

Former Arms Empire Bans Removed Today

By ZANDER HOLLANDER and ARTHUR HIGBEE

Two decades ago, military weapons and machines manufactured by dynastic industrial complexes of Germany and Japan were raining death and destruction on Allied soldiers on the continent of Europe and the islands of the Pacific.

But hardly had the last shots of World War II been fired before occupation forces began dismembering the ordnance-making industries of the defeated nations. The intent was clear: to prevent the giants of industry—like Krupp in Germany and Mitsubishi in Japan—from again forging the hardware that makes modern warfare possible.

The course of history, however, is often a strange and winding path. In 20 years, both West Germany and Japan again are mighty industrial nations and both are politically allied with former enemies—the United States and the Free World—in the global economic struggle between the Democratic West and the Communist East.

Where it was sound politics and economics to sever the sinews of the Krupp and Mitsubishi empires in 1945, such a course is questionable in the light of today's world conditions.

Restrictions Off
Today, most of the immediate post-war restrictions placed on Krupp and Mitsubishi have been lifted or held in suspension. The two old and formidable industries are reuniting their dismembered parts and expanding into new products and new markets throughout the trade-conscious world.

There is an up-to-the-minute look into the new faces of Krupp and Mitsubishi by United Press International correspondents based in Germany and Japan.

Krupp Story
Hitler's thousand-year Reich was dying that morning in 1945 when American GIs leaped up to a plush villa outside the German industrial capital of Essen, brushed past a butler in knee britches and arrested Alfred Krupp Von Bohlen und Halbach, sole owner of the vast Krupp industrial empire.

The Krupp combine had forged the steel sinews of three great German war machines but in the spring of 1945 it was an empire in ruins. On the night of March 11, 1,000 Royal Air Force bombers pounded the major Krupp factories into gashily twisted rubble. What was left was dismantled and shipped to Russia and Yugoslavia as war reparations.

And Krupp and a score of directors were sent to prison for 12 years by an American War Crimes tribunal for using slave labor and other crimes. The Krupp empire seemed destined never to rise again.

Germany. His firm, Friedrich Krupp of Essen, and its subsidiaries produce at least 3,500 products—among them locomotives, nylon fiber, construction machinery, hospital and dental equipment, tankers and river boats, diesel motors, myriad iron and steel products, heavy duty trucks, industrial magnets, coal, cranes, bridges, copper plumbing, ovens, screws, welding torch electrodes and synthetics. In addition Krupp owns an ocean freight company and a river shipping firm and has a controlling interest in two aircraft manufacturing companies—Weser Flugzeugbau of Bremen and Flugzeugbau Nord of Hamburg.

Krupp's holdings are divided into 21 divisions employing 110,000 persons, 45,000 of them at the parent plant in Essen. In 1962, Krupp sales totalled 5.12 billion deutschmarks (\$1.23 billion).

No Outside Holdings
There are no outside stock holdings. When Krupp wishes to expand in a new direction he goes to a bank and obtains a few million marks as a personal loan. Krupp is secretive about the firm's annual profit.

Fortune Magazine rates the Krupp combine the eighth largest in Europe, behind Unilever, Siemens, Philips, Royal Dutch Shell, Hawker Siddeley, AEG (West German General Electric) and Fiat. Krupp itself contends it is the twelfth largest in terms of gross turnover.

Krupp's wheeling and dealing goes on apparently unrestrained by the Allied sell order hanging over his head.

The Krupp enterprise was founded in 1811 by Essen Grocer Friedrich Krupp when Napoleon's blockade kept Europe from buying British steel.

The firm nearly went bankrupt before Krupp's son Alfred took over at the age of 14. He stumped Germany as his own traveling salesman and revived the tottering fortunes by inventing a seamless railroad wheel and graduated to industrial giant by turning out cannon for the German armies in the Franco-Prussian war of 1870-1871.

Enters Shipbuilding
Alfred's son Friedrich Alfred Krupp expanded into shipbuilding, helped develop the diesel engine and built the Rheinhausen Steel Works whose ovens spewed out the steel for Kaiser Wilhelm's World War I armies.

