A “German” Firm in France,  
AIAG during World War One

Introduction

When discussing the subject of World War One, the notion of global war often comes to mind, as the scope of the conflict was also economical. As a neutral country, Switzerland applied the neutrality concept to its commercial relationships. Among other things this allowed the Swiss firms to keep trading with the belligerents of both of camps, unless one of the latter objected on the grounds of strategic reasons.

That’s what happened to the Swiss firm Aluminium Industry Aktien Gesellschaft (AIAG), a pioneer in aluminium products. Indeed AIAG imported most of its raw material (bauxite) from mines located in the south of France; once transformed into aluminium in AIAG’s Swiss factories, the final product was then sold to Germany. The legal measure taken by the French authorities in order to weaken the enemy’s position and to strengthen their own disrupted deeply and durably the activities of AIAG.

The war was a fully new context. The suddenness of the conflict forced the French authorities to devise case by case the protective measures against all economic activities, whether it be with the German Empire, Austria-Hungary, neutral or other countries. France took two kinds of measures in relation to economic activities against her own interests: a freeze on exports and imports and sequestration. The decree of September 27th 1914 forbade the trade with the enemy. In relation to aluminium industry the first decree concerned exclusively a freeze on French aluminium exports to Switzerland so as to undermine any German commercial networks from importing directly or indirectly French bauxite and alumina. In October 1914, France then decided to prohibit all exports of bauxite and alumina from her soil.

The French authorities put systematically the enemy interests under sequestration. On October the 13 seizure of enemy goods was ordered by ministerial circular. In the first phase this
decision affected companies working in trade, industry or agriculture and belonging to enemies of France. In the second phase the sequester is extended to the goods of the people.

Sequestration rules are quite clear. But their application is incumbent upon courts, whose decisions were sometimes far from the law. In case of Swiss company mixing enemy and Swiss shares and if the Swiss government confirmed the nationality of the company, only the enemy shares had to be sequestered. So was the AIAG, however courts sequestered all the AIAG’s interests in France, that’s to say its two subsidiary companies, the Société des bauxites de France and the Société française pour l’industrie de l’aluminium. The purpose of this study is the origin of this contradiction. In relation to AIAG, did the necessities of the state defense justify the overwhelming of the rules. Or was the case influenced by other interests, those of AIAG’s French competitor.

The situation having an international scale, it seems important to consider the role of the Swiss and French governments also. Moreover we will follow AIAG during all the First World War to see what happened at the end of the war and beyond, when the enemy interests are supposed to be liquidate. This presentation has two parts, the first one is the beginning of the war, that’s to say the freeze on exports and and the putting under sequestration. The second part concern the end of the war, it means from the raising of the sequestration to the moment when the situation of AIAG is back to normal again.

**The beginning of the war : 1914-1915**

In October 1914, the prefect of Marseille convinced of the fact that AIAG had exported aluminium from France to Switzerland after the beginning of the war applied to the relevant authority to let them freeze the export of aluminium. The prefect did it after having discussed with both French government and French aluminium industry in order to prevent aluminium from indirectly reaching Germany. In fact the real size of the question is much bigger. French industrialists and government and their British counterparts wanted to take over AIAG and then corner their markets. The French government gave up the project because it was not efficient enough to either cut Germany from aluminium imports or give the leadership to French aluminium industry.  

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AIAG refuted having exported aluminium. The company didn’t produce aluminium in France, so she had no aluminium to export. But this serious accusation drove AIAG to contact the Swiss Foreign Office to explain that although the freeze on aluminium exports was of no consequence, it was an ominous sign.²

The freeze on bauxite and alumina exports are much more worrying, because without raw material the aluminium factory in Switzerland is no longer able to continue producing. AIAG informed the Swiss Foreign Office of the problem. She underscored the importance of that factory in terms of wages, investments and other spending for benefit of the Swiss economy.³ Consequently, on request of AIAG, the Swiss authorities gave diplomacy the responsibility of obtaining from French government a special authorization for exporting alumina.⁴

The diplomatic steps had no chance to be efficient. France being convinced that the French companies were the only bauxite supplier of AIAG couldn’t grant the special authorization. But France didn’t take into consideration the Central States capacity to supply AIAG with lower quality Hungarian bauxite.⁵

The Swiss Foreign Office stood up for AIAG against the French authorities in order to enable the economic activities of Swiss companies to continue. So did they throughout the war. However it is interesting to notice that the Swiss ambassador to France, Carl Lardy, was reluctant. He wondered about the German influence on AIAG and the Swiss government explained to him how the company was important to Switzerland.

