now and after the war, if they send one more ball-bearing to Germany."

The Swedish Ministry of Foreign Affairs quickly informed Enskilda and SKF about the utterances of both Generals.<sup>30</sup>

The attacks on VKF were not successful and neither had diplomatic action and pre-emption in Sweden to limit the supplies to Germany had satisfactory results. Their exports were still considered to be of

"very substantial, and perhaps vital, assistance to her (i.e. Germany) present critical situation."

The volume of the ball-bearing export to Germany was certainly not exaggerated by the Allies (it was estimated to be 7.5% of the total bearing exports in 1943), but what concerned the military most was the fact that the export consisted mostly of special bearings. In January 1944 Berlin was able to satisfy about 70% of her total requirements of seven important types of airplane frame bearings by means of purchase from SKF. In addition, Germany was also able to import other important bearings for aero engines, thereby largely nullifying the damage resulting from the Allied attacks on the ball-bearing plants in Schweinfurt.<sup>31</sup>

It is obvious that the relatively small export figure (7.5-10%) of ball-bearings to Germany was much more important than the figure actually suggested. The Allies desperately wanted a reduction of exports from Gothenburg, but they

doubted if further pre-emption and diplomatic action would be effective in practice, especially with regard to special bearings. Assurances from the Swedish government that they were keeping an eye on exports were considered to be of little or no value, "even if given in perfectly good faith". The Allies feared that SKF would continue to export the special bearings by smuggling, or simply ship them as normal ones, and there could be no proper control.

The Chief of the Air Staff wrote to the Ministry of War:

"These considerations compel me to conclude that all possible methods of stopping or reducing the leak should be undertaken immediately and simultaneously, not excluding direct action by sabotage if this is practicable."

But sabotage was not possible as the Minister of Economic Warfare told the Chiefs of Staff. The plants in Gothenburg covered an immense area

"...and no shed is of outstandingly greater importance than another. Practically the whole works would have to be wiped out to produce any real effect."

This target could not be reached by sabotage alone. The *Special Operations Executive* (SOE) had not been able to establish an efficient sabotage organization in Sweden and therefore attempts on SKF were bound to fail. Nevertheless, despite this failure the SOE enjoyed "...not unimportant facilities (...) in Sweden for infiltration into Denmark and Germany" which they did not want to jeopardize. Apart from this, the British Royal Air Force received important meteorological information from Sweden. And the Americans also enjoyed some special facilities in Sweden: they were secretly permitted to start a special service by plane for the removal of 2000 Norwegian potential combatants to England.<sup>32</sup>

The effective sabotage of the Gothenburg plants was thus ruled out and the question of what the Allies could do to stop SKF remained unanswered. We have no evidence that bombing the plants was seriously considered, although the US representative at the Anglo-American-SKF negotiations about export reductions to Germany in May-June 1944, Stanton Griffis, threatened to bomb the plants in Gothenburg - if need be "by mistake" - but that had more to do with his style of negotiating than with reality.<sup>33</sup>

Another American alternative, blacklisting, was strongly opposed by the British because they feared that it would deprive them of their own supplies from Sweden. If blacklisting were to be used the Swedish government would probably repudiate the Anglo-American-Swedish War Trade agreement of September 1943, in which case the complete SKF production "...including supplies now being purchased by ourselves..." might become available to Germany. Even if the official agreement was not retracted there would still remain the danger of smuggling and this could only be prevented (if it could be stopped at all) by the compliance of the Swedish authorities. Most important, however, was the fact that the blacklisting of SKF "...would involve the immediate termination of British supplies though

*we did not stress this point.*"<sup>34</sup> The British government was at the mercy of the Swedes and they knew it as well as Stockholm did.

The British Envoy in Stockholm, Victor Mallet, reported that the Swedish government was convinced that there was no great harm "*...that we can do to them that will not harm us as much or more.*" Even an embargo on oil supplies was half-hearted if London expected Sweden to put up resistance to German pressure. However, Mallet also had private reasons for opposing blacklisting. He was an intimate friend of the Wallenbergs and did not want to be involved in placing either SKF, which was controlled by his friends, or the Wallenbergs themselves on the Black List. Mallet's successor, J.C Jerram, later reported that "*Mallet was constantly telling me that MW (Marcus Wallenberg) was his best friend in Sweden*" and that listing would have made Mallet "*appear a fool, and perhaps a dupe*". Finally, London and Washington decided to negotiate again in order to buy out the entire SKF output for 1944 and 1945.<sup>35</sup>

In the secret economic agreement of September 1943, Stockholm agreed to limit their exports to the Axis countries. The accord included various commodities such as chemical products, wood and wood products, pulp, paper and machinery. However, the Allies forgot to include ball-bearing steel, although ball-bearings and ball-bearing machinery had been included. Marcus was one of the negotiators acting on behalf of the Swedish government. In the spring of 1944 a dissatisfied US government decided that Stockholm should be pressed for an immediate and total embargo, particularly with regard to ball- and roller-bearings. They wanted to re-open the talks quickly and SKF was given assurances that nothing would happen to the company after the war. However, if the demands were not met, Washington would give serious consideration "*to all measures at the disposal of the United States Government*". Blacklisting was one of these measures and therefore the British ambassador in Moscow was ordered to press the Soviet Government urgently to support the US demarche and make it clear to SKF that:

*"...they would view with great displeasure maintenance of their exports to Axis countries particularly during next three months."*

The Soviet government had placed substantial post-war orders with SKF and was likely to become the company's largest future customer, so it was assumed that such a threat would carry extra weight. Moscow however was reluctant to forego supplies of ball-bearings which they got from SKF via England. They were essential, and neither Washington nor London were able to supply them with that particular type of bearing.<sup>36</sup>

After the first diplomatic contacts it soon became clear that both the Swedish Government and SKF were unwilling to modify the secret 1943 war trade agreement with the Allies. Ball-bearing exports had increased "*to five or six times the prewar figure*" and they were considered to be too important to the Swedish economy. In addition SKF maintained that they did not produce special types of



bearings for aircraft, tanks and armoured fighting vehicles. William Waring, an expert of the British Ministry of Economic Warfare, was sceptical about this. He maintained that a bearing in a machine that produced war materials could be considered as much an article of war as a bearing "*found in a tank or an airplane.*" The British were also upset about the shipments of ball-bearing machinery to Germany and, like the Americans, feared that Spain, Switzerland, Portugal and Turkey were re-exporting SKF roller- and ball-bearings to the Axis countries.<sup>37</sup>

Therefore Mallet talked to Marcus Wallenberg and pointed out that Enskilda held a considerable volume of SKF shares, that Jacob was on the Board of SKF, and that both brothers had close connections with the Swedish cabinet. He then made a proposal to Marcus. If SKF refused to sign a contract with Germany before 1945 and stopped delivering ball-bearings to Germany for a period of three months, London and Washington would promise to place large orders with SKF. If the deliveries could only be cut by 50%, the orders would be less substantial. In addition Mallet made the following threat:

"...a great portion of Europe's post war business will be influenced by the United Nations, because of their position and that SKF, should it fail to conform to our present request, may well find itself in difficulties."

On 9 May 1944 Stanton Griffis arrived in Stockholm to negotiate about this proposal and a new agreement. SKF was represented by Jacob Wallenberg and its president Harald Hamberg. The Germans were kept informed on the progress of these talks by SKF.<sup>38</sup>

The choice of Griffis, who once said that he "*considered Adolf Hitler one of the greatest men who had ever lived*" was a strange one. He was no diplomat but a banker and movie executive of *Paramount Pictures*. Lauchlin Currie, Jean Pajus and Harry Dexter White were experts on SKF matters and would have been a more obvious choice.<sup>39</sup> According to Acheson, the decision to send Griffis to Stockholm was of a tactical nature. If being tactless and rude was part of that technique, Acheson could not have made a better choice. Griffis' primitive threatening and enticement of SKF was part of the US's tactics because

"...it offered cover behind which the Swedish Government might retreat and made easier both threat and compensation."

Griffis explained that he could use threats of force and that the Swedes would not know "*whether these threats were official or unauthorized.*"<sup>40</sup>

Griffis bargained hard and threatened seizure of American SKF, blacklisting and much more and thus made it virtually impossible for SKF to accept his proposals. In particular, the cloud of publicity surrounding the man from *Paramount* made it hard to come to terms with him. By now, because of all this attention, the ball-bearing question had also become a matter of prestige for the Swedish as well as the German government. Marcus Wallenberg considered all publicity stupid

and believed that the affair had moved from the commercial to the political realm where it even had attracted the attention of Hitler.<sup>41</sup>

Boheman held the same opinion and was not impressed by the intimidations. He warned Griffis to stop threatening or he would no longer receive him. According to Boheman, an agreement was obstructed and delayed by Griffis' impudent behaviour, for example his repeated references to the lives of American youths lost through Swedish roller- and ball-bearings. He claimed that his actual mission was to stop the slaughter of American youth but Boheman branded this as the "*American mothers*" argument, the worst possible argument to use, and deemed that Griffis employed this sob stuff "*far too much*".<sup>42</sup> Mallet reported that SKF did not want to be branded "*as bad Swedes, disloyal to their Government's policy of neutrality.*" But this disloyalty argument probably had more to do with the negotiating tactics of SKF, who were trying to delay the talks. As long as no agreement was reached SKF could continue its high level of exports to Germany.

Officially Griffis could only negotiate directly with SKF but he soon discovered that he could not deal exclusively with Hamberg and Wallenberg. Every now and then the Swedish government had to be consulted. They were closely involved because of the War Trade Agreement, and feared that an export reduction would result in German reprisals. Giving in to Allied demands would immediately be followed by new ones.<sup>43</sup>

The Soviet ambassador in Stockholm, Madame Kollontay, told Mallet enthusiastically that some "*fresh victories in East or West, or both*" could bring the solution to the stalemate into which the negotiations had slid. Griffis was under instructions to reach an agreement with SKF within one week. However, the talks dragged on until 8 June 1944, exactly two days after the Allied landings in Normandy. That SKF's resistance was broken was certainly not due to Griffis and his British co-negotiator Waring.

It was not his

"...judicious mixture of blacklist threats, promises of compensating Allied orders, and businessman-to-businessman persuasion"

that convinced SKF of the desirability of another course. The possible approach of Allied military victory persuaded SKF, which always kept an eye on the future, that it would be wiser to come to terms with the victors. The exports did not cease completely but were considerably reduced. In 1944 SKF promised to restrict them to one quarter of their earlier agreements.<sup>44</sup> What Griffis did not know was that SKF continued to supply its VKF partners with extra ball- and roller-bearings through smuggling. Nonetheless, Stockholm was of the opinion that there had been a fundamental change in the situation and that the war trade agreement should be amended.<sup>45</sup>

As well as an open understanding, there were also secret agreements between SKF and the Allies which would become very important after the Allied victory.

Griffis guaranteed that there would be no anti-trust actions against SKF after the war, that their German properties be not seized, nor their Nazi connections in the US be exposed.<sup>46</sup>

London and Washington agreed to place orders with SKF, to buy up ball- and roller-bearings as a compensation for the loss of export to Germany, and guaranteed any loss caused by the limitation of exports to Germany, up to about \$6 million. The question remains as to whether there was a direct link to the sum that Wallenberg demanded in April 1944. He considered it necessary to be offered "*a sum equivalent to the losses sustained by SKF as a result of our bombing of their German factories.*" Nevertheless, in the end the SKF shipments to Germany decreased as was agreed, and they secretly promised to cancel all consignments of ball-bearings and ball-bearing machinery from 12 October onwards.<sup>47</sup>

The agreement did not of course refer to smuggling which, after all, appeared to be a way out for Gothenburg. The German Armament Supply Office wrote in a letter to Grand Admiral Dönitz that certain types of ball-bearings were "*particularly important*", and asked for assistance from the German Navy in the present "*grave situation*". Smuggling was one of the proposed solutions, another was to capture neutral ships loaded with ball-bearings for the Soviets in the Baltic, and the divert their cargo to Germany.

On 23 November 1944 the British Ministry of Economic Warfare cabled to the Legation in Stockholm that:

"Information received from SHAEF (Supreme Headquarters Allied Expeditionary Force) shows that clandestine exports of ball-bearings from Sweden have been organised on a large scale by the Germans."<sup>48</sup>

It appeared that fishery companies had been established in several Swedish coastal towns for the purpose of illegal transport to Germany. Vessels belonging to these firms, loaded with ball-bearings, met German fishing boats on the high seas where the cargo was transferred. London had informed its Legation in Stockholm in October that two German ships, the s.s "*Apollo*" and s.s "*Doris*", had left Gothenburg for Bremen and Lübeck. The former had 200 cases of roller-bearings on board, the latter 13. In both cargoes the letters "SKF" had been removed from the cases.

But more smuggling was reported. It was established that machinery also found its way to Germany by alternative routes. We have already referred to the vital importance of those machines for the ball-bearing production, but SKF did more than merely export these machines to Germany. With the consent of the Swedish government, they allowed "*the copying of special machines in Germany for factories belonging to German competitors*": in this case machinery which had so far "*been developed and built in Sweden exclusively and which could be supplied to works of the SKF concern only.*"

Drawings for these machines were handed over to Berlin.<sup>49</sup> A probable explanation for this step is the dominating influence of the Germans in the VKF

combine of which SKF was a part. They were apparently unable to resist the German demands, otherwise they would not have handed over the drawings of this very special machinery.

Another method of circumventing the agreement with the Allies was to sell bearings to German controlled "Swedish" companies in Sweden which exported them to Germany. The question arises as to why SKF and the Wallenbergs were not dealt with after the war? Was this due to the secret agreement that its relations with Germany would not be exposed?

In this respect Enskilda profited from the fact that several official US agencies had been involved in feuds and interdepartmental struggles during the war. The State Department and the Foreign Economic Administration were under almost hourly pressure from both War and Navy Departments with regard to SKF. The latter would have preferred a much tougher approach towards SKF, while the State Department which had sent Griffis was inclined to adopt a more lenient attitude as is revealed in the secret accords with SKF. The Swedish firm was in quite a comfortable position and did not really have much to fear.<sup>50</sup>

When World War II broke out SKF had 185 sales organizations all over the world. The largest Swedish industrial combines, such as *Separator*, *Atlas-Diesel* and *ASEA* were represented abroad by the ball- and roller-bearing giant. SKF in its turn was represented by ambassadors, ministers and consuls i.e., persons in a position to speak with authority. The members of the Board of SKF were all connected with the major Swedish companies that controlled the entire economy of Sweden. SKF subsidiaries abroad used also Swedish diplomatic channels and could thereby escape Anglo-American censorship.

Bearing in mind the German influence in SKF, it is not surprising that the output quota of SKF Philadelphia was considerably below pre-war production: it produced less than 38% of its capacity.

In the USA, William Loren Batt had worked for SKF Industries Philadelphia ever since the merger of 1917. When Hess-Bright, where Batt had been employed since 1908, became incorporated into SKF he went over. Batt became director in 1922 and, until 1949, was also director of the American Bosch Company. In order to protect SKF against seizure Marcus Wallenberg went to the United States in 1940 and arranged a voting trust (with William Batt as voting trustee) to which the nominal control of the American SKF branches was transferred.

Batt became the majority shareholder with trustee voting rights. It still seems strange that Batt, with his known German connections, should have served during the war as vice-chairman of the US War Production Board. The Treasury Department considered this situation alarming and sent a worried memorandum about William Batt's German connections to the White House, but nothing happened.<sup>51</sup> Why? Martin has emphasized that the US government considered it impossible to fight a war without the support of the powers controlling the nation's economic power, and maintained that "*With World War II 'business' moved into*

'government'". The real situation was of course far more complex than Martin described, but one cannot deny that men from the top of the US economic realm guided the war production effort and, after some time, moved into policy-making positions.<sup>52</sup>

Other members of the board of directors in Philadelphia were Hugo von Rosen (second cousin by marriage to Hermann Göring) and Björn Prytz, "a close friend of Göring." It was said that

"No major decision in VKF was ever taken by Prytz without consultation with Goering."

Prytz represented SKF in America during World War I, was the chief link between Germany and the US and, moreover, the major architect of the VKF merger in 1929. During the Second World War he served as Swedish envoy in London but maintained his connections with SKF. Thus Drew Pearson, the well known American columnist, pointed out that SKF "carefully planted" their top officials in places where they could be of use. W.F. Boström, the Swedish ambassador in Washington, read Pearson's column and wondered if Stockholm should not make a declaration in support of SKF.<sup>53</sup>

The dominating influence of VKF on SKF was to produce considerable difficulties in the US. At the outbreak of the war Washington estimated that the Germans controlled more than 60% of the VKF trust (which SKF Gothenburg claimed to control), and they believed that the capacity of the Gothenburg plant was being fully utilised to take care of the demands of the German war machine.

The Germans tried to deprive the American war industry of essential ball-bearings, and a letter from von Rosen to the SKF manager E. Paulson in Montevideo explained how this scheme would work:

"Since the Germans do not allow Sweden to export ball-bearings to SKF subsidiaries in Latin America, you will become totally dependent upon the SKF Industries Philadelphia."

The net result was that fewer ball-bearings would become available for the North American market. To make the measure as efficient as possible Paulson was asked to influence the government of Uruguay by stressing the importance of ball-bearings, so that they would exercise pressure to help SKF to maintain important deliveries. As the government was unaware of the amount of ball-bearings needed it was fully dependent on the data provided by Paulson. Uruguay was no exception because other SKF subsidiaries:

"...have been trying to import into Latin America more than the Latin Americans needed or wanted."

The surplus import method was confirmed by the Chief of the Canadian Supply

Division who reported ball-bearings in Argentina "...in larger volume than is required by Argentinean users."<sup>54</sup>

SKF's official reason for the export from Philadelphia to Latin America was that the Germans refused to give navicerts for the shipment of ball-bearings from Sweden. According to SKF in Gothenburg, the only remaining solution to supplying the South American markets was therefore from the stock of SKF Philadelphia. The idea behind the method was effective: bearings exported to South America could not be used in the United States. The result of this policy was a great shortage of bearings both in the US and Canada. The supplying of Latin American markets through American SKF meant an additional advantage for the Germans because it "...enabled SKF to divert its Swedish output to Germany".<sup>55</sup>

But one problem remained. Production costs in the US were about twice as high as in Sweden. What price could SKF charge to his South American customers? Prices at the US level would of course prevent the Latin Americans from buying. The answer was to offer substantial price-cuts to Latin American customers while at the same time overcharging US customers. SKF lawyers decided that this involved no violations of American laws. Another likely effect of the price cut was the decrease during and after the war in the export of ball-bearings produced by the American competitors of SKF. They could not compete with the low SKF prices, which were in fact subsidized by the Americans themselves due to their being overcharged. This meant that by the end of the war the American competitors of SKF would have priced themselves out of the Latin American market. It was an excellent opportunity for SKF Sweden to strengthen its foothold in South America in time for the post-war era when exports could be resumed. A monopoly of the Latin American markets loomed on the horizon. SKF thus considered all American sales primarily in terms of their own long-term business interests rather than with any thought of the needs of the war effort.<sup>56</sup>

Could not Washington have refused the export permits for ball-bearings destined for South America, under circumstances of war? The administration certainly had the authority to deny export permits but it was SKF itself, in the person of Batt, who decided on the continuation of the exports. As chief of the International Division of the War Production Board and US representative on the inter-allied Combined Raw Materials Board (CRMB), he held the key to aid or hurt his own company. As a CRMB representative, Batt took part in the overall allocation of raw materials to England, the USA and the other Allied nations. The Foreign Economic Administration provided the export licences, but the allocations of roller- and ball-bearings to fill export orders were determined by Batt.<sup>57</sup>

Hugo von Rosen went to Philadelphia in order to arrange the export to Latin America but he also had to arrange another important matter: the volume of production of ball-bearings which was governed by directives from Sweden. The policy of SKF is revealed in a letter by Wingquist to Batt of 6 October 1941 in which he wrote:

"I think you will agree with me that we shall not now extend our manufacturing plants any further with or without Government aid, if this can be avoided. I ask you to let me know beforehand if you are called upon to take steps in this direction."<sup>58</sup>

It is understandable that the Germans did not want to extend the production in the US, but what were the Swedish motives? At the beginning of the war SKF was inclined to increase its production but that policy was later reversed. The needs of the American war industry were in no way taken into account. SKF's main concern was to supply ball-bearings to the regular US non-defence contractors because it was expected that they would be the most important customers when normal times returned. Therefore they refused to build extra capacity for the US war effort as, in the long run, this could prove to be counter-productive for it "*might bring about a large idle plant capacity after the war.*"<sup>59</sup> Here SKF's interests coincided with the German desire to deprive the US of ball bearings. It was a course of action which, to say the least, did not show any particular dedication to the American national interest.

However more was achieved than simply taking care of the export to South America and preventing the increase of production for the US war effort. SKF was extremely solicitous regarding the welfare of *FIAT* in Latin America. In Turin in May 1940, Von Rosen made an agreement with the *FIAT* company which guaranteed delivery of ball-bearings to *Fiat's* customers in Latin America in the event that Italy was unable to supply these clients. Von Rosen also carried out an *pre-emptive* buying operation at the expense of the United States and arranged for a SKF agency to purchase a large quantity of Brazilian rubber for the Swedish government. Washington, however, was convinced that this purchase was intended to harm the US war effort. This proved to be true because the SKF agency was told by Von Rosen to store the rubber until the end of the war and to refuse to sell it to either the American or Brazilian authorities.

In 1943 Germany began to run short of ball-bearings and von Rosen organized the re-export of ball-bearings from South America via Sweden to Germany. In fact the US now provided its enemy, via smuggling, with vital components indispensable for the enemy's war fare, which were produced in Philadelphia. The British provided special navicerts and allowed the ships, fully loaded with roller- and ball-bearings, to pass unsearched to Sweden.

