

# The International Asbestos Cartel

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### Abstract

*The story began in 1900 when Hatschek, an Austrian entrepreneur, developed a technique for the manufacture of asbestos cement, which he called 'Eternit'. Within three years, to be precise in 1903, he had sold the patent on Eternit to companies in countries such as France, Italy and Switzerland. Many companies in many other countries were soon to follow. By 1950, over 200 asbestos cement factories across the world were producing asbestos cement according to the Hatschek principle.*

*In 1920, a Swiss entrepreneur, called Ernst Schmidheiny, took over the Swiss Eternit factory. Schmidheiny, who was already actively involved in the Swiss cement industry, extended his work sphere to the Belgian cement industry and entered into cooperation with the Eternit factory owned by the Belgian Emsems family.*

*It was in 1928 that Schmidheiny founded the German Eternit Company in partnership with other European Eternit companies and the American Johns-Manville company. One year after that, he set up the International Asbestos cement company "SAIAC". The aims of these cooperating asbestos cement companies from all over the world were spread out over a vast spectrum of activities: they interchanged experiences and ideas for propaganda, exchanged patents and jointly purchased raw materials. In addition, SAIAC engaged in the exchange of technical knowledge, in shared research, the establishment of new companies in the so-called 'neutral countries', the organisation of export and in reciprocally assuring that raw materials were available. Moreover, those companies involved with SAIAC entered into price and market agreements. In addition to the European Eternit companies, the English asbestos companies Turner & Newall and Cape and the American Johns-Manville company also acceded to SAIAC. In their 1929 annual report, Turner & Newall approvingly referred to SAIAC as "the miniature League of Nations".*

*In 1969 the Belgian Eternit Company, in cooperation with Johns-Manville and Turner & Newall, founded a new enterprise called TEAM in Luxembourg. Its objective was "to coordinate new asbestos cement companies across the entire globe". TEAM got involved in, to name but a few, Pakistan, Indonesia, Japan, China, Nigeria and Senegal. At first, the Belgian Eternit Company possessed only 8 % percent of the shares in the Luxembourg-based company, but this percentage kept increasing right until 1989, by which time the Belgian Eternit Company held 86 % of the shares. It was also in 1989 that the Belgian Eternit Company bought 50 % of the shares in Everest Industry Ltd. from Turner & Newall, which*

*was India's largest asbestos cement producer. By doing so, the Belgian Eternit Company had become the largest asbestos cement producer in the world.*

During the late 19<sup>th</sup> century asbestos – the magic mineral – was mainly used for the production of textiles and insulation purposes. It was after the year 1900, when Hatschek developed the asbestos cement process known as "Eternit", that the use of asbestos expanded rapidly. Especially after the Second World War the use of asbestos increased enormously. In 1940 the world-wide production of asbestos was 600,000 tons. By 1950, this amount had doubled to 1.2 million tons. In 1960 production was 2 million tons and ten years later this had doubled to 4 million tons. Approximately 75 percent of the total asbestos production of 1970 was used to produce asbestos cement. Since then, the position of the asbestos cement industry has only strengthened further.

Asbestos cement contains 10 to 20 percent of asbestos and 80 to 90 percent of cement. So it is not surprising that the owners of the cement industry showed great interest in Hatschek's asbestos cement process. It was the Belgian entrepreneur Emsens, who in 1905 successfully acquired Hatschek's Eternit patent. Two years earlier, a Swiss group of entrepreneurs had already got hold of the Eternit patent as well. They obtained their cement from a number of Swiss companies in which Ernst Schmidheiny had an interest. Schmidheiny, who then owned a construction firm, took over the Swiss Eternit company in 1920. Since then, he energetically expanded his asbestos cement company across the globe.

It was in 1922 that the families of Emsens and Schmidheiny joined. A close cooperation was formed that lasted almost 70 years. Schmidheiny obtained an interest of 15 percent in Eternit-Belgium and two years later acquired a substantial share of the Belgian cement industry as well. Initially, the Hatschek process was used for the production of flat panels only, but as of 1910 it was also used to produce the corrugated roofing panels. One year later, an Italian man named Mazza successfully applied it for the production of pipes. Over the next couple of years, a number of technical improvements took place that enabled the mass production of wide diameter pipes. These were used on a large scale for the construction of water supply systems.