A preliminary investigation revealed that AIAG was a German company. Based on these findings, French prosecutors could on October 26 and 28, 1914 present requests for sequestration of its subsidiary companies. The investigation of Société des bauxites de France had come to many findings. Firstly nine German, one Austrian and five Swiss were on the board of administrators of AIAG. Secondly 80% of the share capital of Société des bauxites de France was owned by AIAG. Thirdly French bauxite was raw material for German war industry. Fourthly the registered office of AIAG was in Berlin. Moreover rumour had it that

² AF, E 2001 (B) -/1, vol. 71, dossier, B.51.323.F.2.2.
³ AF, E 2001 (B) -/1, vol. 71, dossier, B.51.323.F.2.2.
⁴ AF, E 2001 (B) -/1, vol. 71, dossier, B.51.323.F.2.2.
⁵ LUCIRI Pierre, Le prix de la neutralité, Genève, 1976, p.34.
AIAG was the German firm Krupp’s main supplier. The investigation on SFIA had come to similar findings. Firstly before the war six German, one Austrian and six Swiss were on the board of administrators of AIAG. Secondly SFIA was dependent on AIAG. Thirdly the part of the share capital of AIAG belonging to German was difficult to estimate. Courts having decided that AIAG was Swiss in theory, but German in fact, on January 11 and 18, 1915 Société des bauxites de France and SFIA were sequestered. The judge remarked that a decree of September 27, 1914 could have been a legal basis to dissolve the companies.

As long as AIAG wasn’t recognised as a Swiss company, its bauxite exploitation contract could be breached. Then it appealed against the judgement. As the real problem was the control of the company, the main point of its strategy was the reorganization of the board of administrators. On February 27, 1915 the general meeting of AIAG decided that from then on the majority of board of administrators members had to be Swiss people. In concrete terms after this meeting 9 Swiss and six German were on the board of administrators.6

Gustave-Louis Naville, vice-chairman of AIAG wanted Lardy to take the necessary steps to let the public prosecutor’s department know that AIAG is really a Swiss company. This fact was energetically confirmed by the Swiss Foreign Office. Naville underscored the political stake, the Swiss government’s credibility with France. AIAG had four arguments. Firstly the majority of the share capital belonged to Swiss. Secondly there was a reorganization of the board of administrators, giving the majority to Swiss. Thirdly the directors are Swiss. Fourthly there was large investments in Switzerland. Moreover AIAG was an international company whose origin was Switzerland. And last, because of freeze on exports, sequestration was useless.7

Lardy forwarded Naville’s arguments and his own letter to the French Foreign Office. Lardy stressed that the Swiss government was the only relevant authority to give a ruling on Swiss nationality. According to international agreement of 1869, Swiss had to be treated as Swiss. Aware that French government had no ascendancy over courts, Lardy added that the Swiss government would regret the sequestration to be maintained.

6 AF, E 2001 (B) -/1, vol. 71, dossier, B.51.323.F.2.2.
7 Idem
In spite of the Swiss Embassy’s intervention on behalf of AIAG, the court of appeals confirmed the sequester on May 19, 1915. The court assented to the Swiss nationality, however it considered the reorganization of the board of administrators as a tactic. From then on the main point was no longer nationality, but the control of the company. The court took some arguments into consideration: Since the beginning of the war AIAG had exported four hundred metric tons from France to Switzerland, had traded with the enemy, had invested a lot of money in Germany and the part of the share capital of AIAG belonging to German was difficult to estimate.

AIAG was glad about the recognition of the Swiss nationality, but refuted illegal trade. AIAG wondered about appealing against this last decision. Fearing the Swiss nationality being called into question the Swiss Foreign Office advised AIAG against appealing. Lardy was also glad about the decision, especially because of the French hostile context. Moreover he thought thanks to the Swiss nationality everything would be back to normal again after the war.