Contrary to the lenient attitude of the Allies, the Swedish government was not that cooperative. On one occasion they withheld shipment to the US of machinery essential for ball- and roller-bearing production for about 8 months. It should be noted that this cargo was directly related to a production increase in Philadelphia. Only after lengthy and protracted discussions would the output in the US increase to 45,000 ball-bearings a day. That decision, forced upon SKF by the US government, necessitated the shipment of extra machinery from Sweden. The delay of about 8 months looked like an act of sabotage. The Foreign Economic Administration won-

dered, since the Wallenbergs' connections with SKF were well-known, whether they had ordered the delay in shipping the essential ball-bearing machinery.<sup>60</sup>

Significantly, SKF Gothenburg controlled the supply of the most important tools and equipment for the manufacture of ball- and roller-bearings to the SKF subsidiaries through Lindköpings Mekaniska Verkstad AB, also a 100% SKF branch. All its subsidiaries were more or less autonomous but in fact this small firm made all branches dependent on the parent company in Sweden. Even at an early stage the Swedes realised the advantages of tying the ball-bearing industry to the machine tool industry. This, of course, preceded the Hitler era but would the Nazi's have accepted the domination of an entire industry by foreigners through this SKF branch? This is inconceivable

"...unless the Germans exercised very tight control over the SKF company itself, and this could be accomplished only through the most trusted intermediaries or cloaks."

An extra advantage for the Germans was the easy and assured access to machinery in wartime without running the risk of being bombed out by enemy air forces. For precisely that reason, Göring insisted that the most essential machinery be produced in neutral countries.<sup>61</sup>

The output figures of SKF Philadelphia did not even reach the minimum expectations and there were serious lapses in the delivery to vital war industries. For 15 months, the *Wright Aviation Corporation* was unable to secure the necessary ball-bearings and was near to a close down. The matter was taken up with Batt who refused to act to improve the situation. In April 1943 J.S. Tawresey resigned from SKF's Engineering department after a row with Batt over the company's attitude. They failed to meet the order for 150,000 special bearings per month for the Pratt-Whitney fighter airplane engines. SKF limited production to only 20,000 a month, thereby forcing its American competitors to absorb the remainder of the demand. Tawresey contacted the Treasury but nothing happened.

Since the beginning of the war it had been the policy of American SKF to avoid production of special bearings for the US war effort. The result of this policy was that the entire American ball-bearing industry expanded tremendously during the war. And SKF's "*competitors in the field of special bearings (..) expanded many more times...*" But this was all incorporated in the firm's post-war strategy, because they anticipated that there would be no market for such special bearings after the war.

Batt had become SKF's voting trustee (1940) in order to reduce the chances of being vested by the APC. Germany, through SKF Sweden and Batt, exercised great influence on the curtailment of the American roller- and ball-bearing output. According to Pajus who interrogated SKF officials, the inventory situation in Philadelphia was chaotic throughout the war. Enormous quantities of raw materials were tied up, especially at times when the bearings were sorely needed.

"...at one time the manufacture of outer bearing parts was carried on extensively without any effort to manufacture the inner parts which were equally essential. At other



times the reverse policy was used. In each instance enormous quantities of strategic war materials were paralysed in the SKF plant through failure to complete the bearings."<sup>62</sup> That happened only with ball-bearings destined for American use. But von Rosen and Batt did more than hold up orders and cause shortages in the US war industries. Secret patents, production details and detailed blueprints were sent to Sweden by diplomatic bag (which it is forbidden to search), while orders from Sweden reached SKF Philadelphia through the Swedish Legation in Washington.

Despite the fact that the Treasury had documents which proved its Swedish-German ownership, SKF Philadelphia got away with it. The Secretary of the Treasury, Henry Morgenthau, was furious that the SKF production even failed to reach minimum expectations and ordered Lauchlin Currie of the White House Economic Staff to investigate the matter thoroughly. Currie, seconded by Pajus, did his work well, too well from Batt's point of view, and when Currie became too curious Batt deliberately burned all the pertinent archives.

Morgenthau tried but failed to induce Acheson of the State Department to put SKF on the Proclaimed List. On the contrary: Acheson even managed to let Morgenthau declare publicly that SKF was loyal. Other statements would, according to Acheson, only hamper the war effort.<sup>63</sup>

In the meantime ball-bearings travelled from US harbours to Latin America. In this way, more than 600,000 ball-bearings reached German companies such as Siemens.<sup>64</sup> The financial arrangements for this transfer were made through the *Banco Aleman Transatlantico* in Spain. Von Rosen used a crude code in his telegrams which were all sent by diplomatic bag. One could read sentences like: "Wild duck glacé arrived, also Schnapps" which meant that ball-bearings and their component parts had arrived.<sup>65</sup>

SKF's assets had always been held in Sweden and SKF had had no worries about her securities, but that seemed to change after the fall of France in 1940. In an effort to prevent these Swedish assets from falling into German hands a plan was conceived to remove the securities abroad. The Panrope Corporation was formed in Panama and SKF Gothenburg transferred all its own shares and those of its foreign subsidiaries to *Panrope*. This cloak was protected from American confiscation by Panamanian laws, although shares in the various manufacturing plants and sales agencies in the United States, Germany and territories occupied by Germany were excluded. A telegram from SKF sent through the Ministry of Foreign Affairs in Stockholm explained that the trust agreement would become valid on orders from Gothenburg, or automatically if Sweden became involved in the war. The trust agreement would be irrevocable for as long as Sweden remained at war but would not be valid after 31 December 1950.<sup>66</sup>

SKF Sweden wanted to give the transaction an American character and, five days after the agreement with Panrope they entered into an additional agreement with the *City Farmers Trust Company of New York* which was appointed as trustee. An advisory committee including, among others, Batt and von Rosen was estab-

lished but the real Panrope manager was von Rosen. Within two months (2 August 1940) Panrope returned all the shares to SKF with the exceptions of those subsidiaries located in the British dominions. The whole transaction was probably a deception manoeuvre, designed to show that SKF was sympathetic to the Allied cause and was afraid of Germany. The most remarkable aspect of this is that SKF, which claimed a 99% interest in the German VKF combine, did not transfer these shares, or shares in the other SKF subsidiaries in Nazi occupied Europe, to the Panrope Corporation. It seems reasonable to assume that these particular shares were not in the physical possession of SKF Gothenburg. Another more remote possibility is that there had been assurances from the Nazi regime that nothing would happen to the shares. But in either case the Panrope Corporation was merely a fiction created to throw dust in the eyes of the Allies: to cloak extensive German influence in the company.

Only after long negotiations were the Allies able to reduce the overall volume of ball bearing exports, and only then when it was already too late for any drastic change in the outcome of the war. But by then (1943) SKF's gross profits were already three times their 1939 level. And even then SKF was not always too scrupulous in observing the arrangements. An American newspaper wrote: "*In frankness it must be said that the people of Sweden have been perfectly willing to cash in on the war.*"<sup>67</sup>

## 6. Securities and Gold

In the preface to his interesting study about the gold looted by the Nazi regime from the central banks of occupied European countries, Arthur L. Smith Jr. rightly observed that the twentieth century

“...has the distinction of having introduced the world of total war, and a vital ingredient in that process is the ability to pay for it.”<sup>1</sup>

Nazi Germany did indeed use every available resource to fight the war, and one significant “weapon” for this was gold. The gold deposits of the Czech, French, Belgian and Dutch governments fell into German hands and it has been estimated that (on the basis of a pre-1939 prices) approximately \$625 million in monetary gold was seized from the vaults of various central banks and sold to neutral countries. Switzerland and also Sweden were recipients of looted gold. American investigation teams concluded that:

“The central banks of neutral countries must have been aware of this situation and cannot be absolved from having purchased from Germany looted gold, even though in the case of individual transactions the origin of the gold could seldom be established.”

Although this applied to central banks, private banks were also warned in due time. Switzerland acted as an international banker for Germany and purchased gold to a value of several hundred million American dollars. Looted gold was smuggled into Sweden by diplomatic bag and then sold on the black market.

“The proceeds from these sales were invested for prominent German businessmen and Nazi Party leaders in Swedish securities.”

Even Jacob Wallenberg was approached by the Vice-President of the German Reichsbank, Emil Puhl, about a large transaction involving gold bars. According to an official British document, Wallenberg had been interested in negotiating such a deal but he later lost his initial interest. Nevertheless, Puhl was urged by Berlin to continue his contacts with Wallenberg and to try to work out a deal. It is not clear whether this arrangement was ever finalised, but Puhl was successful in July and August 1944 when he sold a large quantity of gold coins (value \$1,700,000) to the Swedish Riksbank (Swedish National Bank). It later transpired that 722 gold-bars looted by the Germans in the Netherlands had found their way to the vaults of the *Swedish National Bank* in Stockholm.

Although Sweden, compared to Switzerland, was not engaged in large-scale gold transactions with Germany, there were two other important deals made

whereby the Swedish National Bank bought gold from Germany. In January 1941 \$1.5 million worth of gold bars was sent from Berlin to Stockholm. This gold was not physically imported into Sweden but was transferred from one account to the other at the *Swiss National Bank*. A third large deal was made by the Swedes whereby the Swedish National Bank "*made available to the Germans clean gold and acquired from them tainted gold*". These were so-called 'swap transactions' in which gold bars were delivered to Switzerland by the Reichsbank and added to the Swedish National Bank gold deposit at the Swiss National Bank; in exchange for this, gold bars were released from the deposit of the Swedish National Bank at the Reichsbank in Berlin. Several swap transactions were made, totalling more than 17.3 million-dollars-worth of gold. There were further German-Swedish gold transactions during the war, and official American estimates after the end of the war came up with a total figure of about 21,600,000 US dollars worth of probably looted gold having found its way to Sweden.<sup>2</sup>

Not only looted gold was delivered to Sweden but also precious stones. During 1944 an official of the German Foreign Office, Graf von Schwerin, visited Stockholm every two weeks. This courier was the principal figure in the sale of looted Dutch diamonds in Sweden. He smuggled the stones into the country by diplomatic bag on the direct orders of the German government. His diplomatic immunity prevented him from being searched. The diamonds were disposed of under the strictest secrecy and were sold only to "*dependable*" purchasers. IG Farben's Herbert Lickfett played an important role in these schemes. Dutch jewels were also sold through the two German firms of *Goldfalken-Busse* and *Otto Reinertz*. The finest jewels were sent to Munich and used for the decoration of the special caskets in which the highest German decorations were kept.<sup>3</sup>

Apart from gold, art treasures (worth about \$144 million) were also ransacked. Some reports even claimed that roughly one-fifth of the entire art treasures of the world, mainly private collections, was stolen. The national museums in Western Europe were left comparatively intact.<sup>4</sup> In particular (though not exclusively), the private collections of Jews became the object of Nazi rapacity. Much of this art booty was transported to Germany, but after the war ransacked art collections were also located in Spain, the Soviet Union, Austria, Latin America and Switzerland. In Sweden too looted art was found, and even Marcus Wallenberg was for some time under suspicion of fencing. The Foreign Office suspected him of having brought looted paintings in Germany which he then hid in the Enskilda vaults. Later this suspicion proved to be unfounded.<sup>5</sup>

That the Nazis looted on a huge scale in countries which they occupied is an established fact. This immediately produced an immense problem: how to dispose of this loot? We will return to this issue later. But this was not the only problem, and there were more difficulties of a similar financial nature after the outbreak of the war. What for instance was to be done with German foreign investments, assets, bonds and securities in the Allied countries, and especially in the United States?

Everyone realised that sooner or later war with this country would be inevitable. As confirmed by several reports, these investments consisted mainly of bank balances, accumulated profits, industrial plants, interests in financial institutions, and ran into billions of US dollars.

What the Germans needed was the assistance of banks in neutral countries, because they were still able to operate in the Allied states and had enough foreign exchange to aid in the transfers. And again the name of Enskilda pops up in many documents. The services rendered by the Wallenbergs to the Nazi regime as regards securities and bonds must be divided into two distinct categories: firstly, transactions which were meant to repatriate foreign-held bonds to Germany; secondly, transactions involving looted securities, which were definitely illegal and which can be viewed as fencing.

The former transactions were certainly not illegal but are nevertheless interesting from the point of view of (secret) collaboration. They illustrate how and why the Nazis used neutral banks for the repatriation of bonds (especially from the US) in order to reduce losses arising from confiscation by the US in the event of war. The FBI had suspected Enskilda of being involved in buying up German bonds for some time. After the war those suspicions were confirmed in a British report about Enskilda's activities

“...in assisting the Germans to repatriate their bonded debts in neutral ownership.”

The “*Financial Contraband: Stockholms Enskilda Bank, Stockholm*” report was drafted after a meticulous investigation carried out in Germany after the war, during which many confidential documents were discovered. These records fully confirmed the theories previously advanced by the British Ministry of Economic Warfare to explain German financial operations during the war. The operations fell into two phases.

In Phase 1 with the likelihood of a German victory, foreign exchange was used by the Reichsbank to repatriate German bonded debts with the help of neutral banks. The price of these bonds was low because of the war but was expected to rise sharply on a Nazi victory. The British report made it clear that no evidence was found concerning direct acquisitions by the Reichsbank or its subsidiary, the *Golddiskontbank*, in furtherance of the debt-repatriation scheme in Phase 1. This was of course no surprise for London, because if the German interest in these bonds had become known, the market prices would have risen and the whole scheme would have been jeopardised. Therefore certain banks in neutral countries were used to act as agents and Enskilda

“...appears to be the most likely bank in Sweden to have been used by the Germans as a security purchasing agency.”<sup>6</sup>

The British authorities managed to provide definitive evidence that Enskilda was involved in operations as described in Phase 1. In Bermuda they intercepted

telegrams sent by the bank between June 1940 and May 1941, i.e. the period when the German bond-buying operations were in full swing. During this period Enskilda received more than \$4,500,000 from the Reichsbank and the Golddiskontbank. On 8 August 1940 Enskilda sent a telegram to the *Banco Hispano Americano* in Madrid, Spain, reading:

"Owing slow postal connections with America would much appreciate if you would be willing receive for our account from New York registered parcels containing coupons and to forward same to Reichsbank, Berlin stop. In order facilitate your work, not necessary open parcels and check contents!"

On 7 October 1940 Enskilda cabled Brown Brothers, Harriman & Company to this effect:

"Please withdraw depot B & C. all German Central Agricultural Bank 6% July 15th SIEMENS & HALSKE A.G. 6% participating debentures F all KONVERSIONSKASSE 3% dollar funding new issues and forward same registered mail uninsured *BANCO HISPANO AMERICANO* Madrid our account."

The Reichsbank obviously supplied Enskilda with the money to procure German bonds on the New York stockmarket with the help of Brown Brothers. The bonds were thereafter sent via fascist Spain to the Reichsbank. Enskilda also used an Italian bank as a postal intermediary: on 15 January 1941 the *Credito Italiano* wired to Enskilda that they had sent \$141,000 worth of German bonds by plane. The report concluded:

"...that altogether the Stockholms Enskilda Bank appears to have played an important role in the Nazi bond-buying scheme."

The British intercepted several of these parcels of securities which were considered as contraband. Of course the Wallenberg brothers protested and claimed that these bonds were partly owned by them, partly by some of their subsidiary companies and partly by their Swedish clients. But the British report alleged that "...the genuineness of the statements appears very doubtful." It also referred to the fact that quite a number of Siemens & Halske bonds and IG Farben Reichsmark shares were alleged to be the property of AB Duba in Stockholm, who were under suspicion in connection with the Bosch affair.

How did these transactions take place? We will follow Marcus Wallenberg on one of his business trips, which were partly made in the service of the Reichsbank.<sup>7</sup> A few months after the German Army had overrun Europe, Marcus Wallenberg arrived in New York on the S.S. *Exorchorda*, from Lisbon (Portugal). Agents of the FBI immediately started to shadow him and track his movements. They found out that Wallenberg purchased \$2,658,000 of various German bonds, assets and securities through *Brown Brothers, Harriman & Company* in New York on the American stockmarket for shipment to the *Banco Hispano Americano* in Madrid. In order to

conceal all traces of this from the Allies, the Spanish bank then transferred these securities to *Credito Italiano*, Rome, which sent them back to Berlin.

An investigation by the US Treasury revealed that the *Deutsche Golddiskontbank* had regularly deposited large sums of money into the Enskilda account at Brown Brothers bank. On 28 November 1940 they deposited \$750,000; on 4 January 1941, \$112,632 and the same day another \$247,318. The US Treasury concluded that Wallenberg had a completely free hand in the purchase of these securities.<sup>8</sup> Naturally, Marcus did not know that FBI agents were following him. In a conversation with a business associate, who unknown to Wallenberg was an FBI-informant, he revealed that

“...purchases were being made by his bank [i.e. Enskilda] as representative for German correspondent banks.”

The informant advised Wallenberg to tell the US Treasury about the transactions. According to this FBI informant Wallenberg indeed followed his advice but we have found no proof of this in the researched archives.<sup>9</sup> There is, however, evidence that he became worried that the US Government might, in retaliation, block his assets and securities, and in order to discover whether this was the case, he contacted a representative of the State Department, Merle Cochran. He had picked the right man, because Cochran (on loan to the Treasury) had close affiliations with the German financial and industrial elite. Furthermore, Cochran was a close and personal friend of Ivar Rooth, the governor of the *Bank of Sweden*.<sup>10</sup>

Wallenberg was probably aware of that when he contacted Cochran in order to protect himself against any future contingencies. At the same time, because of Cochran's background, he could anticipate that he did not have to worry much. Marcus told Cochran that if his assets and securities were blocked, the Wallenberg enterprises would endeavour to operate in the Western hemisphere through their corporations in Panama and their trading company in New York.<sup>11</sup>

A report by the US intelligence agency, the Office of Strategic Services (OSS), reveals that the Wallenbergs and some of their business partners were viewed as

“...ruthless and lacking in public spirit. Their connections in this country are with the National City Bank and J.P. Morgan & Company.”<sup>12</sup>

It is notable that the German Reichsbank maintained a large account with the *National City Bank of New York* (NCB) which also handled the affairs of General Aniline and Film (GAF), IG Farben and SKF. The NCB (where the Wallenbergs had received a part of their training) also channelled blocked funds back to Sweden. According to Higham the NCB was closely involved in all kind of obscure operations and many German bonds and securities were deposited in its vaults. And although later in the war the Swedish accounts at the NCB were frozen, this bank still managed to channel SKF profits from Latin America to Sweden.<sup>13</sup>

Phase 1 did not last very long because it soon became apparent that there would

be no swift Nazi victory and a lengthy conflict looked inevitable. The Reichsbank started to be concerned about its foreign-exchange position and consequently abandoned Phase 1 which was costing valuable foreign currency, and embarked upon Phase 2 which implied the selling of looted foreign securities in neutral stockmarkets.

From the start of World War II the Nazi regime used special plunder teams to confiscate not only gold, art objects and jewelry but also securities, bonds and assets and even stamp collections and complete businesses. The Nazi's had developed a special liquidation technique for each kind of property. In Holland, a widespread looting of securities (mainly among Jewish citizens) took place and it was estimated that between 350 and 500 million Dutch guilders were looted by the Nazi regime.<sup>14</sup> On 8 August 1941 the Jews were ordered by a special directive ("*Verordnung*") to hand over their securities and money to the bank *Lippmann, Rosenthal & Company* ("*Liro*") in Amsterdam which had been established in 1941 for that specific purpose. The Jews were forced to transfer their money and securities to Liro where they had special accounts into which their money and the proceeds from the sale of their securities were deposited. Because the Nazi's knew that the deportees would never return, all these special accounts were amalgamated in the beginning of 1943 into one big account, the *Sammelkonto*. The *Verordnung* of August 1941 resulted in the handing over of more than f213 million in securities of which, in the end, f146 million would be sold on the Amsterdam stock-exchange. Here there were two stockmarket quotations: Jewish and non-Jewish. It turned out that many stockbrokers were willing to buy this loot because the former Jewish owners had drafted an official declaration in which they "*agreed voluntarily*" to the sale of their assets. Apparently it did not matter that such a declaration had been extorted. In fact later, once the sale of Jewish stock was running smoothly, bona fide declarations were often dispensed with.<sup>15</sup>

In the course of 1942 the Jews were also ordered to leave their art objects, jewelry, books, furniture and even life insurance policies. A part of the loot was sold to countries which continued to maintain official diplomatic and commercial relations with Germany (mainly neutrals), and was used to finance the purchase of raw materials. Furthermore it provided Berlin with foreign currency for their espionage and covert actions abroad.

The fact that Enskilda was also involved in the purchase of looted securities, assets and bonds first came to light in a revealing statement by Marcus Wallenberg himself, which he made in April/May 1946 to British diplomats. His disclosure was reported to Washington in a highly confidential telegram and an additional report.<sup>16</sup> It proved very

"...clearly that Enskilda Bank was actively engaged during the war in disposing of looted foreign securities obtained from occupied territories. This correspondence was voluntarily presented to the British Legation, Stockholm, by Marcus Wallenberg who could not have suspected that it would be tied up with the *Otto Wolff* investigation which had been made in Germany."



Otto Wolff, the "steel king of Cologne", was first opposed to Hitler but later – like Hans Walz of German Bosch – he too became a member of Himmler's Circle of Friends.<sup>17</sup> During the war the Otto Wolff Corporation (hereafter Otto Wolff), a company with excellent foreign connections, bought up confiscated foreign currency and looted securities. Otto Wolff acted with the consent of Berlin because it was considered undesirable for any official German body to appear to be selling. The securities were sold through banks in Switzerland and Sweden.<sup>18</sup>

Enskilda had already done business with Otto Wolff before in the field of securities and bonds. Between October 1940 and January 1941 Enskilda bought securities in the United States on behalf of Otto Wolff for approximately \$2,090,000, part of which was paid in US dollars, while a small part was paid in Swedish crowns.

In the course of 1941 Rudolf Siedersleben, a director of Otto Wolff, asked Marcus Wallenberg if he was interested in acquiring Swedish securities. Wallenberg replied that he was always interested in profitable offers provided that they were bona fide. Siedersleben assured him that this was the case.