When Friedrich died, his oldest daughter Bertha, namesake of the "Big Bertha" cannon that shelled Paris in 1914, assumed control of the firm. Friedrich had no sons. But Bertha married a young nobleman-diplomat, Gustav Von Bohlen und Halbach, who took charge of the empire. The Kaiser decreed he should insert Krupp in his name.

Gustav ruled Krupp during World War I and supported right wing politicians during the Weimar Republic. He was not regarded as a Hitler supporter at first, but the Krupp factories became the arsenal of the Wehrmacht, turning out "Big Gustav" cannon, Tiger tanks and other land and naval armaments.

Alfred Von Bohlen und Halbach, eldest son of Gustav and Bertha, acquired the Krupp name and scepter in 1943 when his father suffered a stroke.

It has been whispered that a "gentlemen's agreement" among world industrialists prevents an empire-wrecking offer to buy out Krupp. While breaking up Krupp appeared to be good politics and passable economics in immediate post-war Europe, some observers say, it is bad politics and even worse economics in the light of the Atlantic economic community in which Krupp is just one of many giants.

Yet the allies are unwilling to lift the sale order entirely and some believe the threat of its enforcement helps confirm Krupp's post-war pledge never again to produce arms.

Alfred Krupp, 55, a shy, austere, chain-smoker, rules the Krupp empire from on high. His day-to-day management is entrusted to Berthold Beitz, 49, Krupp general manager, whose authority is virtually total.

Beitz, suave, handsome, gregarious and rather un-Germanic, rules Krupp with such drive and efficiency some colleagues call him "Der Amerikaner." Largely as a result of Beitz'

negotiations, West Germany is opening a trade mission with embassy status in Warsaw, Poland, and talks are underway with Hungary and Romania.

Will the sell order hanging over the Krupp empire ever be enforced?

Perhaps Ludwig Erhard, West German economics minister and designated to succeed Konrad Adenauer as chancellor, gave the answer when he spoke at Krupp's 150th anniversary observance in 1961.

The post-war order, Erhard said, "is an anachronism which must be eliminated. There is no room today for a spirit of reprisal, revenge or humiliation."

Mitsubishi Report
For the past 10 years, one of the staples of the Japanese business press has been feature articles entitled "Are the Zaibatsu Coming Back?"

The Zaibatsu are the big business combines which dominated Japanese industry before World War II. The word literally means "money clique" or "the big money."

As to whether they are coming back, the answer is yes. It is doubtful if the big combines ever will return to their commanding position of pre-war days when they controlled 70 per cent of Japan's industry. Both Japan and the world have changed too much for that.

But big business swings plenty of weight in Japan today and it is concentrating that weight in order to compete better in the richer and rougher world market.

The latest manifestation is the recently announced merger plan for the three Mitsubishi companies which build ships and manufacture machine tools.

The three firms, which retained the name of the industrial complex broken up by allied occupation authorities after the war, together do 30 per cent of the shipbuilding in Japan—the world's leading shipbuilding nation. They own 50 per cent of Japan's shipyard capacity.

The companies today are called Mitsubishi Heavy Industries, reorganized (that is, broken up by occupation authorities), Mitsubishi Shipbuilding and Engineering Co. and Mitsubishi Nippon Heavy Industries.

The name of the merged company will be Mitsubishi Heavy Industries—precisely the name of the pre-war firm which made much of Japan's military hardware.

It will be the third largest company in Japan—after Hitachi Electric and Machine Products and Toshiba Electric. Mitsubishi's three constituent firms had 76,505 employees in 1962 and made \$46 million in profits on \$750 million sales.

If Mitsubishi Electric also joins the proposed combine, as expected, it will be the biggest single manufacturer in Japan. The merger plan is highly complicated but is expected to be accomplished by the spring of 1965 at the latest.

The three machinery companies and the electric firm are, in turn, only part of a larger group of two dozen companies, still most bearing the name Mitsubishi and descendant of the pre-war Mitsubishi Zaibatsu.

The three Mitsubishi companies which plan to merge are headed by three salaried managers who are relatively unknown—far less prominent than a number of big Japanese bankers, for instance. Banks play a dominant role in industry because the capital struc-

ture of Japanese companies consists mainly of bank loans. Live Simply
Japan's big executives do not go in for conspicuous living. No yachts, big parties or show-place dwellings. The ideals of the Japanese family life are simplicity and austerity, quiet and privacy, although it can be said it takes a substantial income to achieve much of the latter two.