The main competitor of AIAG was the French company Compagnie des produits chimiques d’Alais et de la Camargue. CPCAC’s first goal was the dismantling of AIAG. This having failed, CPCAC tried to take control of bauxitefield and aluminafactory belonging to Société des bauxites de France and to Société française pour l’industrie de l’aluminium respectively. For that reason the public opinion had to be convinced by a publicity campaign that AIAG was a German firm. AIAG was able to stop the publication of libellous articles.

The French industrialists didn’t request the sequestration, but they gave information about German aspects of AIAG to the French authorities. In December 1914, CPCAC feared the sequestration and the freeze on exports to be lifted. Doubtful of the clear-sightedness of the French authorities, CPCAC suggested the Comité des Forges should keep trying to have AIAG sequestered. It is useful to explain French supply system. The Comité des Forges, a private corporate body, had a lot of influence with the state. For the war time indeed he was in charge of the organisation and the centralisation of French metal supply. Since summer 1915, Aluminium Français, the French aluminium cartel had been entrusted with both aluminium...
production and marketing. CPCAC was a member of *Aluminium Français*. *Aluminium Français* helped the French authorities as they had to take a decision about the appeal.\(^\text{10}\)

In this period French authorities agreed with French industrialists on the fact that Germany had to be cut off from French bauxite. But till the end of 1915 alumina supply was not a French government priority. It forced CPCAC to produce strategic chemicals instead of aluminium. This activity was also profitable for CPCAC. Russia needing aluminium, CPCAC had to increase the production. It wasn’t possible because some factory produced chemicals and two factories, *Ménesis* and *Selzaète* were occupied by German troops. *Aluminium Français* wanted to rent a factory of SFIA, *Saint-Louis-les-Aygalades*, where alumina was produced. The French authorities requisitioned the factory, but as aluminium wasn’t yet a priority, CPCAC had to produce chemicals. In September 1915 the French authorities changed their mind. From then on aluminium industry was a national priority, so that CPCAC was allowed to produce alumina in *Saint-Louis-les-Aygalades*. State defense and industrial interests were then similar.

**The end of the war and the post-war years 1916 – 1921**

Having heard of the starting up again of *Saint-Louis-les-Aygalades* AIAG wanted to control the factory again and to sell aluminium made in Switzerland with French bauxite to France. In March 1916 AIAG addressed a first report to the French embassy in Switzerland. It reasserted that AIAG was a Swiss company and deplored that it had the reputation of being German. It was also written that AIAG could sell aluminium to France. This attempt was not effective.

On November 29, 1916 the lawyer of AIAG met a diplomat of the French Embassy to Switzerland. The diplomat told the lawyer that AIAG had three enemies within French government. The first one was the Minister of War, because all the Swiss aluminium was sold to Germany. The second one was the Minister of Justice, because the sequester was legal and hadn’t been lifted. The third one, Minister of Powder couldn’t forgive AIAG for exporting nitric acid to Germany instead of France. The Minister of Powder refuted the explanation of

\(^{10}\) AP 00-12-20014, dossier 1904 – 1922 Neuhausen, Saint-Louis-des-Aygalades et Mines.
the Swiss Foreign Office, which requisitioned the nitric acid and transferred it to Germany within the framework of counterbalancing transaction.  

On December 1916 a second report was addressed to the French diplomacy. It contained a letter explaining that AIAG was willing to sell aluminium to France and document written by the Swiss Foreign Office explained that AIAG hadn’t done anything wrong with the nitric acid. This was also not effective. It is not surprising, France had no interest in agreeing with Switzerland while the French aluminium industry was able to produce enough aluminium.

From December 1918 to September 1919 Aluminium Français, British and American producers of aluminium planned to bring the Swiss aluminium factories under Allied control whereas French and British governments tried to make the German interests be withdrawn from AIAG. To achieve one’s ends Barut, a French businessman, having a good reputation in Switzerland met Naville, the vice-chairman of AIAG known for is pro-Allied sympathy. Barut had to convince Naville, that he should contribute to removing the Germans from AIAG. The project fell through because Germany had its own aluminium industry by then and AIAG became less important.