From December 1941 to November 1943 Enskilda concluded several financial transactions with the German firm, bought Swedish shares and bonds and paid 485,000 Swiss francs for these securities. In January 1942 Siedersleben suggested a new deal: the sale of German securities which were held in Sweden. The transaction was concluded in April 1942 whereby Enskilda bought American Railroad and Public Utility Bonds with a face value of \$317,000. Otto Wolff was paid in German bonds to the value of \$238,000 and about 277,000 Swiss francs in cash.

"To set off this loss of foreign exchange Stockholms Enskilda Bank sold simultaneously to a German firm, against payment in Swiss francs, Swedish held German Funding Bonds for an amount approximately equal to the above mentioned amount of Sw.Fr. 277,000."

The American Bonds were deposited in Enskilda's account with the Swedish Riksbank. The securities arrived from the Netherlands accompanied by a bona fide declaration the wording of which was drafted in close collaboration between Enskilda and Otto Wolff: it merely read that "*We hereby certify that we have acquired, in the ordinary course of business, on [...]*." The securities which Otto Wolff bought in Amsterdam had the following certificate:

"We hereby certify that the securities mentioned hereafter [...] have been in the uninterrupted possession of a Dutch resident as from May 9th, 1940 until [...] at which date they were sold through us."

The date is of course of crucial importance: the Netherlands were attacked on 10 May 1940 and it is obvious that by using the date of 9 May the bonds could not possibly have been looted by occupying forces.<sup>19</sup>

The Economic Warfare Department of the Foreign Office was convinced that

Enskilda was actively engaged in disposing of looted foreign securities. The British officials also pointed to the fact that the *Rebholz Bank*

“...were the party chosen by the German authorities in Holland to extract by ‘persuasion’ foreign securities from occupied territories for sale abroad.”<sup>20</sup>

The Rebholz Bank in Amsterdam was the most important centre with respect to the trade in “contagious assets”. The value of the assets sold by this bank during the war was estimated at more than 34 million Dutch guilders.<sup>21</sup> Otto Rebholz, the owner of bank, was born in Germany but emigrated to Holland in 1924 where he started his banking career at the Jewish banking-house Leeser, which he took over after the Germans had conquered Holland and which continued to operate under the name of the Rebholz Bank. He established close relations with officials from the German Reichsbank and masterminded all kinds of secret financial transactions for them in the field of assets and securities. Rebholz was also a secret informant of Himmler’s Sicherheitsdienst and, in addition to this, acted as a “*Vertrauensbankir*” (trusted banker) for the Governor of the Netherlands, Dr. Seyss-Inquart.<sup>22</sup>

With the sale of their securities the Jews were paying for their own deportation to the extermination camps, because a part of proceeds was used by the Nazi occupation authorities to pay Dutch Railways for transportation costs. Another part of the takings was spent on the enlargement and construction of the concentration camps of Vugt and Westerbork to which Jews and anti-Nazi’s were transported.<sup>23</sup>

Enskilda also appears to have been involved in buying up bonds and looted securities through the *Hollandsche Koopmans Bank* (HKB). This bank was owned by IG Farben but Enskilda had a part of the total share capital. On 5 March 1942, with the consent of the Germans, the HKB started to do business with looted Jewish securities which, for the most part, were sold to the Deutsche Golddiskontbank, a subsidiary of the German Reichsbank. Enskilda had its own representative on the HKB Board of Directors: Maurice Philipson, therefore it is hard to believe that Enskilda did not know the nature of the financial transactions in which the HKB was involved, although they may not have been aware of all the details.<sup>24</sup>

The Vice-President of the Reichsbank, Emil Puhl, admitted during an interrogation after the war that the Golddiskontbank had used Enskilda as its foremost Swedish correspondent for selling securities.<sup>25</sup> From 1933/34, the Golddiskontbank had been responsible for buying up bonds in order to lower German foreign debts. It also received looted Jewish securities from the Netherlands via the *Hollandsche Koopmans Bank*. The Golddiskontbank also collaborated very closely with a full branch of the Dresdner Bank in Belgium, the *Continentale Bank* in Brussels, which specialized in trading with securities which were looted or came from deported Jews. The *Continentale Bank* operated mainly in Belgium and the Netherlands and sold many Jewish securities on behalf of *Lippman Rosenthal & Company*.<sup>26</sup>

A statement by Marcus Wallenberg himself also confirms that Enskilda knew

about the looting in Nazi-occupied Europe. Gerald Hyde Villiers at the Foreign Office wrote to Jerram about this "*delicate matter*" adding:

"Marcus Wallenberg's action in volunteering information regarding Enskilda's purchases of looted securities [...] suggests that he may be in the mood for confessions."<sup>27</sup>

There is evidence that Enskilda also used strawmen to buy up German loot. In the summer of 1942 Waldemar von Oppenheim was sent to Paris to buy up sequestered foreign securities and to arrange for their direct transfer to Enskilda in Stockholm.<sup>28</sup>

After the war the Dutch government was confronted with the almost impossible task of restoring property to the bereft Jews. For this purpose, a Rehabilitation Council with various subsections was established shortly after the liberation. Soon the Dutch investigations into looted securities were in full swing and after two years of thorough inspection of all incriminating documents, Enskilda too were asked to render an account of their activities.

On 11 December 1947, Herman Nachmanson, vice-president of Enskilda, sent a letter to Count van den Bosch, a director of *De Nederlandsche Bank* (the Central Bank of The Netherlands) since it was this bank which dealt with questions regarding American bonds. Nachmanson dispatched a complete list of all American dollar bonds procured in Holland by Enskilda from Otto Wolff and the Rebholz Bank in the course of 1941-1942.<sup>29</sup>

The affair dragged on for more than a year but received extra attention when on 14 October 1949 Marcus Wallenberg personally wrote a letter to Count van den Bosch. One month later, Nils Söderström, another Enskilda director, announced that he would come to Amsterdam at the beginning of November 1949. He met Count van de Bosch on 11 November and from the report of this meeting we learn that the value of the procured Wolff securities in 1949 was \$727,000. There was a genuine belief in Dutch official circles that the securities, which Enskilda had admitted were looted, and which Washington in the meantime had blocked and put on the "scheduled list", could be vested and brought back, so it is intriguing to note that the Americans themselves obstructed the Dutch strategy in the period 1948-1949.

However, this American manoeuvre was not as strange as it seems, as we will show in our concluding chapter which discloses that American policy in 1948-1949 was aimed at safeguarding the interests of Enskilda. Although during this time Washington protected Enskilda, Marcus Wallenberg did make one peculiar request to the Dutch, stating that he was willing to provide all the necessary information if the Dutch on their part would promise not to disclose any information to Washington about Enskilda, not even to mention the name.<sup>30</sup> All the same, in 1943 the Dutch officials were not in a position to vest the looted securities and they were more or less forced to buy them back from Enskilda. Count van den Bosch received instructions from the Ministry of Finance to offer

Söderström the securities for 50% of their 1949 value in Swedish crowns. Soderstrom rejected this offer as unacceptable and the Dutch director boosted his bid to 70%. But Söderström stressed the strength of Enskilda's position and said that he wanted to discuss this proposition with the Wallenberg brothers in Stockholm.<sup>31</sup>

On 28 November 1949 Van den Bosch telephoned Söderström in Stockholm to be told that Enskilda was willing to return the "looted securities" in their entirety. However, with respect to the securities for which Enskilda had received a bona fide declaration, and/or an official certificate, they refused to accept the 70% proposition. They wanted to retain the securities. A harsh bargaining position because Enskilda previously had explicitly acknowledged the fact that the Nazi regime had forced the owners to sell these securities.

Count van den Bosch was then instructed to raise his bid to 75% of the value, but on the strict condition that this settlement would be dealt with in top secret.<sup>32</sup> It is interesting to observe that he refused to make any official comment on Söderström's offer with respect to the "looted securities". He contended that from an official Dutch point of view there were no "looted securities" involved in the talks, and that he could not therefore respond to Söderström's offer.

A puzzling stance, particularly because since November 1942 the Dutch government had considered all apparently "legal transactions" concerning assets, bonds and securities between neutral banks and Germany as nothing more than "pure robbery". Neutral countries, and especially banks and stockbrokers, were explicitly warned by the Dutch that they would acknowledge the rights of banks who had bought these "hot securities". It was also strange in view of the Joint Allied Declaration of 5 January 1943 which was co-signed by the Dutch government-in-exile.

In this statement all signatories (18 countries) reserved their rights to declare invalid any transfers of, or dealings with property situated in the territories under Nazi occupation or control. This Allied warning also applied to transfers or dealings which had taken the form of open looting or plunder, or of "transactions apparently legal in form, even when they purport to be voluntarily effected". This declaration was officially presented by the Dutch envoy to the Swedish government, so all the commercial banks involved knew how their transactions during the war would be viewed.<sup>33</sup>

The negotiations with Enskilda came to a standstill and were resumed in 1950 when Marcus Wallenberg came to Amsterdam to discuss the affair with Count van den Bosch. Wallenberg explained that he was willing to work out a settlement, but that he was not prepared to make any concessions because to do so might suggest that Enskilda was guilty, which he did not consider to be the case. Therefore Wallenberg wanted the Dutch authorities to pay the full value of the "looted securities" against a gift by Enskilda for a purpose to be indicated later. But De Nederlandsche Bank took the view

“...that it is entitled to the shares and can only pay as an indemnification for the bonds the price the Enskilda Bank have paid themselves at the time, plus for the sake of getting a compromise, a reasonable interest for the period elapsed between the purchase and the restitution of the bonds.”

On instructions from the Ministry of Finance, Count van den Bosch again offered to pay 70% of the present value of the bonds which by then (1950) were estimated at \$730,000, adding:

“I understand that the Ministry of Finance would then be willing to declare that it has entered into this arrangement because it is convinced that there was no lack of good faith of the Enskilda Bank in this matter.”

This proposal offered Marcus Wallenbergs the opportunity to save his face by announcing that Enskilda had been willing to restitute the securities for the price paid for them in 1941-1943 plus a reasonable interest, and that they had surrendered supplementary profits, because

“...they did not know that the licence, given at the time [...] was extorted by the Germans and that under these circumstances they would not have taken advantage of the benefits which could have resulted from such an acquisition.”

It is, however, quite unlikely that the Wallenbergs were unaware of what was going on in occupied Europe: the Swedish government was the first to know about the extermination camps.<sup>34</sup> With their excellent contacts in the Swedish government, and as members of the inner circle, it is hard to conceive the brothers knew nothing about the looting; moreover they had access to all kinds of intelligence which flowed to Stockholm, and their trips to Germany and the Allied countries during the war provided them with additional information. Apart from this, they were explicitly warned by the Dutch and other Allied governments in 1942/43 of the consequences of these supposedly legal transactions with assets, bonds and securities.

The Dutch maintained the position that in a case such as Enskilda it would not indemnify more than the authentic buying price, whilst Enskilda clearly stipulated that they did not want to take advantage of the measures taken at the time by the Nazi's.

As regards the technical details, Count van den Bosch suggested that the securities might be deposited with De Nederlandsche Bank and

“...that we will take action to get the bonds removed from the black list.”

In this respect he also noted that Wallenberg was apparently in a hurry and presumed that, due to the activities in the United States of the law firm Sullivan & Cromwell, Enskilda's situation was better than ever.<sup>35</sup> Thus De Nederlandsche

Bank made clear to Marcus Wallenberg that this arrangement was a way of avoiding possible future legal problems.

On 14 November 1950 a final settlement was reached agreeing that Enskilda had bought the securities "in the ordinary course of business" and that none were so-called "looted property". The Dutch promised to do their utmost to get these securities deblocked by the Americans and agreed to pay 75% of the value. This amount was to be paid into Enskilda's account at the National City Bank of New York.

Enskilda was also granted permission to sell Danish bonds on the Dutch market and to transfer f35,000 to Stockholm, money accruing from the liquidation of Enskilda's former holdings of shares in the Internationale Bank. Should Enskilda wish to increase its holdings in the Hollandsche Koopmans Bank at a later date, this would be favourably considered by the Dutch who also promised to deal with any claims from all previous owners. On 12 December Count van den Bosch reported to Enskilda that the Dutch Ministry of Finance had agreed to the arrangement, except for the part concerning the Hollandsche Koopmans Bank. Two weeks later Enskilda cabled that they accepted the Dutch proposals.<sup>36</sup>

All evidence leads to the inevitable conclusion that Enskilda was involved in helping the Nazi's to dispose of their looted securities. The Foreign Office and the State Department came to similar conclusions, finally, Marcus personally revealed that Enskilda had been engaged in these obscure activities.<sup>37</sup> The Wallenbergs were never punished for their behaviour during the war. On the contrary, De Nederlandsche Bank proved unable to acquire the looted securities or return them to the Netherlands. And due to measures taken by the Americans, they were quite powerless vis-à-vis Enskilda. This was realized in Stockholm and for this reason Enskilda demanded to be paid in full for their "booty" from the Netherlands.

# 7. The US, Europe and the Swedish-Soviet Trade Agreement

## Part Three

### *The Aftermath*

## 7. The U.S. embargo and the Soviet-Swedish Trade Agreement

By the final phase of World War II, relations between the Soviet Union and the Western Allies had started to deteriorate, and it was not long before the Cold War began to dominate post-war East-West relations.<sup>1</sup> The post-war deliberations of the World War II victors soon became fiasco's, mutual suspicion grew, and the central problem of what to do with Germany caused discords and was unsolvable. The Soviet Union was increasingly depicted as a state whose only interest was expansion and the subsequent occupation of the surrounding countries. On 5 March 1946 in Fulton, Churchill delivered his Iron Curtain Speech in which he claimed that *"From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the continent."* He delineated communism as a *"growing challenge"* and a *"peril to Christian civilization."* One year later Truman proclaimed his Truman Doctrine with the central element that

*"It must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities and outside pressure."*

Thereafter the US adopted a containment policy and in June 1947 the Marshall Plan was announced. It had two basic aims: halting the perceived advance of communism in Europe, and establishing an environment in which the international (but especially the American) economy would flourish. At the same time it was the first phase in the economic war against the Soviet Union and its satellites.<sup>2</sup> Initially Marshall aid was also offered to the Soviet Union and the East European countries but the conditions for aid were such that acceptance was impossible for Moscow. The East European countries within the Soviet sphere of influence had no choice but to follow the Russian example.

The first steps in this war which were finally to lead to the Embargo Policy were taken at the end of 1947 and beginning of 1948. Licences from the US Department of Commerce were required for all American exports to Eastern Europe. Export warrants for commodities which were considered to have strategic value could be refused. These measures became effective on 1 March 1948, but it was evident that a unilateral American embargo would not be effective.

The cooperation of the Western Europeans was essential, but they showed little enthusiasm for collaboration because their trade with Eastern Europe was extensive. Thus Washington forced them into participation by the simple expedient of linking Marshall aid, which Europe undeniably needed for the recovery of its economies, directly to the embargo policy. In other words: no embargo no aid.



From the start the American government used Marshall aid as a lever on the Western European countries in order to regulate their trade with the communist states, and export control became a condition for aid. All Marshall Plan countries became members of the Organization for European Economic Organization (OEEC) in which the neutral Switzerland and Sweden were also represented. The aid received by Sweden was not very substantial and she only participated in the OEEC for reasons of goodwill, since refusal would have meant increased political tensions with Washington with whom relations were already strained. Switzerland stuck to her full neutrality policy and refused to accept any Marshall aid.

Washington started negotiations with the OEEC countries and after tough discussions the reluctant Europeans finally agreed to support the embargo. In Paris an informal and secret organization was established to coordinate the embargo policy. Later it became known as the *Coordinating Committee for Multilateral Export Controls* (CoCom). They decided which items were placed on the embargo lists. The CoCom operated in secrecy without a legal charter and had no enforcement powers. Switzerland and Sweden participated in the early discussions which led to its establishment but did not become members of the CoCom because they refused to compromise their neutral status by participation in economic warfare. As Adler Karlsson observed, working in secrecy had some advantages: domestic debates in member countries were avoided and neither was parliamentary approval needed. Furthermore, it offered neutrals like Sweden and Switzerland the possibility of a secret gentlemen's agreement with Washington and, in exchange for certain favours, they were willing to participate in the embargo policy.<sup>3</sup>

On 7 October 1946 Sweden signed a Credit and Trade Agreement (the so called "*Ryssavtalet*") with the Soviet Union and Moscow received a credit of one billion Swedish crowns (\$280,000,000). This was to be used between 1947-1952 and had to be repaid between 1962-1967. The effective interest rate was only 2.38%.

A central element of the agreement was that the Soviet Union would order products in Sweden but the Swedish government could not, and would not, guarantee the desired deliveries. Moscow would be forced to negotiate directly with Swedish industry. This led to a situation correctly described by US News and World Report as: "*Swedish businessmen hold key to delivery of goods to Russia.*"<sup>4</sup> The involvement of the government was restricted; they merely extended credit and made sure that export licences were granted once the goods were ready for shipment. In this scenario it was indeed Swedish industry that finally decided whether or not the trade agreement would be carried out.

It is intriguing to note that, in spite of the favourable conditions, the Soviets did not use more than about half (or 517 million) of the one billion crowns to which it was entitled. Why did the Soviets not use the credit to the full, especially in view of the fact that, due to the looming Cold War, they could not get any other credits in the West? Furthermore, why were Swedish exports to the Soviet Union

in 1947-1952 consistently below the expected levels?<sup>5</sup> Did this have something to do with the secret Swedish participation in the embargo policy, or was it a deliberate policy of the Wallenberg-controlled industries not to sell to the Soviets? Were they under pressure to sabotage the Trade Agreement, and had the US made a secret agreement with the Wallenbergs? Perhaps a deal in exchange for the release of their funds, blocked in the United States because of their cloaking activities?

The embargo policy offers a partial explanation as to why the Ryssavtalet failed, although we wish to emphasize that it was certainly not the whole story.<sup>6</sup> What troubled us in the first place was the attitude of some corporations connected with the Wallenberg sphere of interest. Did they sabotage the Credit and Trade Agreement, and was there a link to their war time activities?

By September 1946 Stockholm had noted that some US companies were putting pressure on private Swedish firms not to make deliveries to the Soviet Union, and the State Department sent the Swedish government a note protesting against the Credit and Trade Agreement. Moreover some Swedish firms were warned that the delivery of raw materials and semi-manufactured articles would be stopped.

Rolf von Heidenstam, chairman of the Swedish Export Union, thereupon went to see his Minister of Foreign Affairs, Östen Undén, and proposed the addition of an extra clause in the Credit and Trade Agreement. This would state that in case of shortage of raw materials the Soviets could not count on complete deliveries. Von Heidenstam considered it inadvisable to mention the United States in connection with the shortages in raw materials. Undén refused to believe that Washington would hamper deliveries to Russia since, according to Undén, that would be tantamount to "...a cessation of the relations and almost imply a state of war between the USA and the Soviet Union."<sup>7</sup>

The threats came not directly from the US government but from private American companies. The Under Secretary of State, William Clayton, denied that Washington had anything to do with these non-delivery threats.<sup>8</sup> But from a memorandum (June 1948) by Undén in which he recounted a meeting with Harold Hamberg and Harald Boman (both of SKF), it becomes evident that American officials tried to compel Swedish firms to adhere to the US embargo policy. Hamberg told Undén that deliveries to the Soviets could have consequences in the United States and a lawsuit for violation of the US trust laws was hanging over SKF as "*a threat*". This was why Prime-Minister Tage Erlander noted in his diary that SKF was afraid to do business with Russia.<sup>9</sup>

However, the Soviets also had a firm grip on SKF because their plants in Eastern Germany were under control of Moscow. The plant in Erkner-Berlin was the most important one behind the Iron Curtain but SKF also had six selling agencies and stocks in the Russian occupation zone. And finally there was still the looming threat of nationalization in Czechoslovakia, Hungary, Poland, Rumania and Bulgaria.<sup>10</sup> SKF was thus in serious trouble. Doing business with Moscow meant severe problems with the US, but not exporting to Russia might result in

the loss of all its holdings in Soviet-controlled Eastern Europe.

By November 1948 the problems with Eastern Europe were partly settled and SKF received compensation for the plants which were nationalized. Some possessions remained in SKF hands but the problem of the Erkner plant in the Russian occupation zone of Berlin was not solved. SKF made the settlement of the Erkner affair a condition for her deliveries to the Soviet Union. At least that was what the Soviets were told.<sup>11</sup>

In fact SKF, with an eye to the future, was only too eager to continue its exports to Eastern Europe. Director Hamberg was of the opinion that at least a part of the exports had to continue, and that the remaining SKF organizations in Eastern Europe had to stay open so that when, in the future, these countries freed themselves from Russian control and regained their independence, SKF would be ready to recapture the old markets. This was the main reason for the continuation of exports and not the actual exports to Eastern Europe, which were small and could easily be sold on other markets.<sup>12</sup>

The company was thus in an awkward position. It had to appease the demands of the American embargo as well as the Soviet needs for roller- and ball-bearings. A refusal would have brought huge financial losses in both cases. In America SKF would have been brought to trial because of violation of anti-trust laws; it might have been put on a Black List and lost its right to do business in and with the United States. Moreover, SKF did not want any more negative publicity because they had already had enough during the war. On the other hand, losses in Eastern Europe would not be felt immediately but could, as SKF realized, become quite severe in the future. Therefore SKF decided to play both sides of the fence.

The company announced publicly its decision to side with the West but Hamberg's declaration that his company was definitively "*on the Western side*" triggered our suspicion, bearing in mind, that during the war SKF had made similar statements as to which side it supported. SKF decided to use the same strategy as she had during World War II when hampered in her export activities: smuggling. This seemed the only way out. Officially SKF joined the US embargo policy but the Soviets, in deepest secrecy, still got what they wanted. However, it did not remain a secret for long because soon the US embassy in Stockholm reported "*wholesale smuggling*" centering around "*shipments of roller and ball bearings*".

The smuggling was organized by the firm of *Henry Wallenberg & Co.* in Stockholm and was exposed by an Hungarian-born exporter who felt himself deceived by the Wallenberg company. The Hungarian had arranged the contact between Henry Wallenberg and Budapest because he himself did not want to be involved in such "*shady business*". He was however to receive a commission on all shipments moving through the channels of the Henry Wallenberg company, but the latter did not live up to its commitments. For that reason the man became "*sufficiently piqued to expose the entire affair*". A subsidiary of the Wallenberg organization "*Grammont S.A.*" in Lausanne, Switzerland, arranged the actual exchange.