The Zaibatsu, like Mitsubishi, still overshadow individuals like Matsushita and Honda and aggressive new companies like Sony Electronics and Canon Camera.

Of the Zaibatus, Mitsubishi still has the most cohesiveness, the most esprit de corps, the greatest "organization man" philosophy.

This would put the entire Mitsubishi combine, if it were completely reunited, at about fifth place in the money rankings of American firms, although far behind General Motors which had 600,000 employees, profits of \$1.5 billion on sales of nearly \$15 billion last year.

Last year, they had more than 242,000 employees and earned profits in excess of \$172 million sales of \$4.8 billion.

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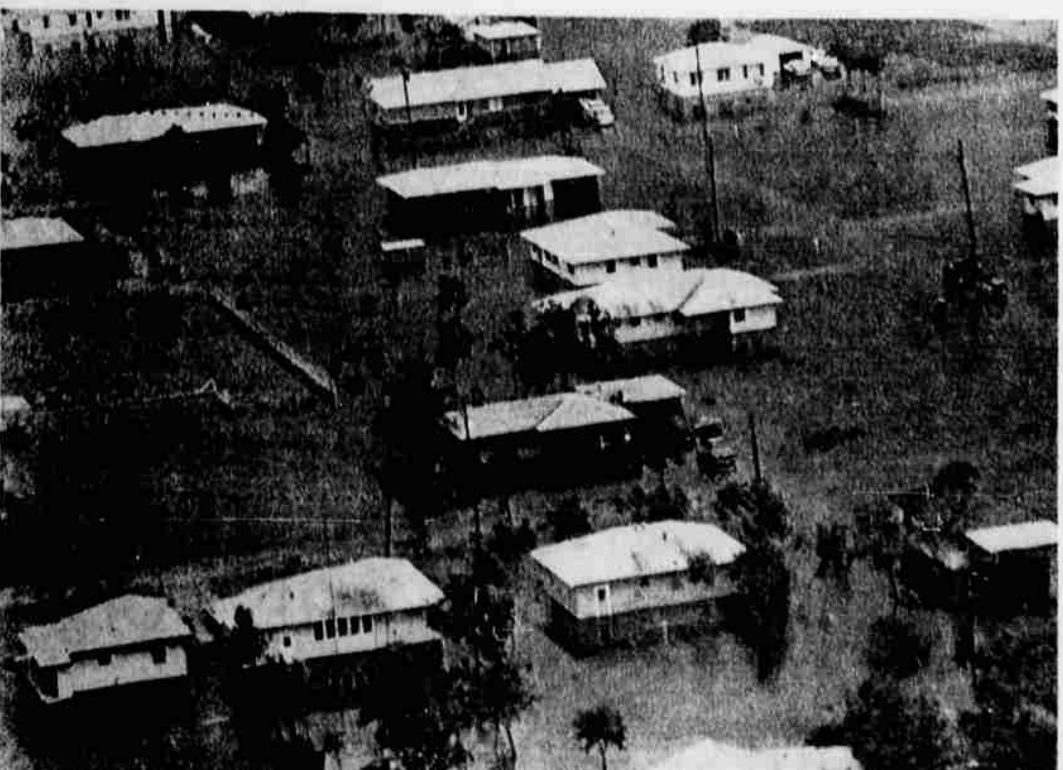
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FLAGS PRESENTED—Flags of the Latin American republics and Spain were presented to Elbert Covell College, first Spanish-speaking liberal arts college in North America, which opened this month at the University of the Pacific, Stockton, Calif. G. Donance-Heath, right, president of the Pan American Society, makes a symbolic presentation of the flags to Dr. Robert Burns, left, UOP president. The actual flags were too large to spread out for the photo. (UPI)



FLOODED BY HURRICANE — Port Acres, a suburb of Port Arthur, Texas, shows the extent of flooding from heavy rains following Hurricane Cindy. Some 200 families of the area were evacuated by mobilized units of the Texas National Guard. (UPI)