CPCAC gave up the plan for AIAG control. But the employee of the French Foreign Office in charge of German companies in France having told CPCAC that the subsidiary companies of AIAG would have to become much more French, CPCAC attempted to take control of both of them.

On November 26, 1918 the Comite des Forges informed CPCAC of the consequence of the end of the war, namely the necessity to end the running of Saint-Louis-les-Aygalades on May 11, 1919. Should this have posed a problem, then CPCAC could explain it to the Comité des Forges and could have proposed a solution. In the interest of France, CPCAC wanted to continue with the running of Saint-Louis-les-Aygalades in order to compensate for the two occupied factories, Ménnessis and Selzaëte. In July 1919 the Minister of Industrial Reconstruction extended the running contract for 2 and a half years from the end of the war. For that reason the state had to keep the subsidiary companies of AIAG under control. Then

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11 AF, E 2001 (B) -/1, vol. 71, dossier, B.51.323.F.2.2.
12 AP, 001-0-11335
13 Idem..
14 Idem.
the minister of Industrial Reconstruction put a lot into the liquidation of SFIA and Société des bauxites de France. CPCAC was asked to give information on AIAG. CPCAC had the same interests as the Minister of Industrial Reconstruction and the Finance Minister, who wanted to have security against Germany.

During the war the global situation of AIAG had changed, so as that after the war the company had a raw material supply problem. The German government was for national aluminium industry creation. There was unrest in the new Hungrarian Républic and the country had to stop the bauxite exports. And lastly Martinswerk, a alumina factory in Germany owned by AIAG was occupied by the Allies and because there was a doubt that AIAG was Swiss, there was a freeze on alumina exports to Switzerland. For all these reasons, the fate of both SFAI and Société des bauxites de France became crucial.

In February AIAG wanted the Swiss Foreign Office to find out about the situation of Saint-Louis-les-Aygalades, especially when the sequestration would be lifted. The main problem was the rumour that AIAG was a German company. Should AIAG be put in the category of German company, it could be a security of France against Germany. To put a stop to rumour, the lawyer of AIAG requested the lift of both sequestration an requisition and asked for compensation.

The situation was not so bad as French government made possible negotiation between CPCAC and AIAG. But AIAG wanted the negotiation to stay on a diplomatic level. On June 18, 1919 AIAG began negotiations with the French Embassy in Switzerland. France demanded that all German leave the board of Administrators of AIAG and wanted to be sure that Swiss shareholders held a majority of AIAG share capital. The judges being the relevant authority to decide about the sequestration, French government couldn’t give its word. AIAG answered that the German shareholder owned 15% of the share capital. Moreover the German accepted to leave the board of administrators. Finally AIAG agreed to withdraw German interests from its French subsidiary companies. It was an important sacrifice, because AIAG couldn’t get compensation from the Swiss government. French Foreign Office was

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15 AP, 00-12-20014  
16 AF, E 2001 (B) -/1, vol. 71, dossier, B.51.323.F.2.2.  
17 AF, E 2200.41 (-) -/1, vol. 1555, dossier 1019
satisfied, but neither the Minister of Justice, nor the Minister of Industrial Reconstruction were.

The Swiss Foreign Office forwarded to French courts a file about AIAG. The sequestration wasn’t lifted because of the German shares in the share capital and because of the German members of the board of administrators. The court explained that the verdict was in accordance with article 297 of Traité de Versailles, so there would be a liquidation. Nevertheless, should AIAG be conciliatory, then the French Foreign Office could be willing to influence the Minister of Justice to avoid the liquidation of SFIA and Société des bauxites de France. Whereas the Swiss Foreign Office thought that France had no rights to sequester a Swiss company just because of German interests within it, it advised AIAG to reconcile.

But the Traité de Versailles distinguished between the German companies and the mixed companies. And in the case of a mixed company, the French government had the right to sequester or liquidate the German parts. Based on that, the Swiss Ambassador to France advised AIAG to organize by itself that the German be withdrawn form AIAG share capital. So AIAG could avoid putting the German shares up for auction. The Lawyer of AIAG answered that it was difficult to estimate the share owned by German shareholders, but he would try to solve the problem according to law.