The ball-bearings were manufactured by SKF in Schweinfurt and were moved by night in trucks, via the French zone in occupied Germany to the German-Swiss border. From Switzerland, the bearings went to Hungary and Yugoslavia. It is therefore not surprising that, during the Korean War, SKF ball-bearings were found in the communist tanks.<sup>13</sup>

Rolf Calissendorff of Enskilda was associated with Henry Wallenberg (a cousin of Jacob and Marcus) and owned a firm in Switzerland. A report mentions Calissendorff's Swiss firm but does not explicitly state that Enskilda's general manager was involved in this affair. He was, as we have shown, a first-class expert in cloaking and well aware of the techniques. Furthermore, the transactions were very attractive because some of the shipments were valued at more than two million Swiss francs.<sup>14</sup>

An interesting theory with respect to the above-mentioned issue is advanced by Adler-Karlsson. His theory is that the Wallenbergs had been forced to cooperate in the embargo policy because of their behaviour during World War II which had resulted in the blocking of their American funds. These funds would be released as a reward for their cooperation. The benevolent attitude toward the embargo policy and (partial) cooperation of the neutral Swedish government was apparently considered to be insufficient. With the aid of the Wallenbergs and their control of the Swedish economy, Washington would not need official governmental support. Confidential statements by prominent, albeit anonymous, Swedish diplomats and officials were the basis for Adler-Karlsson's speculations.<sup>15</sup>

There are strong indications to support his theory. Our *hypothesis* is that there must have been an oral understanding between the US and the Wallenbergs because written contracts could be traced sooner or later. No one knew this better than the Wallenbergs and the US authorities (the Bosch case). A possible disclosure of a written embargo deal with Washington would have produced an outcry in Sweden, all the more so because it resembled the Soviet methods of forcing their politics on foreign nations. And that was precisely what the US government did: they forced their embargo policy on a Western country which did not (wholeheartedly) wish to cooperate.

It has been established that the Swedish government, private firms and individuals were pressurized and sometimes blackmailed into cooperating in the embargo policy. An additional argument in favour of our hypothesis, that the Wallenbergs were offered a deal in exchange for the release of their funds, is that exactly such an arrangement was considered by the US in the case of Wenner-Gren whose funds were also blocked. Furthermore, it is known that Swiss companies were also under continuous pressure to enlist in the embargo. The same is probably true for the other neutrals who were reluctant to cooperate.<sup>16</sup>

In addition, it is important to remember that the *de facto* execution of the Credit and Trade Agreement could easily be controlled by Washington. The amounts, credits, deliveries and participating firms were known to the outside

world. Furthermore, it must be remembered that a decision in a lawsuit against the Wallenbergs in the Bosch affair, and against SKF for a breach of anti-trust laws, lay exclusively in the hands of the US Department of Justice. It is obvious that the Wallenbergs and their corporations were more or less at the mercy of Washington, thus a written settlement was hardly necessary and an oral gentleman's agreement would be sufficient.

The Wallenbergs were between the devil and the deep blue sea. Both brothers were responsible but who would be the scape-goat? It has been alleged that Jacob Wallenberg was forced to resign from the Board of Directors of Enskilda because of the Bosch affair. According to a high official of the bank, Jacob decided to withdraw temporarily from the board of SKF because of the difficulties in the US. He resigned in 1946 but was back on the board in 1947. It certainly seems that Jacob functioned as the scape-goat while Marcus was left in peace, although he had been responsible for the wartime negotiations with the Allies regarding deliveries of ball-bearings to Germany. He had not given in until the Allies landed in Normandy, when it became probable that Germany would lose the war. It must also be remembered that Marcus had not negotiated exclusively as SKF-representative but also as the representative of the Swedish government. Jacob, on the other hand, was on the board of SKF and was moreover the man who had participated in most of the trade talks with Germany during the war. It has been alleged by a SKF-director that Jacob left the board of Enskilda in order to appease the US Treasury Department.<sup>17</sup>

The Treasury was inclined to take hard measures while the State Department was more interested in settling the matter and forcing the Wallenbergs into cooperation. Although the promise that the German connections of SKF would remain unexposed was kept, that did not mean that they were freed from cooperation in the embargo policy, thus the Wallenbergs were probably forced to satisfy US demands and had to live up to their part of the agreement. The main problem for the family regarding the Ryssavtalet was that its execution could so easily be controlled. Stockholm had agreed to deliver, amongst others things, machinery, electrical equipment, means of transport and roller- and ball-bearings, but Moscow had to deal directly with Swedish industry and not with the government: "*Swedish businessmen hold key to delivery.*"

Direct refusal to deliver was neither possible nor advisable in view of their plans for future exports to Eastern Europe. One way to avoid making the promised deliveries was to ask extremely high prices for certain products, and this method was particularly favoured by the Wallenberg-controlled ASEA. Another way out was to inform Moscow that the order books were full.<sup>18</sup> Finally, the shortage of labour was also frequently mentioned as a great hampering factor by the Soviet negotiators. The latter was partly true, but what about being fully booked up?

In a letter to the Swedish Export Union on 31 May 1950, SKF complained that new orders had considerably diminished since the beginning of 1949. There was

no longer a lack of ball-bearings in Western Europe, but there was a great demand in Eastern Europe for roller- and ball-bearings. SKF therefore appealed for a loosening of export restrictions so that its overproduction of bearings could be absorbed in countries behind the Iron Curtain.<sup>19</sup> But six months later Gunnar Hägglöf, of the Swedish Ministry of Foreign Affairs, was told a quite different story when the quota for 1951 was discussed and the Soviets demanded for a quota worth 8 million crowns. SKF claimed that it could deliver only for 3 million crowns. Suddenly overproduction had vanished. At least, that was what Hägglöf was told and it seems that SKF told the Swedish authorities whatever suited the company best.

The "Korea incident" was also mentioned on this occasion. The US army had discovered that Soviet tanks captured in the Korean war were equipped with SKF ball bearings.<sup>20</sup> At the beginning of 1950 it was estimated that, annually, about \$20 million worth of ball-bearings reached the Soviet Union via under-cover deals. The Soviets produced ball-bearings themselves but there were shortages of certain special types and these, in particular, were smuggled in.<sup>21</sup> The State Department and the Department of Commerce claimed that about 70% of Swedish exports to Eastern Europe consisted of ball- and roller-bearings. Because of the Korean war this was unacceptable to them. Erik Boheman, Swedish ambassador in Washington, reported this to Dag Hammarskjöld at the Ministry of Foreign Affairs. Hammarskjöld showed surprise at these figures and was also astonished when Butterworth of the State Department informed him about SKF's activities in Eastern Europe. The future Secretary General of the United Nations did not believe Butterworth when he claimed that SKF was only looking after its own interests and wanted "the best of both worlds".<sup>22</sup>

It therefore looked as though the Soviets had got what they ordered, not through the official channels but via methods which SKF had used during World War II. Because of its long-term interests the company did not want to stop the deliveries. In addition SKF had a long tradition of doing business with the Soviets. The Soviet Union had already proved to be a good market in times when the economy in the West was suffering a temporary setback, and SKF had never shown any objections to doing business with communists.

The same applies to the Wallenberg-controlled company of ASEA, producer of electrotechnical appliances, locomotives, power stations etc. Nowadays, since the merger with the Swiss firm of Brown Boveri, it is called ABB and with roughly 800 firms in 140 countries is at the very top of its field. During the war Jacob was on the board of directors. The company had close bonds with SKF and sold its products abroad through SKF's foreign branches.<sup>23</sup> ASEA's way of doing business with Moscow at that time was quite remarkable and seemed to be in contrast with what is generally regarded as good management. When the Soviet negotiators arrived the familiar arguments were brought forward: full order books, shortage of raw materials and skilled labour.

Why did they refuse to do business with Moscow? Moral reasons must be ruled out because until the Ryssavtalet ASEA had always been willing to trade with the Soviets. Neither were they reluctant to do business after the termination of the Ryssavtalet. In his memoirs, Erlander wondered why ASEA was so reluctant to make deliveries to the Soviets:

“Where there other reasons that made it desirable for Asea to quit the deliveries?”<sup>24</sup>

Erlander told us in an interview forty years later that it was “*very likely*” that there was indeed a relation between the attitude of ASEA and the Bosch affair. He promised to tell us more but died before he could do so.<sup>25</sup>

In the second half of the twenties the Soviet Union had been the most important foreign market for ASEA and it was even granted a concession for the manufacture of electric engines in Jaroslav. ASEA had always been very interested in trade agreements with the Russians and, in the thirties, had even promoted the granting of state or private credits to Stalin.<sup>26</sup>

As the company had had no bad experiences with the Soviets in the past this cannot have been the reason why ASEA was reluctant to deliver, although this is not to say that relations between them had always been superb. There had been occasional frictions and ASEA’s exports to the Soviet Union in the late thirties had indeed sunk to a low level, due to Stalin’s need for credits. Nevertheless, they enjoyed a remarkable degree of good-will with the Soviets. In 1944 talks had already started between the Soviets and ASEA about future deliveries.<sup>27</sup> ASEA wrote to the Ministry of Foreign Affairs in Stockholm:

“Finally we want to emphasize that Asea is very much interested in the Russian market and we hope that this in the future shall provide opportunities in establishing a stable and large-scale export of our products.”<sup>28</sup>

Even during the war, when the Germans were on the verge of seizing Leningrad and Kiev, the Soviets kept on paying their bills for earlier deliveries.<sup>29</sup> So Moscow was not the unreliable and unwelcome trade partner as was so often suggested.

Why did that positive attitude towards Moscow change so abruptly after the war? And why did they refuse to do business with the Soviets, particularly in view of the fact that the Soviet Union had always been regarded as an enormous market with considerable export potential. In the summer of 1945 a report by the OSS (predecessor of the CIA) described the situation as follows:

“Swedish industry, the Government, and the Press regard the USSR as a natural market for Sweden and a potential source of many of the raw materials that Sweden needs. It is contended that Russia requires the capital equipment, machinery, ball bearings, ships, telephones etc. which Swedish industry is prepared to put into production at once; that Sweden has the ships to move these goods across the Baltic; that credits can be made available on a long-term basis; and that once the Russian

economy is rehabilitated, the USSR can provide Sweden with the coal, oil and other raw materials which the Swedes want."<sup>30</sup>

So it was by no means one-way traffic with all the advantages on the Soviet side. Sweden could also profit from Soviet raw materials in the near future. Therefore the behaviour of ASEA was puzzling and cannot be explained by shortage of labour and raw materials alone as they have always asserted. The inability to deliver was also used as a pretext by officials of the Ministry of Foreign Affairs in Stockholm who asked the Swedish exporters to blame export difficulties on shortage of labour and raw materials, when the real reason was the withholding of an export licence. Apparently US pressure on Sweden with regard to the embargo policy was not completely ineffective. In retrospect neither can the attitude of ASEA be blamed on the meagre profits which the company gained on the Ryssavtalet. On the contrary, they were excellent. Total ASEA deliveries were worth about 70 million Swedish crowns of which roughly 30 million (or 43%) was profit.<sup>31</sup>

That Swedish industrists were opposed to the arrangement with Moscow is also illustrated by the following. In July 1946, Herbert Tingsten, editor in chief of the newspaper *Dagens Nyheter*, inspired by Marcus Wallenberg and ASEA director Thorsten Ericson, started a campaign against the Ryssavtalet. Soviet papers such as the *Literaturnaja Gazeta* accused the Wallenbergs of having sabotaged the Ryssavtalet through *Dagens Nyheter*. ASEA in particular was attacked in the Soviet press.<sup>32</sup> Did Moscow perhaps have reasons for being suspicious? As a matter of fact they did.

For example, in the Swedish First Chamber it was remarked that ASEA, after having accepted obligations in accordance with the Ryssavtalet, started "...very exhaustive deliberations and negotiations about further deliveries to other countries."<sup>33</sup>

Gunnar Myrdal, Minister of Trade, accused ASEA of not keeping its earlier promises to the Soviets. He acknowledged the labour shortage but added that ASEA's difficulties were also due to the fact that it had accepted new orders from third countries after the conclusion of the Ryssavtalet.<sup>34</sup>

Myrdal undeniably knew what he was talking about. ASEA's director Ericson had told him a few weeks before, on 4 October 1946, that he was negotiating with Poland about a contract worth 60 million Swedish crowns. Before he went to see Myrdal he complained to Undén about the labour shortage. An astonished Undén remarked:

"He did not seem to notice the contradiction in proportion to the planned Russian orders."<sup>35</sup>

Forty years later Myrdal told us that he could add nothing to Adler-Karlsson's theory (sabotage of the Ryssavtalet in exchange for the release of their funds in the US). He apparently agreed: "*I don't know more than Adler Karlsson says.*"<sup>36</sup>



During the negotiations between ASEA and the Soviets there were many difficulties concerning interpretations of the contract between ASEA and *Machinoimport*. The latter was the Russian state organization responsible for the import of machinery. There is ample evidence that ASEA's interpretation of agreements was not favourable for the Russians. The Swedish company tried to suppress deliveries as much as possible, wherever possible. Problems arose for instance about the interpretation of steam power stations and about the boilers that should be used. Pavlov, the Russian representative, declared that although he had been a civil engineer for over thirty years ASEA's definition of a steam power station was a new one on him. If the ASEA definition was to be applied he would cancel a major part of the turbines already on order.<sup>37</sup>

At another time difficulties arose about the interpretation of a Soviet-Swedish "gentlemen's agreement". ASEA wanted first of all an increase of raw materials and another 1100 labourers within 6 months. This prerequisite would give ASEA complete freedom to deliver whenever it wanted and how much it wanted. Pavlov claimed that *Machinoimport* would never accept this condition and reminded his Swedish counterparts of the

"...extremely tough negotiations between *Machinoimport* and ASEA with regard to conditions for delivery and prices."

ASEA asserted that it was only able to deliver 40 million worth instead of the 70 million crowns worth of goods. The desperate Pavlov replied that there was no guarantee that even these deliveries would ever be made. Pavlov thereupon cancelled an order for locomotives because the ASEA price was 100% too high and the Soviet Union instead purchased hundreds of locomotives from other countries for half the ASEA price. Pavlov even toyed with the idea of filing a lawsuit against ASEA for breach of contract.<sup>38</sup>

But ASEA did more than breach agreements. It refused to place orders with other companies which was more or less tantamount to a refusal to sell. These were orders for electrical components and motors which were produced for Russia in accordance with the *Ryssavtalet*. The obvious result was that these companies could not deliver as they were compelled to do according to the contracts. ASEA's role in the boycott of the *Ryssavtalet* must have been very effective due to its central position in the execution of the Credit and Trade Agreement. Another example: *AB Motala* (Wallenberg-influenced) made agreements with Moscow, worked out the conditions for delivery and payment but refused in the end to live up to the contract.<sup>39</sup>

As early as 1955, a few years after the termination of the *Ryssavtalet* term (1947-1952), ASEA deliveries to the Soviet Union increased considerably. Was this by mere accident or had the Wallenbergs fulfilled their part of the secret agreement? The behaviour of some Wallenberg-controlled corporations is thus an indication that the sabotage theory could be true. Our hypothesis was also con-

firmed by Swedish government members, high ranking Swedish diplomats and even a top official of Enskilda.<sup>40</sup>

We assume that ASEA was used by the Wallenbergs to fulfil their part of the oral agreement with the Americans. ASEA did not have much choice because, being a part of an official agreement, the deliveries could be easily controlled. Smuggling was hardly an alternative. In the SKF case the situation was different. The clandestine transport of roller- and ball-bearings was relatively easy and they disappeared into all kinds of machinery. However, smuggling and concealing complete power stations is a different matter. In the case of ASEA there was no alternative although, with an eye to the future, they were anxious not to cut off relations with the Soviets completely. From a financial point of view the period of the Ryssavtalet was not a disaster: the Western market was easily able to absorb ASEA's products. For five years ASEA kept the Soviets on a string, negotiated, delivered (but not as much as agreed) and lamented about labourers, but were at the same time careful not to sever the old relations. And after the termination of the Trade agreement normal business was resumed.

The peculiar behaviour of some Swedish companies indicates that there was some sort of an oral understanding between the Wallenbergs and American officials. One serious aspect from the point of view of democracy was of course that the Wallenbergs acted in defiance of the official Swedish policy of neutrality, supported by almost the entire Riksdag.<sup>41</sup>

## 8. The Hunt for the Wallenberg Brothers

"Because of the likelihood that assets held abroad will be seized in the event of hostilities, a nation which is bent on aggression will seek to cloak the ownership of such assets. This is done through neutral intermediaries. Neutral bankers figured prominently in this type of deception during World War ii."<sup>1</sup>

This was a lesson the Americans had already learned from World War I and their experiences from 1941-1945 only confirmed it. Therefore it was clear from the outset that sooner or later the dealings and transactions of Enskilda and the Wallenberg brothers with German companies would come to light. Of course all parties took great pains to hide their transactions but, despite their efforts, the Allied investigation was soon to begin. In fact it had already begun in January 1942 when the Americans started to look deeper into Enskilda's transactions relating to the American Bosch Corporation (ABC). There were several governmental departments in the United States who did not trust the activities of Enskilda, for example the Treasury, FBI, Department of State and Department of Commerce. In particular it was the outbreak of war between America and Germany that brought the possibility of seizure of Enskilda's assets in the United States. With respect to ABC, Enskilda was warned of this confiscation by Dulles and Murnane. They did this because the "*US Trading with the Enemy Act*" had been amended in December 1941 to permit seizure of properties and assets held on behalf of German companies by third parties. Dulles and Murnane feared that this measure would enable the US Alien Property Custodian (APC) to overcome the problem of cloaking of ownership by the Germans.<sup>2</sup> Therefore Enskilda decided to present a formal but misleading declaration to her government that there was no German interest in ABC. The Swedish government then would submit this statement to the US administration. Later Enskilda

"...made a more accurate revelation of the facts to the Swedish Government, which passed them on to its diplomatic representative in Washington but instructed him to use his own discretion as to how much of the information should be furnished to the United States Government."<sup>3</sup>

On 17 January 1942 Enskilda's declaration was handed over to the US Treasury in Washington by the Swedish diplomat, Harald Magnusson. It said that the ABC shares were

"...bona fide Swedish and there exists no qualifying agreement undertakings or promises impairing this ownership."

But the Treasury was neither satisfied nor convinced and one week later decided to start up an investigation with respect to ABC, SKF and other possible Enskilda cloaks. The Swedish Envoy Sohlman quickly informed the Director of the Swedish Riksbank, Ivar Rooth, about these activities. It transpired that the Treasury already had started to interrogate Murnane and Dulles.<sup>4</sup>

Now Enskilda's problems began in earnest. A frantic correspondence began through Swedish diplomatic channels between both brothers and their representatives in New York and Washington. What was to be done? Especially as Marcus Wallenberg himself had told American officials during his visit to the USA in November that there was no German interest in ABC. Their Wall street representative, Erik Friis, was instructed on how to handle the matter.<sup>5</sup>

Matters worsened when the Swedish Embassy in Washington learned that Dean Acheson at the State Department had evidence on ABC. Calissendorff asked the Swedish Ministry of Foreign Affairs to instruct Boström to find out exactly what Acheson knew and how much evidence he had. This instruction was sent on 11 March but Boström was unable to get any further information. However, on 15 May the die was cast: Acheson told Boström that the APC was going to vest the ABC shares and would continue to look for other cloaks. Acheson further told him:

"This action is being taken because in the judgement of the APC the shares are directly or indirectly owned by, held beneficially for or subject to the control of a national of Germany and consequently control of the Company by this Government is essential in order to assume the continued effective utilization of US productive facilities in this country's armament's effort."

Of course Enskilda, with the help of Stockholm, protested vehemently but to no avail.<sup>6</sup>

Marcus Wallenberg sent another protest which was delivered to the State Department by Boström, but again Acheson and the Alien Property Custodian, Leo T. Crowley, were unrelenting.<sup>7</sup> This was mainly because ABC was extremely important to the American war effort for the fabrication of automobile and aviation magnetos, and for fuel injection equipment for diesel engines. The APC was therefore also under pressure from the US Navy and US Airforce to take this step. The role of Crowley is interesting because he was on excellent terms with Murnane and Dulles, who became special legal counsel for Crowley. Later it transpired that the intervention had come not from Crowley himself but from the Treasury.

On 18 May 1942 matters worsened for Enskilda. The FBI started to become interested in the activities of Marcus Wallenberg who frequently visited the United States and, at the request of FBI Director Herbert Hoover, a report was prepared on his activities.<sup>8</sup> It is interesting to note that the Swedish Government, i.e. the Ministry of Foreign Affairs, was very helpful to the Wallenbergs, despite the fact

that they were completely aware of the secret arrangements between Enskilda and Bosch, for Calissendorff kept Secretary-General Erik Boheman fully informed. Apart from this there were no fundamental changes in relations between Enskilda and Bosch in spite of the anti-trust action in the United States.

On 29 December 1942 the Americans went against ABC and, as a result, the latter was forced "to issue licences under all of the Bosch patents" to American firms, but without royalties. Slowly the Allies began to recognize the importance of the illegal cloaking activities of neutral banks, and at the beginning of 1943 they decided to issue a joint declaration on looted property, cloaking and illegal transactions between neutrals and Nazi Germany which contained a clear warning, in particular

"...to persons in neutral countries, that they intend to do their utmost to defeat the methods of dispossession practiced by the governments with which they are at war against the countries and peoples who have been so wantonly assaulted and despoiled."

The British Ambassador Victor Mallet presented this warning to Swedish Foreign Minister C. Günther who said that

"...he did not think that Sweden was particularly affected, but that he understood the point about the possibility of Swedish nationals acting as receivers of dispossessed property."

In addition Mallet warned him that

"...it would effect any Swedes trading in goods or business stolen by the Germans or at their instigation."<sup>9</sup>

Enskilda was thus warned through the Swedish Foreign Office in due time about possible post-war Allied retribution. It is evident from different sources that the Wallenberg brothers were not trusted, not only in the ABC affair but also with respect to *Thorer & Hollender*, *Schering*, SKF, *Hollandsche Koopmansbank* and *IG Farben*. However, Enskilda did not respond to these warnings and continued to deal with Bosch and *IG Farben*, and to buy up tainted securities and assets. Even Resolution VI at the Bretton Woods Conference in July 1944 which dealt explicitly with "Gold, Assets and Looted Property" could not dissuade them.<sup>10</sup>

It is significant that when the final defeat of Germany in December 1944 was imminent, Marcus Wallenberg suddenly expressed to the US Envoy, Herschell Johnson, his willingness to cooperate with the Allies. He was in favour of a thorough investigation of foreign (= Axis) holdings in Sweden under the auspices of the Swedish National Bank. Johnson reported to Washington that Marcus Wallenberg had been "...of great assistance in pressing for this investigation of foreign holdings." He also added that

"...information concerning results of the investigation will be obtained either in-

directly from Wallenberg or directly from Swedish officials.”

However, Johnson and Wallenberg were close friends and the American was clearly pushing his friend into the forefront.

The timing of Wallenberg's cooperative mood is particularly important in view of developments in Germany. In mid-November General Eisenhower received several intelligence reports that important industrial leaders and the leading Nazi elite had conferred several times in Strassbourg. All those present concluded that the war was irrevocably lost, and it had been decided to take measures to salvage their military and economic interests. The principal German industrialists were told by government officials that they endorsed

“prompt steps to ensure the future of German commerce by developing contacts and alliances with foreign firms without individually (...) attracting attention.”

They had already looked into patents held jointly by foreign and German companies. The Nazi leaders mentioned for instance the *US Steel Corporation* and *American Steel & Wire* both of which were under an obligation to work with *Krupp*. They also cited the *Zeiss* company, the *Leica Company* and the *Hamburg American Line* as firms which had been particularly effective in protecting German interests abroad. The conference endorsed a policy enabling German companies to procure reserves of foreign currency, particularly in neutral countries. These reserves were accumulating at the *Basler Handelsbank* and the *Schweizerische Kreditanstalt* in Zürich.<sup>11</sup> The industrial Nazi elite was leaving the sinking ship and it is evident from Wallenberg's willingness that their Swedish partners had decided to do the same.

But Johnson was not trusted in matters relating to Enskilda and the Wallenbergs, a fact which became clear at a high-level meeting on 22 December 1944 in Washington between officials from the State Department, Foreign Economic Administration (FEA) and the Treasury. The subject of how to force the Swedish Government to implement Resolution VI of Bretton Woods came under discussion. The Treasury favoured taking advantage of specific bargaining opportunities to accomplish certain objectives. It was later to become clear that they had Enskilda in mind as a specific bargaining opportunity. At this stage however the idea was rejected by the State Department and FEA, but by the end of 1944 there were already differing opinions between the various agencies.

This showed clearly in discussions about point 3 of the agenda: “*Wallenberg and the Enskilda Bank*”. The Treasury argued that Johnson's telegrams from Stockholm consistently referred to the close relations between the US Legation and Marcus Wallenberg, especially with respect to the Safehaven program. In short this Allied program sought to eliminate economic power gained by:

“(1) organized looting of occupied countries; (2) flight of German capital, in anticipation of the Reich’s defeat; and (3) investment of German capital that was located abroad when the war began.”

Moreover it wanted to stop the flight of German fortunes in anticipation of defeat. The program was directed chiefly against countries such as Spain, Switzerland, Portugal and Sweden which had provided a hiding place, a safe haven, for German capital, loot, assets and patents.<sup>12</sup>

The first step in executing this programme was the publication in England of the so-called US Proclaimed List and Statutory List. The latter was instituted in 1939 on the outbreak of war. Financial resources of companies or persons who traded with Germany, Japan or their allies were blocked. Persons or companies trading with a blocked company were automatically blacklisted and treated as an enemy with all the impediments of that position.

However, this only tackled one part of the problem: the question remained, what was to be done about looting? The occupied countries had been systematically stripped of their gold, jewelry and art. Or as General Lucius Clay once remarked:

“Never had a nation pursued such a systematic program of loot and plunder as Germany under its gangster Nazi leaders”.<sup>13</sup>

During the war little could be done about this, but on January 5 1943 eighteen members of the United Nations, among them the US, England and the Soviet Union, announced that the validity of transfers of looted property would not be recognized. One year later in February 1944 this measure was extended to include looted gold.

The European neutrals virtually ignored the Gold Declaration; its main effect was to make them take greater care to disguise the origins of the looted gold. At the Bretton Woods Conference in July 1944, Axis flight capital was also included. It was known that in anticipation of the impending defeat large sums of money, patents and assets had been transferred to the neutrals in order to conceal and save them. Resolution VI of Bretton Woods described the objectives of Safehaven and the measures to be taken in strong terms. Safehaven had to be preserved so that the Nazi regime could “...perpetuate their influence, power and ability to plan future aggrandizement and world domination...”.<sup>14</sup>

In October 1944 the Allies demanded that the European neutrals take the measures outlined in Resolution VI, the most important of these being that all German assets would be frozen, transactions with Axis countries since 1939 would be investigated, and the results would be made fully available to Washington and London. The response from the neutrals was very unsatisfactory and in some cases there was no response at all. The augurs for the post-war settlement of Safehaven were clearly not encouraging. This was particularly so regarding the

Allied wish to investigate the complex transactions between the neutral states and Germany, investigations which would deal with, among other things, the activities of Enskilda in the complex Swedish-German cloaking operations.

Nevertheless, Johnson's telegrams indicated that he had he consulted Wallenberg on various Safehaven matters and that Wallenberg had rendered services to US diplomats. Some officials found it peculiar that Wallenberg was asked to present evidence about his own activities. Ivar Olson, the Treasury representative in Stockholm, for instance felt that the Wallenbergs and Enskilda could not be trusted because of their past activities. He suggested sending a telegram as a State-Treasury-FEA message to Johnson with the following contents:

"In view of rather persistent evidence of close connection of Wallenberg and Enskilda Bank with German financial and industrial matters, and prevalent suspicions of their collaboration and/or connivance in facilitating major German capital operations in Sweden, it would appear highly inappropriate and inadvisable for us to seek their cooperation or accept their advice in SAFEHAVEN matters. Their readiness to lend assistance should be scrutinized in the light of their past activities."

According to the minutes of the meeting, the proposed despatch evoked a rather violent reaction from State Department officials who felt that it would be impossible to get such a message through their Department. It was conceivable that there might be problems, since so many important people, such as Dulles, Cochran, Murnane, Batt, etc. were involved. They also stated that there was no recent evidence to support the statements made in the cable, and that Marcus Wallenberg had been on the Allied side since 1942. So, the Treasury officials had to withdraw the proposed despatch, at least for the time being, because all would soon find out that a great deal more had happened since 1942.<sup>15</sup>

After considering the matter over Christmas, the Treasury officials decided not to drop the cable. Olson flew back to Stockholm while, on one of the first days of 1945, the others visited the Secretary of the Treasury, Henri Morgenthau. The result of this encounter was a personal and secret letter on 8 January to the Secretary of State, Edward Stettinius, in which Morgenthau stated that he was worried about the Johnson-Wallenberg cooperation

"...on measures to stop Swedish interests from cloaking German assets and loot. I do not think we can trust Wallenberg but my boys tell me that some of your men are opposed to sending the attached cable to Stockholm about him."

He urged that the proposed despatch be sent, but Stettinius' reaction was rather cautious and he demanded more factual evidence. However, if Morgenthau insisted on despatching this cable to Johnson as a Treasury telegram, he had no objections. Morgenthau decided to do this on 18 January. However, on 22 January he found a letter on his desk informing him that "*no action has yet been taken by State*". The sabotage by the officials of the State Department continued.<sup>16</sup>



On the same subject, Olson sent a very interesting letter to the Assistant Secretary of the US Treasury, Harry Dexter White. It is a long letter but worth quoting at length because it offers an excellent insight into the differing official opinions regarding Enskilda in the various departments. It shows that the Wallenbergs had important friends in high circles of the State Department. The letter was delivered to White by a special messenger who flew in from Stockholm. Olson wrote about Johnson's behaviour and said that the Envoy kept the Morgenthau cable in his personal file.

Johnson had also received two strictly personal cables on the same matter from someone in the State Department, which he refused to show to Olson. When Johnson discussed the Enskilda case with Olson he stated that the Treasury was completely wrong about the Wallenberg brothers and that the facts presented were for the most part "*frivolous*". His defence of Jacob Wallenberg was particularly vigorous.

"His general conclusion was that the Wallenbergs were top-flight Swedish business men, far too shrewd to jeopardize their position by trafficking with the Germans or concealing Nazi capital."

Olson replied that too many files could not be ignored and that a bad smell surrounded Enskilda. He then continued about the removal of Nazi capital to Sweden as decided upon by the Nazi élite and industrialists in Strassbourg in November 1944. Olson was not sure how much Nazi capital went to Sweden but was convinced that Enskilda was involved and feared that

"...we won't get anywhere until we take steps ourselves, not the Swedes, to shake it out of them."

He gave an example in this respect:

"...it surely is no coincidence that a representative of the Dresdner Bank, von Knieriem, has been placed by the Wallenbergs in an office immediately adjacent to the Enskilda Bank, and that the three of them are known to be working together closely. I am trying to get a case on this situation, by bribing if necessary, but I am having poor luck. It is also no coincidence that several responsible Swedes have told me that there is much going on in the Enskilda Bank, and that the average Swede could have no respect for the Blacklist as long as this bank was not included. We would never get British concurrence in blacklisting the bank (or State Department for that matter)..."

Later it was reported that Von Knieriem was there in order to safeguard the interests of the Dresdner Bank and, indirectly, those of firms such as AEG, *Osram* and Krupp. Olson complained to White that Johnson and Counselor Ravndal dealt with Treasury matters without consulting him.

When White received this message he immediately sent a letter of protest to

Johnson, and Olson caused more fireworks in order to strengthen his position. Johnson, Ravndal and the diplomat Walter Surrey apologized but the fight went on at the Legation, and they tried to freeze Olson out of Safehaven matters, mainly because the US Envoy considered the role of Enskilda as simply that of a middleman. Olson correctly called that "*an absurdly immature evaluation*" and complained about the attitude of Johnson who took the traditional stance that influential Swedes were, per se, "*wonderful and forthright people*". This attitude was also shared by Surrey who lunched and dined with the Wallenbergs and

"...they simply are neutralising him with kindness and phoney good-fellowship – they are past and present masters at this game. Consequently, as these personal relationships broadened, our hardest-hitting areas of Safehaven and Blacklisting problems have accessorially narrowed and more and more have become headed into peanut districts."

Olson warned White and Morgenthau not to be over-optimistic as to the ultimate outcome regarding the Swedes and Safehaven matters. The Swedes with "*their stone Age perspective of world problems*" would not budge. They wanted to maintain full control of the investigations and inquiries among Swedish firms and individuals. He had already pointed out that Marcus wanted to lead the investigations into his own affairs. Interestingly, during this period several newspapers started to publish stories of Allied diplomats taking "*innocent Swedish girls*" to cocktail parties and trying to inveigle information out of them. Even Minister of Commerce, Gunnar Myrdal, mentioned this to Olson who replied that for every blonde Myrdal could find who had supplied information to the Allies, he would produce 20 blondes that Swedish Intelligence had planted in the Allied Legations to snoop on them. Myrdal only said: "*are you kidding!*"<sup>17</sup>

Perhaps this long letter inspired White and Morgenthau to press for harder measures because a few days later the new president, Harry S. Truman (Roosevelt died on 12 April 1945), received a memorandum from them in which they urged that Safehaven should be pressed vigorously in Sweden and other countries. A policy of no mercy must be followed and Truman concurred. However, measures were also taken in Stockholm where the "*Skyddskommittén för Utlandsfordringar*" (Guardian Committee for Foreign Claims) was set up by leading figures such as Jacob Wallenberg, Harold Hamberg (SKF) and IG Farben lawyer, Hugo Stenbeck.<sup>18</sup>

They had chosen the right moment because a few days later the US Army discovered incriminating documents about the secret cooperation between German Bosch and Enskilda. The New York Herald Tribune wrote that "*the documents, which are expected to cause considerable embarrassment in Stockholm and New York*", had been unearthed by investigators led by Colonel Bernard Bernstein, Chief of the Financial Division of the US Military Government. His assistant supervised the removal of the documents "*from a recess behind an eighteen-inch-thick stone wall in an airraid shelter in the side of a hill in Stuttgart*".

Bosch officials at first told the American investigators that they did not know the whereabouts of the firm's records on its foreign subsidiaries, but Bernstein's men managed to locate six huge secret hiding places which were called "*T-ablagen*" and numbered from T-1 to T-6. The incriminating documents were found in T-6.

"It took five workmen five hours to cut through the wall. Behind it were six boxes of vital records."<sup>19</sup>

The Foreign Funds Control (FFC) Division of the Treasury immediately started a large-scale investigation into the Bosch case and a special study was made regarding patent and licence agreements. Other American newspapers gave extensive coverage to the Stuttgart findings, and the Swedish Legation in Washington immediately sent clippings of these articles to Stockholm. The next day Murnane also sent a telegram to Marcus Wallenberg. He despatched this cable through commercial channels (*Western Union Company*) and must have known that it would be intercepted by the US Cable Censorship and/or the British Economic Warfare Department, so it was obviously simply an attempt to exonerate himself of any future charges. In it he referred to the discoveries by the US Army and wondered what was the truth behind these findings. He wanted to know what was going on with respect to American Bosch. Would Marcus Wallenberg inform him about all the aspects of the earlier transactions? He demanded a reply as soon as possible.<sup>20</sup>

The American investigation into the Bosch affair was now in full swing and the first reports on the role of Enskilda, the Wallenbergs and Murnane reached the new Secretary of the Treasury, Fred M. Vinson. Many incriminating letters were found and in one of them Murnane had written the following to Otto Fischer of German Bosch:

"I write you this personal note because, more than any one else, you are probably in a position to reassure our friends at RB [Robert Bosch] they (those in charge of American Bosch) look upon RB as their old friends with whom years of friendly cooperation have been practiced, and they look forward confidently to the day when normal conditions will be restored. Meanwhile, they intend to display toward RB a loyalty that anticipates its full restoration."<sup>21</sup>

This was the same Murnane who had pretended in a cable to Marcus Wallenberg that he knew nothing at all. The Treasury and the APC decided to question Murnane as soon as possible.

In time more information was unearthed from the ruins of Germany, including IG Farben's foreign connections during the war which also became the subject of investigation. The British made it clear that these investigations

"...should cover the financial ramifications in Germany and abroad, including the IG Farben subsidiaries and associates."

It was obvious to all involved at Enskilda that before long all their secret agreements would be exposed.<sup>22</sup>

In fact even more was revealed about Enskilda's role during the war with the discovery of various smaller cloaking affairs in which the bank had been involved. On 18 February 1943 the independent Swedish labour newspaper *Arbetaren* had carried a story under three columns headlines: "*Mass Production of German Boats in Swedish Shipyards*".<sup>23</sup> The article alleged that several Swedish shipyards were engaged in the construction of boats of a certain type for German account. The boats varied in length from between 19 to 29 metres, were made of wood, had iron ribs and were exceptionally sturdy. The yard workers were told that the boats were built for fishing purposes (they were accordingly called the "so-called fishing boats") but that explanation was difficult to believe because of the particular shape, the sturdiness and the number of vessels being built.

What could these 40 to 50 vessels be used for, bearing in mind Germany's very limited fishing opportunities in 1943? *Arbetaren* intimated that the vessels might be hired for coast guard duties or even for the purpose of an invasion. They were built under the closest supervision of a specially flown-in German engineer who travelled from yard to yard. The orders for those "*fishing boats*" were placed through the intermediary of *AB Båttjänst* in Stockholm which was financially connected with Enskilda. *Båttjänst* director M. Stolpe made the following comment to *Arbetaren*:

"It is quite right. We are building many boats for Germany at many shipyards and have been doing so for a long time. But you may not write anything about this because we have been convinced by the State Information Board that for reasons of foreign policy no publicity should be given to this matter."

The newspaper was not satisfied and turned to the chief of the State Information Board (the Information Board "*advised*" newspapers whether news was "*suitable*" for publication or not) who also refused to give information. He referred them to the Press Section of the Foreign Office. The information was confirmed but it was added that Germany was to supply Sweden with 50,000 tons of ship-building materials and that Sweden, in order to obtain this material, had had to accept the order.

*Arbetaren* was requested to refrain from publishing any news about the construction of the boats, but he refused and more publicity was to follow. The newspaper discovered that the Foreign Office Statement regarding the 50,000 tons of ship-building materials was incorrect. The US Legation in Stockholm reported the affair to the Board of Economic Warfare in Washington, which was to investigate the matter after the war.<sup>24</sup>

It had all begun in the autumn of 1942 when the firm of Hugo Stinnes, with the assistance of the Naval Attaché of the German Legation in Stockholm, Klaus von Wahlert, had ordered 50 fishing vessels. Another important intermediary in

this affair was Waldemar Baron von Oppenheim who persuaded the Swedes to build the vessels despite vehement objections from the British.<sup>25</sup> There were three meetings on the subject, the third of which was held in the offices of Enskilda because AB Båttjänst was largely controlled by the bank.<sup>26</sup> Calissendorff represented Enskilda, and the attaché of the German Legation made a general exposition of the matter as it then stood and

"...enquired of Calissendorff whether it would be possible to obtain the relative export licence from the Swedish Government. The banker pointed out at once that he had no hope of persuading his Government to permit the export of anything falling into the category of war material."

The report continued laconically that Calissendorff

"...received a prompt but glib assurance that the boats were designed as fishing cutters and would be employed as such..."

whereupon Calissendorff declared that he would bring the matter before the Swedish authorities at once. A special representative of Stinnes came to Stockholm and appeared to be pleased with the smooth manner in which the fishing boats business had developed. He

"...had discussed the matter in the planning stage with the [...] Marine High Command and had undertaken to help out of patriotism; he was not deriving any profit from the arrangement and had placed the services of his own firm and of its Swedish agency at the disposal of OKM."<sup>27</sup>

But why were those 150 ton vessels ordered via the Stinnes company? There was little to hide because the British been aware of the Båttjänst affair from the start and had always assumed that the ships would be put into service as minesweepers by the German Naval Command.<sup>28</sup> The assistance of Stinnes in this operation was necessary in order to imbue it with a civil character, because international public law *prohibits* shipbuilders in neutral countries from selling their boats to the government of a warfaring country. There are, however, no restrictions on a private company in a warfaring country ordering ships. The "fishing boats" in this affair were not ordered by Berlin but by the private company of Stinnes.<sup>29</sup> However, international public law also stipulates that a neutral government is bound

"... to prevent the departure from its jurisdiction of any vessel intended to cruise or carry on war [...] such vessel having been specially adapted in whole or in part, within such jurisdiction, to warlike use."<sup>30</sup>

The Swedes conceded that fishing boats could always be used for purposes other than fishing, but what they wanted was proof that these vessels could *not* be used for fishing, a response which left the English and Americans completely flabbergasted.

The American and British governments reacted strongly and threatened to blacklist Swedish shipyards if Stockholm did not delay the delivery of the ships to Germany. Stockholm

“...promised, unofficially and very confidentially, that they would delay the issue of further licences for delivery and that they would notify us (i.e. London and Washington) beforehand in the event of their deciding to issue further licences.”

Both allied governments went along with the promise but Stockholm later retracted her earlier promise to the understandable anger of the American and British governments.<sup>31</sup> After the war it appeared that the Americans had not forgotten the case of the “so-called fishing vessels”. However, the matter later cropped up again in a report summarizing the activities of Enskilda.<sup>32</sup> When the former German Naval Attaché, Von Wahlert, was interrogated by the British after the war he readily admitted that Enskilda had been involved in the construction of 45 mine-sweepers in Swedish yards for German account during the war. He confessed that all negotiations concerning contracts were conducted by Calissendorff, who also completed all the necessary financial arrangements.<sup>33</sup> The trawlers were exported and various sources confirmed that they were used by the Germans as escort vessels in convoys between Stavanger and Bergen in Norway; later they were used as flakships in the anti-aircraft defences of important German harbours. This affair and various other cloaking arrangements did nothing to improve Enskilda’s position with the Allies.<sup>34</sup>

On 12 August 1945 the Swedish Ministry of Foreign Affairs received an urgent cable from her American Legation. Enskilda and the Wallenbergs had been placed on the special unpublished blocked list of the Treasury. No financial transactions with them or with the bank would be allowed without special permission from the Treasury. Marcus and Jacob Wallenberg immediately decided to leave for Washington but ran into problems because they could not get visas for the United States. The State Department was aware of the findings in Stuttgart and, for that reason, denied their admission. Johnson was told that

“In view of serious charges against Wallenbergs, you are instructed to refrain from any Safehaven discussions or negotiations with them.”<sup>35</sup>

Numerous steps were now taken in Stockholm and Washington. First of all, General Lucius Clay was given a severe reprimand by the State Department for handing out a press release on the Bosch affair prematurely. American military officials in Frankfurt were instructed to point out to Clay that

“...quite apart from the merits of charges against the Wallenbergs a question of important operating policy is involved. It is regarded as unfortunate that Dept. was not consulted before press release and that it was not furnished a copy of original document upon which charges based. Additionally, point out to Gen. Clay that tactic of press release seemed particularly bad in view of fact that Wallenbergs were thus

forewarned regarding incriminating documents in their possession. Censorship intercepts since publicity contain self-serving declarations from various individuals seeking to disassociate themselves from transaction which was given publicity."