In July 1919, the board of administrators of AIAG thought over the withdrawal of its German members. It took effect from the end of September 1919. From then on AIAG had to be Swiss, and the subsidiary companies in other countries had to be a mix of both Swiss and local interests. So they could be supported by local important persons.\(^{18}\)

On October 23, 1919 the French law on liquidation of sequestered goods came into force. A commission had to come to a decision on each case. The French Foreign Office let Switzerland know that he was in favour of the liquidation of the German parts in the subsidiary Company of AIAG, whereas the commission wanted the liquidation of the subsidiary companies. In order to avoid that, the French Foreign Office advised AIAG firstly to give the German interest in its subsidiary companies to a French company, which then would compensate the French state. Secondly French people should join the board of

\(^{18}\) Board of administrators session 07.08.1919, minutes
administrators of AIAG. AIAG accepted to part with the German interest in the subsidiary company, but refused German parts of the subsidiary companies to be sold to CPCAC and refused French people joining its own board of administrators.

In September 1919 the Commission decided the liquidation of the German parts in the subsidiary companies. The reference date was August 1, 1914. The proportion of German parts had to be settled. After negotiation, parties agreed with 28%.19

On July 17, 1920 AIAG gave the German parts to the French authorities. Events followed on from each other. In August 1920 the sequestration was lifted and in November the requisitioning. But on November 11, under contract to the French government for two and a half years as from the end of the war, CPCAC appealed against both decisions. As the French government had no more rights over the subsidiary companies, the contract was at the expiry date de facto. In March 1921 Frenchmen bought out shares of the subsidiary companies for AIAG. On June 29, 1921 CPCAC handed over the control of the subsidiary companies to the French government. Because of the legal dispute with CPCAC, AIAG took possession of its subsidiary companies only in April 1922. In the meantime CPCAC would run the subsidiary companies until it could the run the factories of Menesis and Selzaëte again. As well as the action against the French state, CPCAC influenced the public opinion to put pressure on the French authorities to forbid bauxite deposite being entrusted to foreign companies.20

After the war, both Switzerland and France desired good diplomatic relations. This underscores the importance of such a context in the resolution of the conflict. However, French domestic affairs may have had something to do with that. French aluminium industry was criticized for having sold aluminium to Metallgesellschaft, an important German company, cheaper than to the French market. In 1919 a parliamentary commission was investigating this fact going back before the beginning of the war. AIAG hadn’t sold aluminium to Metallgesellschaft.

20 AP, 001-0-11335
Conclusion

For AIAG, the First World War would have lasted eight years, from 1914 to 1922, during which it couldn’t run its two French subsidiary companies. Our purpose was to find out the reason why a Swiss company was treated like an enemy though it was a neutral company. It appears clearly that State defense was not the only argument.

We think that three other elements should be considered. The first one is the strategy of reorganizing the aluminium industry both on national and international level. The second one is the importance of the delegation of powers from French government to private bodies, as it happens in national supply and especially supply of war material. So it was an atmosphere conducive to the French competitor of AIAG. The third element is the powerlessness of AIAG, the Swiss Foreign Office and the Swiss government, whose only means of putting pressure on the French authorities was their claim for neutrality and to be treated as neutral. The turning point was the end of the war, when the situation got back to normal. The neutrality had to be fully applied and observed. From then on, the French government couldn’t continue favouring the French aluminium industry as he did during the war.

Neutrality gives the advantage of not being part of a conflict, but it doesn’t prevent being treated like an enemy. And the end of a war is not the end of the problem between AIAG and France. After many years and only after having transformed the board of administrators and liquidated German interests could AIAG get the full possession of its goods back again. This opens up the discussion about international courts. The International Court of Arbitration of The Hague founded in 1899 and the International Court of Justice, came from the Society of Nations in 1922 could have decided on such a case, but the parties had to ask for arbitration.
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**LAW ASPECTS**


**DIPLOMATIC ASPECTS**


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