This referred of course to Murnane and others. With respect to General Clay it is interesting to observe that he himself was actively engaged in extensive black-market trading. Once a week his private plane, fully loaded with loot, flew "a classified mission" to Miami. In Washington Dulles began to get worried and told a Swedish diplomat that Jacob and Marcus must travel to Washington in order to "face the music" and to clear themselves from the charges. The same Dulles also told US officials that he could not remember all the details from the past.<sup>36</sup>

In Stockholm Jacob and Marcus spoke again to Johnson and stated categorically that they were able to refute the charges against them. They applied again for visas, and again Johnson said that he would try. In his information to Washington he added that both brothers

"...realize that a prima facie case of very serious nature has been presented against them. I believe that opinion is held also by Swedish officials and public. It is my strong personal view that an affirmative reply should be sent as soon as possible to their request for a hearing. Action taken against the Enskilda Bank in the United States might have far-reaching and damaging effects against important Swedish industries with which the Wallenberg brothers and the bank are connected and might cause serious damage to entirely innocent persons."

Again he urged Washington to allow both brothers to state their case fully before the competent authorities.<sup>37</sup>

Finally, Marcus was allowed to leave and flew to Washington on 14 August. The same day the Director of the FBI, J. Edgar Hoover, was informed of the forthcoming arrival of Marcus Wallenberg by the State Department, which asked for close FBI surveillance of Marcus during his visit. On 16 August Wallenberg arrived at LaGuardia Airport, New York where he was greeted by a man who refused to give his name to the press, and who gestured to Wallenberg not to answer questions about Enskilda and American Bosch.

Marcus told the Immigration and Naturalization Service at the Airport that he would be staying at the Ritz Carlton Hotel. He was waved through and was not seen again for two whole days. Extensive efforts by the FBI and even the *British Secret Intelligence Service* (SIS) to relocate him failed.<sup>38</sup> Finally, the FBI agent in the Ritz Carlton Hotel reported two days later that Marcus had checked in.

On 20 August 1945 Marcus was reported to have had a meeting at the *National City Bank*. This bank had played an important role in several cloaking operations (IG Farben, GAF, SKF, etc.). With the help of William Batt, it had also channelled money to Sweden: the SKF profits from Latin American dealings with

Germany. After several hours Marcus went to the attorneys at the law firm of Sullivan and Cromwell where he probably conferred with Dulles and Murnane. Although Murnane's name was deleted by the FBI it can be found in other documents in which he is constantly referred to by name and as an international banker and broker.<sup>39</sup>

After several days Marcus left for Washington on 30 August and visited the office of another law firm. The next day he went to the Swedish Legation. What the meeting was about and with whom he spoke was later deleted by the FBI.<sup>40</sup>

During this visit forces behind the scenes were already trying to save both brothers. On 1 September Johnson again sent a lengthy cable and pleaded for prudence in listing Enskilda. He recommended against the listing of entirely or partially-owned subsidiaries of Enskilda, or of listed executives and directors. He further urged the State Department to make an official request to the Swedish Government for permission to consult Enskilda's archives. This was in fact strange advice because Johnson knew that the government could not order access to private bank records. He advised Washington to act in collaboration with the British with regard to any measures which they intended to take. This was a very clever suggestion from Johnson who knew that Victor Mallet was also close friend of the Wallenbergs. Johnson must have known that the British Ambassador would resist any strong measures against Enskilda and he was right, because Mallet's successor Jerram reported to London that blacklisting would bring unfavourable consequences not only for Mallet, who had always called Marcus his best friend, but also for British industry. He added:

"...the listing of Marcus Wallenberg would in many quarters make Mallet appear a fool, and perhaps a dupe..."

Another problem loomed on the horizon when the King of England decided to present a medal to Marcus. Jerram asked London:

"Would you take steps to ensure such co-ordination between the departments as may obviate his appearing simultaneously on the list of Statutory Enemies and Knights of St. Michael and St. George."<sup>41</sup>

It was therefore not surprising that the Foreign Office appeared to be "*somewhat reluctant*" to follow the Americans in their measures. In the past Foreign Minister Sir Anthony Eden and Sir Charles Hambro had saved the Wallenbergs from listing. Hambro, the first head of the Scandinavian Section of the SOE, a member of a distinguished line of bankers and a close friend of the Wallenbergs, left SOE in 1942 to become British representative in the Swedish-British commission for Swedish wartrade.<sup>42</sup> But all those involved now realized that if the charges proved to be true it would be rather difficult to avoid listing. Jerram wrote to London:

"I can see no advantage whatsoever in our allowing any of the Wallenberg dirty linen, supposing they have any, to be washed in public. If it proves to be very dirty,



of course something will have to be done. The Americans are as a rule more prone to witch-hunting than ourselves. But even supposing any dirty linen comes to light, I gather that the balance on the other side of the picture (i.e. Marcus assistance in many ways to Mallet during the war) is enormous."

Jerram's suggestions therefore met with a favourable reaction in London. It also became clear that the *Bank of England* and the Economic Warfare Department were against blacklisting both from a commercial and a financial point of view. The debate also raged at the Foreign Office, and the Home Office refused to grant Marcus Wallenberg a British visa. A few days later Jerram reported from Stockholm that

"...informed financial opinion thinks that listing might create financial reactions wider even than the Kreuger affair. They regard the matter as one of national importance..."<sup>43</sup>

Johnson for his part continued to support the Wallenbergs. On 26 September he sent a cable to Washington in which he stated that he had spoken to the Director of AB Separator. He considerably played down the Wallenbergs' influence in this firm, and uncritically quoted the director who said that the Wallenberg group had no influence or control over the direction of AB Separator's affairs, despite the fact that Jacob was its director and Enskilda had been AB Separator's bank for about 15 years. He also played down the possible consequences of the listing of the Wallenberg group for they were not considered as indispensable to the Swedish economy.<sup>44</sup>

In the meantime Jacob and Calissendorff were also granted US visas and arrived in New York on 23 August. The Treasury noted that both brothers were now in the United States as *Special Blocked Nationals* for the express purpose of obtaining the removal of Treasury restrictions. After a few days both brothers were interrogated by an agent of the US Army Counter-Intelligence Group who wanted to know more about pro-Nazi and anti-Nazi bankers in Berlin. It struck the agent that "*both of them appeared very cautious in any statements they made*" and he concluded that they gave no valuable information. As to their American friends, they mentioned Paul Kempner, formerly with Mendelssohn, Berlin and Mr. Jiebels of the *Bank of America*.<sup>45</sup> During the interview Jacob acted as the spokesman but when the agent pressed for German names he mentioned Karl Rasche of the Dresdner bank. Enskilda had been involved in a number of transactions with this bank but now suddenly Rasche was described as a pro-Nazi banker. Jacob also named Kurt von Schröder as a very pro-Nazi banker but at the same time admitted that he had dealt with him. But who were trustworthy anti-Nazi bankers according to Jacob and Marcus? The names they mentioned are revealing. Firstly, the vice-president of the Reichsbank, Emil Puhl, who took care of the dental gold, jewels, monocles, watches and cigarette-cases brought to the

Reichsbank by the Gestapo and SS from the concentration-camps. It was Puhl who took care of the looted Czech, Belgian, Dutch and French gold.

They also mentioned Waldemar von Oppenheim as an anti-Nazi. He had worked for them and it is understandable that they tried to protect him. Finally they named Hermann Abs from the Deutsche Bank who was known to have been responsible for looting and plundering in occupied countries.<sup>46</sup>

It was only in the latter part of September that Jacob and Marcus finally contacted the Treasury in order "to face the music". On 2 October Jacob, Marcus and Calissendorff delivered an extremely long statement to the Treasury in which they explained Enskilda's position during the war as regards the German Bosch affair, maintaining that the European Bosch transaction had been essentially a banking transaction and had nothing to do with cloaking. In order to protect Enskilda's interests as a lender, the deal was consummated as a purchase and not as a loan to Bosch. It must be admitted that the Swedish delegation dealt "quite economically with the truth". Although the Treasury was informed about the complex financial operations via Holland, not all the details were revealed. However, the Swedish party admitted the existence of secret documents between Enskilda and Bosch. They had no other choice because these documents had already been found by the US Army in Stuttgart. Marcus admitted that Enskilda had acted wrongly in the Bosch affair but at the same time he pointed to his strongly pro-Allied stance during the war. He further maintained that there was a difference between his role and that of Jacob and Calissendorff. Thus Marcus tried to evade his responsibilities and to put the blame on others.<sup>47</sup>

More revelations were still to come. It was impossible for either brother to turn this tidal wave, but they still had their friends at the State Department. For instance, Marcus met Hugh Cummings from the State Department on 14 and 21 September and on both occasions the US official seemed favourably disposed. But despite their friends both brothers and Calissendorff were still uneasy and wanted to reinforce their position. The Swedish government was asked to present a formal statement on their behalf to the US Government. They drafted a text and asked the new Swedish Envoy in Washington, Herman Ericsson, to sign it. The proposed text was:

1. The Bank and the Wallenbergs have the highest reputation for integrity and their word is good with the Swedish government.
2. Mr Marcus Wallenberg performed an outstanding service for the Allies in presenting their interests to the Swedish Government and trade and business circles.
3. Mr Jacob Wallenberg performed an outstanding service to Sweden in his negotiations with the Germans, resulting in obtaining needed commodities from Germany at reasonable prices without giving credits (other than temporary credits).
4. The Swedish Government is greatly interested in the SEB situation."

When confronted with this statement Ericsson refused to sign and stressed that, as an Envoy, he could never make a statement such as that formulated in point

2. He agreed with statement 3 and thought that 4 was more or less obvious. According to Ericsson the core of the issue was of course statement 1. He told the Wallenbergs quite flatly that he could never issue such a statement because he did not consider it to be true. Marcus remained calm but Jacob was outraged and returned to Ericsson's words over and over again during their long talk. But the Envoy would not budge and refused to sign such a declaration for the Wallenbergs.<sup>48</sup>

The Treasury decided to take a closer look into the whole affair, and the brothers thus submitted new statements outlining Enskilda's relationship with German Bosch. The new talks with the Treasury lasted for more than 2 weeks and the Swedish delegation had to explain and clarify their earlier statements. The Enskilda lawyer, Jaretski, protested and demanded to see the Treasury documents but this was refused. The Treasury asked the Swedes to submit similar statements (as in the Bosch case) on the role played by Enskilda in the Schering and Thorer & Hollender cases. Marcus, Jacob and Calissendorff wanted to confer first and arranged with the Treasury that further talks would be held upon receipt of their statements. Later Ericsson notified Sohlman that, during the interrogation, Jacob in particular had been afraid that the Treasury would find German memoranda of conversations he and Calissendorff had had with the bankers and industrialists. He feared sentences in these notes such as "*we shall what we can do in the future*", etc.<sup>49</sup>

Secretary of State J.F. Byrnes informed Johnson as to the progress of the negotiations and told him that Enskilda had made false statements to the American and Swedish Governments. They had for instance informed the Swedish Government about Bosch's secret option right but had kept Washington in the dark. Marcus told US officials in 1941 that Bosch had no claims whatsoever on the stock of ABC, but in fact the German firm had controlled the stock of ABC until at least June 1942. Furthermore, in an apparent attempt to mitigate their activities on behalf of Bosch, the brothers also stated that they had entered into transactions with the Germans because Bosch had promised to influence the Nazi regime to purchase German bonds from Enskilda, in order to enable the latter to liquidate its German bond position. However, a British Foreign Office report remarked on this statement:

"Regarding this allegation it should be noted that it was SEB that refused to consummate bond transaction when it ceased to be profitable to sell at agreed prices."

Finally, the brothers admitted that the Nazi government had been fully taken into their confidence concerning all transactions.<sup>50</sup> It was clear to all involved that the Wallenbergs were in serious trouble. In Scandinavia press reports started to circulate about the possible consequences. The Norwegian Newspaper "*Verdens Gang*" reported for instance that Wallenberg had resigned his seat on the board of SKF. According to the newspaper, the Bosch affair was probably behind this

"great sensation", and this might lead to the financial quarantine of both brothers. The paper "*Handelstidningen*" wrote that the board of Enskilda in Stockholm had not been properly informed about the progress of the talks in Washington. Apparently both brothers were afraid that the US Censors would intercept any letters and telegrams. They also reported that informed financial circles in Gothenburg had pointed out that the Wallenbergs might have to resign their seats on the boards of other Swedish Companies. And according to Johnson, "*Göteborgs Handels och Sjöfarts Tidning*" reported that the Stockholm Stock Exchange was very pessimistic. Another source of pessimism was that the brothers had not yet contacted any influential persons in Washington, although they had sought to establish such a contact through a prominent New York law firm. There had also been futile attempts to contact influential senators to act as Enskilda's connecting link with the authorities.<sup>51</sup> Although the evidence from the interrogations was quite aggravating for the brothers, the Treasury were still talking about "*Special Blocked Nationals*" and were not yet using the word "*Blacklisting*", which would force Enskilda to break off all her financial relations with the Allied countries.

Meanwhile the internal bureaucratic fight between the Treasury and the State Department continued in the background. The British Ambassador, Lord Halifax, reported that

"...while Treasury might be able to produce a technical case for listing they would probably not be able to produce a sufficient case from State Department's point of view."<sup>52</sup>

Jacob Wallenberg returned to Stockholm on 14 December and gave a press-conference at the Airport. He told the press that Enskilda's accounts were still blocked and that the matter had not yet been settled with the Treasury. Enskilda was only allowed to transact business in dollars by applying for a licence for each transaction. The brothers tried to supply the Americans with exhaustive replies, as far as Swedish law permitted. Jacob also stated that the

"...USA still conducts economic warfare in connection with its general economic policy regarding Germany by exerting pressure on such neutrals as Sweden and Switzerland."

Dagens Nyheter reported in an interview with Jacob that Marcus would stay in New York until Christmas, and that Calissendorff would stay even longer because he was the one most familiar with the details of the Bosch affair. Jacob also told them that according to their lawyers Enskilda had not violated American laws.<sup>53</sup>

Nevertheless, there still remained a possibility that the British might also decide to take steps against them. Ravndal reported to Washington that the Foreign Office had still not made up their minds. They were compiling a report in order to get some indication of the immediate effects of possible listing on

British economic interests. Although it would take quite some time before this was completed, Ravndal concluded in advance that

“...listing action may injure British (and American) interests and hence that listing may not be recommended by the British Legation.”<sup>54</sup>

It was a correct assessment because on 28 February the Foreign Office indeed decided not to blacklist Enskilda.

Sir Charles Hambro did his utmost for the brothers. At a dinner the former SOE chief promised John Foster Dulles to write a letter about his experiences with the Wallenbergs. He wrote:

“From the commencement, Marc Wallenberg, was outspoken both here and in Sweden in his opinion that the Germans would not win the war, and that the Allies would. Even in the dark days of 1940, he publicly and privately voiced his opinion and his desire that Sweden should do everything possible to help the Allies.”

Bosch, IG Farben, SKF, looted assets and all other affairs prove that his statement is very dubious. Hambro mentioned in particular the example of Norsk Hydro to whom Calissendorff admitted that Enskilda had given a large credit to be used in an attempt to reconstruct the damaged plant. This money was used by the Germans to place orders with Swedish firms belonging to the Wallenberg group. According to Hambro

“...the Swedish company which had made the retorts with special steel were asked to replace, owing to unforeseen delays, they were never made...”

Hambro ended his letter with the statement that

“...the Enskilda Bank and the Wallenbergs are treated by the US Government as war criminals on documentary evidence from Germany, after all they have done for us, and when so many bankers and businesses in Finland especially and in Scandinavia in general have been whitewashed, makes one doubt whether any justice remains on your great continent. I hope you will feel at liberty to use the above information with those in authority if you feel it will help my friends provided, of course, that the former will treat it as ‘Top Secret’ within their respective departments.”

It is obvious that his letter was written at the request of Dulles and would be forwarded to Treasury officials, and also that Hambro was quite willing to cooperate in this venture in the hope that it would improve the position of Enskilda.<sup>55</sup>

The Enskilda lawyer in the United States, Alfred Jaretzki of the law firm *Sullivan & Cromwell*, immediately contacted Vinson and produced Hambro’s “*Top Secret*” letter. He asked Vinson to read it carefully and complained about the treatment of both brothers, and especially about the fact that no evidence was ever shown to them. He further stated that the accusation that they had been “too friendly” towards the Nazi’s was an absurdity. He denied all charges by the

Treasury and wanted Vinson to meet Marcus personally. The Secretary of the Treasury wrote back that he was quite willing to meet Marcus and Jaretzki promised to arrange a meeting which in fact never took place.<sup>56</sup>

There was another factor which was of some help to Enskilda. The general attitude at the Department of State and the War Department towards leading Nazi industrialists was not altogether hostile. Much has been revealed in recent years about the plunder of German scientific expertise and the use of ex-Nazi's in the Cold War by the Americans (known as "*Operation Paperclip*"), British, French and Soviets. This also applied to industrialists and bankers and many of them soon found new employment in the American, British and French zones occupied zones in Germany. The US Office of the Military Government in Germany (OMGUS) was closely involved in the execution of this policy and the Treasury officials within OMGUS soon ran into problems. The military were not willing to cooperate in the arrest of prominent bankers. On the contrary, they frustrated every important move and some Nazi bankers were even described as "*a kind of Henry Ford*". All efforts by Treasury officials within OMGUS were systematically sabotaged and General Clay even regarded these officials as members of the communist party.<sup>57</sup>

The looming Cold War was to have a big influence on the denazification programs and many of the ex-nazi's were needed in the struggle against the perceived Soviet threat. It was probably in this atmosphere that State Department officials decided that they could use the Enskilda case as a club with which to beat the Soviets. Talks on a Swedish-Soviet credit agreement had already been in progress for some time and Washington did not look favourably upon this. Therefore it came as no surprise when Setchell wrote to Villiers that Washington had withdrawn her claim of fraudulent action against Enskilda and were substituting this with an accusation of intended action to defraud. He also reported that

"...the Americans are going to make an offer to the Enskilda Bank, under which the bank pays 40 million kronor in compensation and in settlement of the matter."

Setchell expected that Enskilda would pay this amount in order to have their accounts unblocked. He added "*as pure gossip*" that it was rumoured that Jacob would have to leave the board of Enskilda.<sup>58</sup>

It was soon evident that this was not gossip. On 12 March Enskilda officially announced Jacob's resignation as head of Enskilda. Marcus was to succeed him and Jacob was appointed as chairman of the Enskilda holding companies AB Investor and AB Providentia. The latter would take over large blocks of stock held by Enskilda. Gösta Guston of SKF told Johnson that

"...the resignation of Jacob Wallenberg is designed partly to placate United States Treasury department opinion."

But personally he

"...had advised against such action since Wallenberg still controlled Enskilda and consequently the resignation is formal rather than real, and, secondly, because the resignation seems to suggest that Jacob Wallenberg 'has something to be ashamed of'."

Guston further stated that the Swedish Government had intimated that Enskilda would have to sell its SKF shares. He said that Enskilda planned to unload its SKF holdings as follows: the shares were to be bought by AB Providentia (100% owned by Enskilda) which would sell the shares gradually in order not to lower their value. Meanwhile Enskilda would maintain control over its SKF shares through AB Providentia. With respect to his personal ambitions, Guston stated that he would like to become Head of SKF, *Philadelphia* because

"...William Batt had about outlived his usefulness with SKF now that the war was over: that Batt would like to withdraw from SKF because of the effect on his political career, but that he needs the money that the job provides."

Jacob was thus used by Marcus as scapegoat because his signatures were on the contracts. Calissendorff also left Enskilda in order to become Managing Director of "*Institutet Emissions*".

However, this drastic move had no immediate effect, and Byrnes told Johnson that the Treasury evidence from Germany confirmed the suspicion of cloaking and that therefore blacklisting was inevitable. Johnson was explicitly instructed not to raise this matter with the Swedes at present. Byrnes also intended to approach London because "*unilateral action was deemed possibly more injurious than beneficial*". But Johnson did not intend to give up. He again reiterated all the help Enskilda had given to the Allied cause and stressed that listing should only be done in collaboration with the British. Johnson knew beforehand that London would not go along with this but he told Byrnes:

"We continue to be unalterably opposed to unilateral action which could have no benefit comparable with serious damage it would produce to American prestige and material interests in Sweden."

He pointed to their possible role in the reconstruction of post-war Europe.<sup>59</sup>

During this same period the so-called Safehaven negotiations were about to start between Sweden, France, Great Britain and the United States. Safehaven was in fact an outcome of the Bretton Woods Conference in 1944 and called upon the neutral governments to take all necessary steps to immobilize looted securities, to uncover and control enemy property, and to hold German assets for the disposition of the occupying powers in Germany. The State Department now implemented this decision and the whole Enskilda affair perhaps played a role in the subsequent negotiations, for it was stressed that if the whole affair had been revealed one or two years earlier the Wallenbergs would have lost their

blocked assets

"...and indeed, there is considerable agitation in favour of this move at the present time. No decision had as yet been reached and in any case no action would be taken prior to the commencement of the Safehaven negotiations."

It was further stated that the State Department did not wish to use Enskilda as a "club" to induce the Swedish Government to agree with the American Safehaven objectives. They hoped to treat Enskilda as a separate case. However, for the British the impending Safehaven negotiations were the final incentive not to blacklist Enskilda. This despite the fact that Jerram reported from Stockholm that Enskilda was high on the agenda of the Swedish Safehaven delegation.<sup>60</sup>

A few days before these negotiations were to start, Orvis Schmidt sent a final report on Enskilda to Vinson. It covered "the strong points" and a "brief of the 1261-page manuscript reflecting the justification of the Treasury's recommendations". He reported to Vinson the findings in the secret hiding places of Bosch in Stuttgart and mentioned the admissions by both brothers.

"The Wallenbergs have, themselves, admitted a good deal of the evidence contained in the files and confirmed by the Bosch officials. To the extent that the Wallenbergs admitted the arrangements with Bosch, their testimony, in regard to dates and text of contracts conforms to the evidence contained in the Bosch files in so many respects that the Wallenberg admissions serve further to confirm the authenticity of the documents in our possessions."

Furthermore, in connection with Hambro's letter to Dulles about the Wallenbergs' war effort in support of the Allied cause, Schmidt stated that a search through the records of *Brown Brothers Harriman & Company* had revealed that Marcus had repeatedly bought German bonds and other securities on behalf of the *Golddiskontbank* and the *Reichsbank*, which were then secretly sent to Berlin. Jaretzki's constant pointing to the integrity of the Wallenbergs clearly irritated Schmidt because he wrote to Vinson:

"The Wallenbergs, themselves, admitted that in 1942 they furnished false information to the Swedish Government, which information was the basis of a Swedish representation to the United States Treasury Department against the blocking of ABC as German."

Magnusson, the Financial Counsellor for the Swedish Legation in Washington, had thereupon made a (false) statement to the Treasury with respect to the bona fide character of Enskilda's transactions with Bosch. Schmidt also hammered away Hambro's defence of Enskilda and pointed again to the fact that their transactions had only served to conceal German interests in the Bosch companies. Vinson was at the same time informed about IG Farben's use of Enskilda as an intermediary in camouflaging the financing of its cloaks, of Enskilda's help



in the construction of the German so-called fishing vessels, and of the Norsk Hydro affair.<sup>61</sup>

It is evident from this letter to Vinson (plus attached memoranda) that the Safehaven negotiations with the Swedish delegation would deal with the Enskilda affair. This was also made clear to Undén when he was told about the pending official invitation to send a delegation to Washington. At the same time the Foreign Office began to take an interest in IG Farben's use of Enskilda and because Marcus Wallenberg's

“...action in volunteering information regarding SEB's purchases of looted securities (...) suggests that he may be in the mood for confessions.”

However, Enskilda was not put on the agenda of the forthcoming Safehaven negotiations and it would soon become clear that the State Department had other intentions regarding the bank. Within the context of the Cold War, they apparently intended to use the case as a club to coerce the Swedish delegation.<sup>62</sup> The same happened with the blocked accounts and assets of American SKF. The Treasury decided that they could be unblocked, but that in view of the forthcoming negotiations with the State Department it was better to keep them blocked.<sup>63</sup>

And although the Proclaimed List Committee in Washington on 10 May unanimously recommended the inclusion of Enskilda and both brothers, and requested the British Joint Black List Committee in London to follow their decision, it soon became clear that matters were to take another course. In fact, the next day the Foreign Office instructed Halifax that “*it would be ridiculous to list Enskilda and Wallenbergs now*” because the Black List was shortly to be abolished.<sup>64</sup>

This message was the start of an exchange of telegrams between London, Stockholm and Washington about whether or not to list Enskilda. Villiers of the Foreign Office stated that he was against listing. The US diplomat Harriman at the American Embassy in London was in favour and urged Washington to put pressure “*in the strongest possible terms*” on the Foreign Office. He also asked that the Dutch and French Governments be pressured to side with the American delegation. Furthermore, Harriman wanted the British Legation in Stockholm to support listing. Jerram quickly stated that listing would not help and that the Allies would

“...get better results by interrogating Marcus Wallenberg and Calissendorff outside Sweden and away from Swedish official influence.”

On 15 May the Joint Black List Committee decided not to list Enskilda and both brothers because this list was to be abolished on 30 June. Nevertheless they acknowledged, on the basis of American information, that it was a clear case for listing.<sup>65</sup> Harriman wrote bitterly to his colleague in The Hague:

“It was impossible at today's meeting to get Black List Committee to endorse

Washington's recommendation in face of strong and united opposition to listing Enskilda and two Wallenbergs on part of all British departments. For fear that threat might leak out during negotiations with Swedes, agreement to listing principle was refused. Stand might have unfortunate repercussions in view British refusal to implement it. (...) American stand was actively supported by French representative. Dutch representative sat silent."

The Committee decided that all those involved deserved listing but, in view of the Safehaven talks, they refused to make recommendations at the present time.<sup>66</sup> The American and British lobby directed from both Legations in Stockholm was thus successful.

When Ravndal presented the official invitation for Safehaven in Stockholm he stressed that the Allies were prepared to discuss Swedish blocked assets in the United States, upon the satisfactory conclusion of the discussions of certain points on the agenda, i.e. the liquidation of German economic interests in Sweden, looted gold, patents, etc. Thus the Swedes were told, under a smokescreen, that the Allies were going to use Enskilda as a "*club to induce them to agree to the Allied demands*".<sup>67</sup>

In their evaluation of the likely official Swedish reaction to these developments, the Americans acknowledged that relations between Enskilda and the Social-Democratic Government had become less friendly since 1945. In particular, the policies of Minister of Finance Ernst Wigforss and Minister of Commerce Gunnar Myrdal were strongly opposed by the bank. It was expected that Stockholm would regret being listing because of the damage to their economy and national prestige, and that diplomats like Erik Boheman, Erik Grafström, Staffan Söderblom and Gunnar Hägglöf would be personally annoyed by listing. However, it was also noted that listing would probably have only an insignificant effect on the Swedish national economy, and that the stigmatization of Enskilda and both brothers would have no far-reaching consequences.

It is obvious from the American evaluation that they did not believe that listing would really harm Enskilda, and that therefore such an action would indeed be futile. But was this the real reason or did Washington have other plans for Enskilda? They observed that the Swedish Government had little sympathy for the Wallenbergs and had tried to avoid taking a clear standpoint in the developing East-West conflict. Nevertheless, Washington did not intend to force them to take sides in the dispute.<sup>68</sup>

Various negotiations took place simultaneously in the spring of 1946. There were talks between the American, British, French and Swedish Governments about Safehaven and Enskilda. However, there were also talks between the Swedish and Soviet Governments about a large Swedish Credit. These last talks were not looked upon favourably in Washington. Now, the State Department realised that their measures against Enskilda and the Wallenbergs would not bear much fruit. At the same time they were pleased to see that, in the Cold War, Stockholm would not extend a credit to Moscow, but they also knew that Moscow had to spend this

credit in Sweden by procuring Swedish products. It is therefore not improbable that the State Department decided to use Enskilda and the Wallenbergs to block this credit.

The Allies and Swedes rapidly came to an agreement with respect to German assets in Sweden. Sweden would pay about 75 million Swedish crowns to those countries devastated by the war. Furthermore, 50 million crowns had to be paid in aid for refugees. Stockholm undertook the obligation to liquidate the German economic interests and expressed its willingness to restitute the looted monetary gold. The Allies promised to eliminate Black Lists without delay, as far as Sweden or known Swedish nationals were concerned.<sup>69</sup> What about the blocked assets of Enskilda, SKF, Wenner-Gren and the Wallenbergs? Point 8 of the agreement said:

“The United States of America will at the earliest possible date unblock the Swedish holdings in the United States according to a procedure to be worked out by officials of that country and Swedish officials.”

This point implied that the whole Enskilda affair still had to be settled in future negotiations, despite the fact that officials from FFC orally acknowledged that Enskilda would be treated the same way as other banks and companies. After the conclusion of the Accord, the leader of the Swedish delegation, Justice E. Sandström, wrote a memorandum for Undén in which he summarized the attempts by Orvis Schmidt to involve Enskilda in the negotiations. It is interesting to observe that Sandström refused to talk to Schmidt about Enskilda. He was apparently not prepared to help them and wanted the Wallenbergs to deal with the matter themselves. Schmidt made it clear during a lunch that the FFC also wanted to look more closely into Enskilda's other cloaking activities. The Treasury wanted to “*sit down and talk the matter over*”, asked for a thorough investigation and suggested that the Swedes themselves could do this with respect to Enskilda. Sandström told Undén that from the outset he had adopted a passive attitude, although he thought that despite Enskilda's false statements Stockholm could not afford to drop the bank entirely.<sup>70</sup> In fact this report confirmed the earlier American assessment: the Swedish Government had no intention of involving themselves in the affair. The Social Democrats were understandably piqued by the false statements Enskilda had made and were not prepared to give a helping hand at this stage. Both brothers had to solve this problem by themselves.

At the same time, Washington tried to put pressure on Stockholm, thereby influencing the conditions of the Trade Agreement. On 14 August a cable was sent.

“We are informing Embassy Stockholm that we cannot object to the conclusion of a trade agreement by Sweden with the USSR but that Sweden should be informed that we hope the agreement will conform to the basic international commercial policy proposals on which we hope the International Trade Organization will be based.”

The State Department was afraid that the multilateral expansion of trade would

be hindered because of the bilateral character of the agreement. Johnson cabled back that Undén remained determined to sign an agreement with Moscow despite what "he terms US pressure".<sup>71</sup>

In a report on recent developments in connection with the Trade Agreement, the Commercial Attaché, Donald Smith, stated that the Swedish press had been very critical of US interference in the country's internal affairs. The opposition press had become extremely vitriolic in its attacks on Myrdal, who was accused of being a double-crossing, crooked, egotistical politician. Smith believed that industry would not be able to fulfil the Soviet demands for goods, unless the domestic market was neglected, or exports to other countries were stringently curtailed.<sup>72</sup> At the same time the British Embassy cabled to London that Wigforss was the main force behind the credit for financial and also political reasons, i.e. in order to contain the Swedish communists. However, the Swedes had "expressed great bitterness about the recent American intervention" and the Government had instructed the companies concerned that Moscow had precedence over all other customers. London was further informed that Stockholm had proposed

"...a reduction of credit to 500 million kronor for 5 years owing to inability to supply. Soviet Government however turned down this proposal because of adverse propaganda in Swedish press particularly Dagens Nyheter."<sup>73</sup>

Washington continued to put pressure on Stockholm in order to prevent the conclusion of an Agreement, but on 7 October, after lengthy talks, Sweden signed the Credit and Trade Agreement with the Soviet Union. Moscow would be granted the use of 1 billion Swedish crowns (\$278,500,000) for 5 years. It is significant that US Intelligence noted the following:

"On the whole, it cannot be concluded, on the basis of available information, that this agreement will hinder Sweden's participation in world-wide multilateral trade agreements in the immediate future."

Thus the Americans' fears proved to be ill-founded and their steps must be viewed in the light of the Cold War atmosphere which prevailed in those days.<sup>74</sup>

In the meantime, it was made clear to Enskilda that they could not expect much help from their own Government, so they decided to file a suit against the American Government for the return of the vested ABC shares and to fight it out in court. An official from the Department of Justice, Jacob Abramson, handled the US defence to the suit. He flew to Berlin and Stockholm to look for more evidence because he did not think that the Justice Department's defence was airtight. He called upon the American Embassy in Stockholm for more data and they promised him information in connection with the sale of looted securities and other cloaking activities by Enskilda. A further reason for this visit was that Marcus had made another trip to the United States in order to confer with the Enskilda lawyer Jaretzki about the impending trial.<sup>75</sup>

After this visit Marcus called on Undén and told him about his experiences. He had got the impression that the Treasury were more amenable towards Enskilda than before. They had told Marcus that they were waiting for a Swedish initiative in order to set aside the restrictions which were still applicable to Enskilda. In particular they were awaiting the outcome of a Swedish investigation into Enskilda's affairs. Marcus wanted Sandström to send a bona fide declaration to the Treasury since the bank had nothing to hide. During the talk Marcus pointed to the "malaise" which the bank had encountered in Swedish official governmental circles and which was due to Enskilda's false declarations. He also maintained that he had had nothing to do with this affair in the past and had apologized to the Government. Marcus also mentioned his important services to his government during the war and found it hard to understand why they refused to help the bank, although he acknowledged that Enskilda had been guilty of considerable stupidity.<sup>76</sup>

Undén promised nothing, but shortly after this talk the Swedish Commercial Counsellor in Washington, Hans Belfrage, presented a memo to the State Department on the question of deblocking Swedish funds. Stockholm hoped that after Safehaven Washington would begin to simplify the deblocking of funds (like those of Enskilda and the Wallenbergs). Belfrage further stated that his Government was disappointed by the steps the Treasury had taken thus far. Indeed, Dulles and Murnane learned that the Treasury had no intention of unblocking the funds; they stuck to their original assertion that ABC was owned by the enemy and not by Enskilda. This meant that the ABC shares would be confiscated and be lost to Enskilda.<sup>77</sup>

One might argue as to whether, at this stage, the State Department was contemplating the use of these blocked funds as a club with which to coerce the Swedish Government into fully accepting US demands, whilst also perhaps obtaining the cooperation of the Wallenberg brothers in sabotaging the Credit Agreement. 1947 was to bring the full outbreak of the Cold War as a result of which any assistance to Moscow, in whatever form, would be completely ruled out. It is interesting to observe that in 1948 there were negotiations with the Yugoslav Government on blocked assets, and that the State Department was strongly advised to retain these assets so that they could be used as a "bargaining lever" to induce the Yugoslavs to agree to American objectives.

However, it was also noted that

"...this is not the first instance where the US had maintained freezing controls to obtain other objectives. We held Swedish and Swiss funds frozen until we obtained agreements with those countries concerning German assets and looted gold."<sup>78</sup>

Thus the blocked funds were probably used as a club and perhaps even as a political weapon.

We have seen that Gunnar Adler-Karlsson in *Dagens Nyheter* had already come

to this conclusion on the basis of interviews with leading Swedish politicians, civil servants and businessmen. He concluded that Washington apparently insisted on two conditions for the return of the blocked funds to the Wallenbergs. The first one was the withdrawal of Jacob from Enskilda's board which Setchell reported as a rumour but which indeed happened. The second was that Enskilda and the Wallenberg-controlled companies would co-operate with the United States in an embargo policy towards the Soviet Union. This would come into effect as soon as Moscow tried to use the credit to buy goods in Sweden. So a refusal by these companies to sell to the Soviet Union would sabotage the implementation of the credit.

Is there sufficient archival material to fully support this hypothesis? The answer is negative but at the same time this is hardly surprising. There is, however, quite a lot of circumstantial evidence, minor indications and facts which do support our hypothesis. For instance, the Treasury's plans were constantly sabotaged by the State Department and they were sometimes completely ignored as regards the Enskilda affair. Therefore, as we have already surmised, if there was an arrangement such as that described by Adler-Karlsson, it would probably have been an oral understanding or a *gentleman's agreement*. This was so not strange because something similar was proposed to Wenner-Gren.

Another indication for such a gentleman's agreement was found in the archival material with respect to the looted securities. There was a genuine belief in Dutch official circles that all looted securities in the hands of Enskilda which were blocked and placed by Washington on the "*scheduled list*" could be vested and brought back. However, in 1949/49 the Americans obstructed this official Dutch strategy for unknown reasons. In view of the above-mentioned findings this was not such a strange manoeuvre because American policy was probably aimed at safeguarding the interests of Enskilda. Therefore the Americans obstructed the Dutch undertakings to vest these securities and to return them to the rightful owners in the Netherlands.

Furthermore, at crucial moments (especially during the period July 1946-March 1947) there were no longer any important documents to be found in the relevant archives and suddenly, there was no longer any talk about Enskilda and the Wallenbergs. It was also strange that some of the crucial witnesses refused to reply to our letters even after 2 or 3 reminders. Others frankly admitted that they could not remember the details of the affair and could neither confirm nor deny our theory. Another indication that there was an oral understanding with the Wallenberg brothers was the strange behaviour of some important Wallenberg-influenced firms vis-à-vis the Credit and Trade Agreement.

It is remarkable that when Johnson was replaced the attitude towards both brothers changed. For instance Jacob wanted to travel to Germany at the beginning of 1947 in order to inspect their interests. Washington had granted permission but this time the American Legation intervened. They sent a despatch:

"Jacob Wallenberg's active and closely cooperation with Nazi's during the war is

clearly established, one example being his connection Bosch Affairs as head Enskilda Bank and Legation would not recommend travel to the American zone or any other Swede who was similarly involved."

The permission was withdrawn by the State Department.<sup>79</sup>

It is also interesting to observe that on 8 March 1947 the US diplomat Terry Arnold presented an oral statement to Tage Grönwall of the Swedish Ministry of Foreign Affairs, stating that the Wallenbergs had been guilty of "*flagrant cloaking*". The Americans could only deblock their funds if the Swedes carried out a thorough investigation. But at the same time he made it clear that Washington no longer had any special demands vis-à-vis Enskilda. He flatly told Grönwall:

"It is up to the Swedish Government to decide what action to take. You are the final judge of what is to be done [with Enskilda]."

This is a curious message intimating that the Americans were no longer interested in the explicit outcome of the investigation into the cloaking activities by Enskilda, and is another indication of some sort of gentleman's agreement. With a show of lenience, they put the matter into the hands of the Swedes and when the Swedish Riksdag finally accepted the Safehaven Agreement the accounts of Enskilda and the Wallenbergs were deblocked.<sup>80</sup> The Americans were thus not willing to carry out a full-scale investigation by themselves. One might wonder why, particularly as the OSS acknowledged that a Western embargo on credits to the East would delay the reconstruction of these countries. It was thus of the utmost importance that credits to the USSR were not fully implemented, and from that point of view the sudden American indulgence vis-à-vis Enskilda was rather puzzling.

Washington could now probably count on the cooperation of the Wallenbergs but nevertheless they also sought other methods of hindering the implementation of the Credit Agreement. For instance, it was expected that Ivar Rooth, the president of the Swedish National Bank or Minister of Finance, Wigforss, would ask for a large US loan. The Americans were perhaps willing to grant this on the condition that Sweden give the full details of her Agreement with the USSR. As a further extra condition, the State Department wanted Swedish approval for the US to send inspectors to factories producing goods for Moscow. The reasons for this demand were the alarming reports which the US ARMY Counter Intelligence Group had received from Stockholm alleging that the Swedish Army Intelligence was worried about the influx of Soviet engineers and technicians.

"In this connection it might be noted that Defense Minister Allan Vought might be expected to take an unsympathetic attitude toward the presence of so many Soviet 'spies' in Sweden and might be more amenable to approaches from Western representatives than heretofore."

It is unclear if Vought was ever approached in this respect by US Army Intelligence.

Nonetheless, the State Department demanded a thorough investigation but were soon informed by Stockholm that a first search had produced nothing illegal. Stockholm promised to carry on with the large-scale inquiry demanded by the Americans and Orvis Schmidt reported to his new superior:

"Sweden's assets in this country were unblocked March 28 1947, subject only to certification [for an investigation] by Swedish authorities."<sup>81</sup>

It soon transpired that the Swedish Government were not going to keep their promise. The Dutch Envoy reported in the middle of April 1947 that the Swedish APC had not taken any measures against cloaks like *AB Robo*. In the US press articles were published with headlines like "*Nazi Assets Still Hidden*" and "*Allied Commissions Fail to Locate Billions Hidden in Neutral Countries for Later Use*" which was another indication of the slow progress the neutrals had made. In some articles the name of Marcus Wallenberg was mentioned. One report stated that the Allies had sent a list of 500 firms to Stockholm in which they had found suspicious traces of the activities of both men. Stockholm had investigated the list and reported that only 105 of them were controlled by German interests. That left more than 395 firms unaccounted for. In May the American diplomat Dreyfus was finally able to report that the Swedish APC at last

"...placed *AB Planeten*, *Tessalia*, *Kaldag* and *Lagern* under administration pursuant enemy property legislation."<sup>82</sup>

Some action was thus taken, albeit less than wholeheartedly.

Some scanty pieces of archival material show that a representative from the Department of Justice went to Stockholm in the summer of 1947 to confer with the Swedish authorities about their investigation. He also talked to Marcus Wallenberg who himself went to the United States for high level meetings with officials from the Department of State. For instance, on 12 September Marcus called the Undersecretary of State, Robert Lovett, who asked if he could help him while Marcus was in Washington. Marcus replied that he had everything he needed.<sup>83</sup>

In the autumn the new US Envoy in Stockholm, H. Freeman ("Doc") Matthews, sent a letter to Surrey who dealt with the Safehaven negotiations. Matthews complained about the Swedish attitude in the Bosch problem. He conferred with Jack Abramson of the Department of Justice.

"I am a little afraid, however, that our discussion with the Swedes could hardly be called an 'exchange' because, as might be expected, the FCCO [= Swedish APC] has shown great reluctance to divulge any information, or to submit any documents or records, which might prove prejudicial to SEB [= Enskilda]. Our own situation is, of course, conversely true. Jack and I both agreed prior to our discussions that the cloud of litigation which hangs over the case was an almost insurmountable obstacle to any free and unfettered exchange of information."



The Envoy added that the FCCO was fully aware of the fact that it had certain obligations to fulfil within the framework of the agreements with Washington. However, the Swedes were rather "*adept at evidencing cooperation without giving you very much in which to sink your teeth*". But the American pressure helped and by the autumn of 1947 Stockholm had become noticeably more cooperative. The American officials acknowledged at the end of that year that the Swedes

"...are proceeding with liquidation in an orderly and thorough manner and are being extremely cooperative with the Allies in exchanging information to assure that the elimination is complete."<sup>84</sup>

During this period Soviet spies such as Anthony Blunt, Guy Burgess, Donald Maclean and of course Kim Philby, were very well-placed in the higher echelons of the British Foreign Office. Philby and Maclean in particular were in such important positions that they might well have been informed about any possible oral understanding between the Americans and Wallenbergs. Maclean was working as a first secretary to the British Embassy in Washington 1947-1948, and Philby was later posted in Washington as British liaison officer with the CIA and FBI. More and more evidence is surfacing to indicate that the British ambassador, Lord Inverchapel, was probably also a very useful and influential Soviet agent. With such excellent spies and informants in the right place it was no surprise that the Soviet paper "*Literaturnaja Gazeta*" was able to publish a story in February 1948 alleging that the Wallenberg group and Dagens Nyheter had campaigned for the boycott of the Credit Agreement.<sup>85</sup>

Considering their point of view, it is understandable that the Soviets began to get worried. At the beginning of 1948 there had been concrete developments suggesting that the West would form military alliances directed against Moscow, pacts which could include the Scandinavian nations. For some time US diplomats in Stockholm had been trying to modify Swedish neutrality policy and vigorous attempts had been made by, among others, Doc Matthews, who urged Lovett to see Marcus who was "*strongly anti-Soviet*" and "*our mutual friend*". Perhaps he could assist in the attempt to produce the decline of Swedish neutrality policy because

"...I find that the Wallenbergs are so powerful in this country and have such influence (they run everything from big banks and industries to bus lines and restaurants) even with a Social-Democratic government, that their advice carries considerable weight."

Lovett met Marcus who apparently told him about his dislike of Undén's neutrality policy because Matthews wrote to Lovett:

"I agree entirely with Mark on Swedish stubbornness, the dangers of 'prodding', and particularly of Undén's 'digging in'."

Furthermore, Matthews was approached by the Director of Svenska Handelsbanken who told him about a covert campaign which big business interests were about to undertake to wean the Swedish government away from neutrality. "In addition to the splendid campaign of Herbert Tingsten in *Dagens Nyheter*" they would use the press, who were already beginning to question the advantages of clinging to the outmoded 134-year-old neutrality.<sup>86</sup>

The Dutch Ambassador in Stockholm, Teixeira, also reported the US pressure and stated that the Swedes were rather upset by Matthews' threat to destroy Swedish industries from the air if they continued to deliver to Moscow in case of war. Teixeira thought that the pressure had somewhat lessened, although Tingsten continued his vigorous campaign. Teixeira remarked to the Dutch Foreign Minister that the Americans were probably paying Tingsten for this campaign. When he made this suggestion to Matthews, the American replied with a twinkle: "How dare you say that, we never do such a thing".<sup>87</sup>

All in all Washington could be satisfied: there was a press and business campaign in Sweden against the official neutrality policy and the Credit Agreement with the Soviet Union. Apart from this they probably arranged for the secret support of the Wallenberg group in the sabotage of this understanding. On the other hand, the Wallenbergs had also not done so badly. There was no thorough investigation by the American authorities, and Swedish officials only looked perfunctorily into their wartime dealings with Germany. They were able to save their funds and get them unblocked in the United States although the matter of the ABC shares remained troublesome for them. Despite the legal action Enskilda had taken against the Treasury, the APC sold the ABC shares to an American company and the assets were thus lost to the Wallenbergs.

The legal fight of Sullivan & Cromwell on behalf of Enskilda continued and they sued the APC for compensation. The plaintiffs maintained that the purchase of the ABC shares was an investment by Enskilda and not an attempt to cloak or help Bosch. Enskilda's lawyers sued the APC for an sum of about \$8 million which represented the proceeds of the sale of the majority shares of the ABC which were originally vested. They also brought before the court a motion to prevent the APC going to Stockholm to take the testimony of Marcus and Jacob. At the same time some American newspapers attacked John Foster Dulles and linked him with the plot of German cartelists to conceal the ownership of their US properties. In court the APC lawyer, John Burling, told the judge that the APC charged the Wallenbergs with cloaking and also asserted that they had destroyed documents in their files when they learned about the American official action.<sup>88</sup>

It is clear from several documents that some officials at the State Department were worried about the activities of John Burling, because again Lovett was warned. Burling had looked into the State Department archives and compiled a report about the Wallenbergs. Lovett was informed about this because there were

"...numerous mentions of Brown Brothers acting as agents for the Wallenbergs. Since suits of this type furnish much material for the Drew Pearsons, Walter Winchells, etc., it seems likely that there is a possibility that some of this type may try to embarrass you when this case is heard."

In fact Robert Lovett, Under-Secretary of State and former partner of Brown Brothers was asked if the Treasury could use the State Department material in the impending trial against the Wallenbergs. And efforts by the Treasury to deal with Enskilda were again sabotaged in 1949 by State Department officials.<sup>89</sup>

The discussion within the State Department continued and the Assistant Secretary of State, Dean Rusk, was informed about the suit brought by Enskilda. The bank wanted to see all the evidence the Americans had in their archives with respect to Bosch. Rusk was asked by the APC to put pressure on the Foreign Office to open their files on Enskilda. Villiers handled the reply to the APC and asked the First Secretary of the US Embassy in London, F.P. Bartlett, to tell the APC that Marcus was the leader of the pro-ally party in Sweden and that he

"...never wavered for a moment in his conviction that the allies would finally be victorious. He rendered the allies immense service throughout the war."

Villiers told Bartlett that his papers did not show any trace of misconduct on the part of Enskilda and invited Bartlett to come over and study the files. However, Villiers asked him not to inform Washington "*until we have had our own discussion*".

Nevertheless, Bartlett began to have doubts and wrote to Washington: if Marcus was so strongly pro-Ally why then the transactions with Bosch? Villiers had given him the answer: all the blame must be put on Jacob who had handled the German affairs of Enskilda. Villiers assured him that Marcus "*...may therefore not have known of these particular negotiations.*"<sup>90</sup> It is remarkable to see how all involved tried to blame Jacob, particularly since Marcus was as much involved as Jacob. But the latter was not as well-connected in the West as Marcus.

However, times changed and Washington was forgiving. On 30 November 1949 Jacob asked again for permission to be allowed to travel to Germany. Secretary of State, Dean Acheson, reported that he no longer felt that this visit should be prevented. He asked Matthews for advice and he replied:

"I hope very much that there will be no delay in issuance travel permit to Jacob Wallenberg. Delay or refusal would have adverse effect on this Embassy's relations with Swedes in many important circles."

Indeed, times had changed, almost everything was forgiven and forgotten and the lawsuit ended in a settlement. Olsson correctly noted in his book that Enskilda's position was very weak as regards the political-moralistic attitude taken by her during the war. The cooperation with Nazi-Germany was an encumbrance and the fact that Enskilda had lied to the Allied Governments was

admitted. However, from a purely judicial point of view, Enskilda's position was quite strong because not everything could be fully proven. In the end it was agreed that the Americans would pay Enskilda \$2,600,000, being virtually a reimbursement for their original investment. The Board of Enskilda decided on 27 April 1950 to accept this offer and on 20 September 1950 Enskilda received a cheque for this amount. They also agreed to pay \$420,000 in legal fees. The rest of the revenues of the shares went to the United States War Claims Commission to compensate Americans for "*unusual hardships*" suffered during World War ii. Janet Dulles, who knew both brothers socially, wrote to her brother-in-law Allen Dulles: "*I am glad to have the Wallenbergs straightened out.*"<sup>91</sup>

## Epilogue

### Part Four

### *Epilogue*

## 9. Epilogue

This has been a study of the role of neutral banks and corporations in Sweden and their support to German firms in cloaking their foreign interests in Allied countries. Most studies focussing on the economic dimension of World War ii neglect the role of neutral banks and companies, and questions about the exact role played by these neutrals are seldom touched upon.

In this study we have emphasized the part played by Swedish companies and industrialists in these complicated cloaking schemes, and have revealed the unique and important roles they performed. However, the Swedes were not the only neutrals to render services to the Reich and we have done little more than show the tip of an iceberg. Switzerland, in particular, but also Spain, Portugal and countries in South America were deeply involved in assisting the Nazi war-economy, and this study must therefore be considered only as a first and modest start into these neglected but important economic aspects of the Second World War.

One might be inclined to ask whether the outcome of the Second World War might have been different without this secret support? The answer is negative but, on the other hand, it undoubtedly facilitated the German war effort. Revenues and information generated by the cloaking activities of the neutrals were channelled to Germany where they were used for the war effort.

Swiss and Swedish banks and companies also played a role in buying up looted assets, diamonds, bonds and securities; the procurement of looted monetary gold, plus the "swap transactions" with gold-bars carried out the Swiss and Swedish National Banks, to a certain extent improved Germany's foreign exchange position. In this way currency became available with which vital raw materials could be purchased in order to enhance the overall war effort. Washington estimated that the Germans sold more than \$21 million worth of looted gold to Sweden alone, and for gold shipped to Switzerland the figure was 18 times higher (about \$378,000,000). These huge amounts show that the benefits of these neutral activities to Germany were far more than marginal.

Without the support of (in most cases neutral) cloaks these activities would have been more difficult to perform, although the exact extent of cloaking will probably never be known for various reasons, including the simple fact that many cases have simply never come to light. But what has been revealed is the secret role played by neutral banks and corporations during World War II. Again, Sweden in general and the Wallenberg family in particular only serve as an example, as a *pars pro toto*. Most of the industrialists we scrutinized enjoyed a fine reputation as hard-working people and were looked upon as pioneers of industrialization. This part of the story is certainly true, in particular with respect to the Wallenberg brothers and for these

merits they have been placed on a pedestal. But hardly anything was known about their dealings with Germany during World War II and it was, and is still, usually taken for granted that they supported the Allied cause.

We have shown that the Wallenbergs played an active part in various cloaking schemes to the advantage of Germany and also acted as receivers for German war loot. The reason why they finally severed their connections with Bosch and IG Farben in 1943 and 1944 respectively, was the fear that their activities for the benefit of German firms would be revealed, and that such a disclosure would be detrimental to post-war business. In addition, Wallenberg-related or Wallenberg-controlled companies were involved in producing war materials for the German armed forces. That the Wallenbergs and their colleagues in cloaking were not punished after the war is due to the fact that they enjoyed the protection of excellent connections at very high official levels in London and Washington. An additional factor was that lawsuits with regard to cloaking operations were judicially notoriously complicated cases because various nations with different law systems were often involved. This could lead to lengthy and expensive procedures for all parties and therefore often resulted in a compromise or "deal".

The incentives of various other businessmen and companies for cloaking activities do *grosso modo* not differ from those of the Wallenbergs. The case of SKF is a very special one because it showed the implications of secret arrangements. SKF Philadelphia did all it could to prevent deliveries to the US forces, while the plant in Sweden took care of deliveries of special types of roller- and ball-bearings to Germany. It is remarkable that some Swedish authors even today have tried to play down the importance of the SKF products for the German war effort. The prolonged and difficult negotiations between the Anglo-Americans and the Swedes in order to stop the deliveries to Germany prove the seriousness of the affair for the Allies.

This "playing down" probably has a lot to do with a collective Swedish guilt complex regarding World War II. German armed forces (more than two million) were transported through Sweden, the German Navy were able to operate in Swedish territorial waters, and the German Airforce were allowed to use Swedish airspace. And while communists were interned during the war, Nazi's, both foreign and domestic, were free to go.

The disappeared Raoul Wallenberg also has his very own place in that national guilt complex. He has come to symbolize Swedish efforts to save the Jews from the gas chambers, but the reality was that until the end of 1944 it was difficult for Jews (especially non-Scandinavian Jews) to enter Sweden. The Swedes avoided provoking Berlin at all costs for fear of occupation. Only in the case of Scandinavian Jews were exceptions made. For instance, when the German occupation forces in Denmark threatened to deport all Danish Jews in October 1942, Stockholm shifted to a more liberal stance and permitted almost all of them to be smuggled into Sweden.<sup>1</sup>

But it was not long before the looming Cold War overwhelmed this "trauma", at least temporarily. Germany became an ally of the West while the Soviet Union turned into the bully of the world. Western goods were no longer destined to reach Russia and it looked as if the Wallenberg group, with their octopus-like economic power, would be able to circumvent the official decision of the Swedish government not to take part in the US embargo policy. Their wartime activities for the benefit of the Germans had put the Wallenberg brothers into a position in which they were vulnerable to pressure from Washington.<sup>2</sup>

We want to conclude with some reflections of a more *speculative* character. While writing this book we constantly wondered whether the disappearance of Raoul Wallenberg in Budapest in 1945 had anything to do with the wartime and post-war behaviour of his uncles Jacob and Marcus? What motives induced the Soviets to arrest Raoul Wallenberg and to keep him imprisoned after the war. It is very unlikely that it had anything to do with his humanitarian work (he saved tens of thousands of Hungarian Jews) because the legations of Portugal, Spain, the Vatican and Switzerland were doing similar rescue work. Several diplomats from these legations were also arrested but were later released.

A more probable explanation might be the distrust of the Soviets towards the activities of Raoul Wallenberg. The Swede was paid for his work by the American War Refugee Board and his contact man in this organization was Ivar Olsen, financial attaché at the US Legation in Stockholm, who also worked for the OSS. Moscow knew that both American and British intelligence were active in establishing stay-behind networks of agents in Eastern Europe. Many of these operations were executed from Swedish territory from 1943 onwards. Moscow must have been informed of this by their agents in Sweden, and probably also by their highly-placed spies in Great Britain and the United States.

One might wonder if Raoul Wallenberg was involved in this operation. *Dagens Nyheter* and other newspapers have already pointed to the fact that much archival material in the United States and Great Britain is still withheld from the public. Documents which should be available for consultation under the "thirty year rule" have been withheld in the interests of the *National Security of the United States*. Our own research at the Public Records Office in London was also fruitless. Material on Raoul Wallenberg for 1957 and 1958 was retained by the Foreign Office and other papers about this case were withheld. What is there to hide?

In October 1989, members of the Swedish Wallenberg-committee were able to visit Moscow, thanks to Glasnost, to discuss the disappearance of Raoul Wallenberg. The only result was that the Soviets returned Raoul's diplomatic passport, some foreign currency and personal belongings, such as his agenda which he also used as his diary, property which the KGB claimed to have found by "pure accident" in their archives. It remained unclear why the Soviets had arrested Raoul and strangely enough the Swedish delegation did not ask about this. Apparently they were not interested, which is obviously rather odd because



such a question might have produced the key to the central question: why was Raoul kept imprisoned? The publication of Raoul's diary in the Swedish newspaper *Expressen* in the beginning of 1990 did not bring any profound changes in this respect.

A presumed connection with US intelligence explain his arrest, but is the behaviour of his uncles Jacob and Marcus during the war not an equal or even more obvious reason? Both brothers were very well-disposed towards some German firms and actively cooperated with them in the economic field, apart from which it was well known that the Wallenbergs were strongly anti-Soviet. They were for instance accused of financially backing the White Russian forces in the Ukraine after the October 1917 revolution.<sup>3</sup> There is also the fact that during the war both brothers closely identified themselves with the activities of the right-wing resistance in Germany, among them Goerdeler. They knew him and the other conspirators very well because of the financial transactions between Enskilda and German Bosch. The meetings often had two purposes: to arrange for cloaking arrangements, and to discuss the group's peace-proposals to London and Washington, proposals which often aimed for a separate peace with the Western Allies and a continuation of the war against the Soviets with Anglo-American assistance.<sup>4</sup>

Moscow must have learned about this from their spies in London and via the communist resistance in Germany. Sheer revenge by the Soviets in view of the active support of both brothers for the plans for an Anglo-American-German assault on the Soviet Union, as well as their cloaking activities for the benefit of the Nazi's, and a possible intelligence link might offer an explanation as to why Raoul Wallenberg was jailed. Several Soviet historians have frequently pointed to the role of the Wallenberg brothers during the war.<sup>5</sup> These factors might explain Raoul Wallenberg's arrest, but the sabotage of the Soviet-Swedish credit agreement could explain why he was never released.

Besides revenge another aspect also comes to the fore: did the Soviets in their turn pressurize or blackmail the Wallenberg brothers and warn them not to go too far in sabotaging the Credit and Trade Agreement? In other words: was Raoul kept hostage by Moscow? It is important to remember that from 1940 onwards Moscow had highly-placed spies in the higher echelons of the British Foreign Office: these included Anthony Blunt, Guy Burgess and Donald Maclean who in 1947/48 was working as First Secretary to the British Embassy in Washington. There was also Kim Philby, posted in Washington as British liaison officer with the CIA and FBI and later in charge of anti-Soviet operations. All of these Soviet agents held such important posts that they may well have been informed about the negotiations and could have known about a possible oral understanding between the Americans and the Wallenbergs.

With the anti-Credit Agreement campaign in Sweden by the press and businessmen, and with such excellent spies and informants at the right spot, it was no surprise that the Soviet newspaper *Literaturnaja Gazeta* published a story

in February 1948 that the Wallenberg group and *Dagens Nyheter* campaigned for the boycott of the Credit Agreement.<sup>6</sup> And information from Soviet spies abroad was frequently "leaked" to Soviet controlled press.<sup>7</sup>

John Costello's study gives additional support to the theory that many US officials who were closely involved in the Enskilda affair were probably working for the Soviets. Even the British ambassador in Washington in 1947-1948, Lord Inverchapel, appeared to be on the suspect list.

"New evidence has come to light, however, that suggests that Inverchapel's naive enthusiasm for the Soviet Union may have been more sinister than [...] the Foreign Office suspected."

But more names emerge from his study. For instance that of Lauchlin Currie of the Bureau of Economic Warfare who happened to be involved in unravelling the activities of the Wallenbergs both during and after the war. There are eight other US Treasury officials on this suspect list, among them Assistant Secretary of the Treasury, Harry Dexter White. Costello mentions more names of possible agents in either the Treasury or the Department of State who, because of their well-placed positions, could have known of the activities of and arrangements with the Wallenbergs.<sup>8</sup>

Because of the prevailing "*sheer wilderness of mirrors*" in the world of international spies it will always be difficult to ascertain how much damage these Soviet spies have caused. But from the spies who were forced to drop their "*mask of treachery*" we learn that many of them were close to the Enskilda affair and its aftermath. It is therefore reasonable to speculate that the Soviets retaliated for the sabotage of the Soviet-Swedish credit agreement.

We would not be surprised if both brothers knew about the possibility of Moscow's revenge. It is remarkable that they always kept silent about Raoul Wallenberg and it was only in 1981 that Marcus spoke in public for the first time spoke in public about his nephew. Why this low profile for more than 25 years, and why did the Raoul Wallenberg Committees all over the world always complain about the meagre financial support from the Wallenberg family? Why this reluctance to champion for the cause of their nephew in public?<sup>9</sup>

We probably will never know and can only establish that this reluctance was there from the very beginning. In 1947 Marcus Wallenberg turned down a proposition by President Harry Truman to help to find Raoul Wallenberg. Marcus was not interested and simply stated: "*He is probably dead by now.*"<sup>10</sup> Why did Marcus turn down this offer? Did he know that because of their activities it would probably be impossible to arrange for the release of their famous nephew? Similarly, the well-known Nazi hunter, Simon Wiesenthal, also a strange experience with the "chief of the House", as he calls Marcus Wallenberg. Apart from the fact that he accused the Swedish government of a sloppy attitude in all these years, the behaviour of Marcus also struck him as odd. Wiesenthal wanted

to establish an international Wallenberg committee in Paris. He had for that reason approached many prominent people and convinced them of the necessity of their joining the committee. He approached Marcus Wallenberg and told him that such a committee at least needed a small office and administrative support. Was Wallenberg willing to finance a modest office and a secretary? Marcus said he was interested and asked for a detailed proposal which Wiesenthal sent to him. He never received a reply from Wallenberg. He tried again in 1981 but again to no avail. Wiesenthal is puzzled by this peculiar behaviour and the reluctance by the Wallenbergs to aid their nephew.

The reaction of the Swedish Raoul Wallenberg Committee to our hypothesis was quite remarkable. Every theory about Raoul's disappearance was open for discussion in all those years except one: ours. When interviewed by a Dutch journalist at the end of 1989, the spokeswoman of the committee stated that she absolutely refused to discuss it and did not want to waste one single word on "tendentious Dutch theories".<sup>11</sup>

The Soviet motive for the arrest of Raoul Wallenberg remained a complete mystery even at the end of 1990. An international fact-finding mission which visited Moscow in the middle of 1990 was also unable to produce any new results. They discovered that Raoul Wallenberg never left the KGB prison Loebjanka in Moscow and that all reports that he was seen by other prisoners in the Wladimir prison were false. But again, no questions were asked by the members of the international delegation about the possible Soviet motives for Raoul's arrest.<sup>12</sup>

For this reason we decided to approach the KGB with the compelling question of whether or not there was a link between the imprisonment of Raoul Wallenberg and the sabotage of the Swedish Credit to Moscow. After a long period we received a reply from the KGB that Wallenberg "*fell victim to unlawful acts during the Stalinist times*". An investigation of the true reasons for his arrest and detention in prison by the KGB had resulted in nothing. All documents – according to the KGB – were probably destroyed and it was therefore not possible to give a concrete answer to our questions. A somewhat puzzling reply because if all relevant papers were destroyed, how was it then possible to locate the personal belongings of Raoul Wallenberg in the KGB archives? Pure luck can be ruled out; so it is obvious that there are still some documents in existence.<sup>13</sup>

Another gleam of hope dawned on the horizon when the Soviet defector Oleg Gordievsky, who had worked for British intelligence for 11 years since 1974, decided to set down his recollections in collaboration with Christopher Andrew. He stated that the Soviets had tried to recruit Raoul Wallenberg as an agent, but that when this attempt failed they executed the Swedish diplomat, no later than 1947. Intrigued as to whether Gordievsky could fill in some additional gaps, we approached him with the question of whether or not there was a link. However, while waiting for his reply we learned from press-reports that Gordievsky had

## Epilogue

admitted that he himself had never consulted the Wallenberg file at KGB headquarters. His 'revelations' about Wallenberg were based on nothing more than vague rumours overheard in the KGB canteen, and consequently the answer which we received was quite unsatisfactory.<sup>14</sup>

We must therefore conclude that only true Glasnost in *East and West* can solve the Raoul Wallenberg mystery, because the real reasons behind his arrest and detention are stored in Moscow, Washington and London in the still-secret archives of the KGB, the CIA and MI-6.

This book examines the role of banks and financial institutions in neutral nations in the 1930s and 1940s. It focuses on the activities of Stockholm's Enskilda Bank and its affiliated corporations, owned by the still very powerful Wallenberg family.

After ten years of exhaustive research in 28 major archives throughout Europe and America, the authors discovered that firms located in 'neutral' Sweden supported the Nazis' financial and industrial leadership. The case of Sweden and especially Enskilda proved to be particularly interesting: Enskilda acted as a cloak for the Nazi regime and helped important German corporations like Bosch, IG Farben and Krupp to hide their foreign subsidiaries in order to avoid confiscation by the Allied governments. Moreover, Enskilda – like Swiss banks – had been eager to buy assets, bonds and securities looted by the Nazis in occupied Europe. Finally, incriminating documents were found which revealed the role of the world's largest ball-bearing producer, Svenska Kullager Fabriken (SKF) in supplying the Nazi regime with ball bearings vital to the German war effort.

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