At the same time the Emsens family connected with the Schmidheiny's, they started collaborating with the French industrialist Cuvelier. Together they set up an asbestos cement company in France. Schmidheiny, who had earlier successfully created a cartel for cement products in Switzerland, decided to try the same for asbestos cement products. Therefore, in 1929 he founded SAIAC AG, the International Asbestos Cement AG, an exclusive group of asbestos cement producing companies. Right from the onset, nearly all European Eternit companies participate in this group, the secretarial offices of which are established in Switzerland, chaired by Schmidheiny himself. The first feat of the SAIAC-group is to set up an Eternit company in Germany. The new German company is a joint venture of all European Eternit companies and the American asbestos company of Johns-Manville. The latter receives a 10 percent block of shares.

SAIAC's aims are impressive:

- exchange of technical knowledge, experience, propaganda and patents;
- joint purchase of raw production materials;
- joint research;
- setting up export arrangements;
- establishing new companies in 'neutral' countries;
- arranging markets and market prices.

Almost immediately, the English asbestos company of Turner & Newall (T&N) joins SAIAC. According to their 1929 annual report, T&N are very pleased with their participation in SAIAC:

*One result of the amalgamation with the Bell Group has been that in an important branch of our manufactures, i.e. Asbestos Cement Building Products, we have become such a large part of the nation's entire industry, that we have been able to arrange with the principal manufacturers of ten European countries an International Cartel. (..) The European countries participating in this cartel are Great Britain, Czecho-Slovakia, Belgium, France, Holland, Austria, Italy, Hungary, Spain, Switzerland and Germany.*

*The position of the European Asbestos Cement Industry is thus rationalised and we expect great benefit by way of improved technique and economy to accrue to all concerned. This miniature League of Nations has a great future before it for it is based upon the principle of mutual help, which now displaces the previous atmosphere of distrust and suspicion.*

*Capitalists in such conditions are made welcome by the Government of the Country. They are not regarded as parasites, but rather as one of the primary constructive forces upon which depend the evolution of civilisation.*

T&N's next annual report states:

*It is sometimes suggested in the Press that the Turner & Newall Company has a monopoly, or such preponderance in the world's Asbestos industry as virtually amounts to a monopoly. This is not so, for there is no one of your Unit Companies which is not subjected to active competition, not only at home but abroad.*

Many years later, in 1973, the English Monopolies Commission in their "Report on the Supply of Asbestos and certain Asbestos Products" finds that T&N has been making arrangements about the sale of asbestos cement products with the Eternit companies on the continent since 1930, whereby T&N received an 80 percent share of the UK and Ireland market for asbestos cement products. The remaining 20 percent was apportioned to the continental Eternit companies. The report also mentions that in 1929 T&N obtained the Mazza patent for the production of asbestos cement pipes from the Italian SA Eternit Pietra Artificiale. On payment of a lump sum and provision of royalties, T&N received the exclusive rights for the Mazza patent for the whole of the UK

In 1932, an important conference of asbestos producers took place in London. Three groups were formed: Rhodesia, Russia and Canada/United States. T&N secretary W.W.F. Shepherd mentions in his report:

*It appeared likely that if there had been no embargo on Russian fibre in the United States market, the Russians would have been prepared to agree to a scheme of co-operation with Rhodesia and Canada on the basis of equal division of the world markets between the three groups of producers.*

To this Shepherd adds:

*In March 1933, the embargo on Russian fibre in USA was lifted by the newly installed Democratic administration, and thus the obstacle to Russia's participation in a scheme of cooperation was removed.*

Then the Canadian asbestos producing Johnson Company becomes a troublemaker. In July 1933 elaborate negotiations take place in the U.S. and Canada under the leadership of Shepherd. His objective is to get all Canadian asbestos producers to agree with the London arrangement or an alternative scheme, thereby enabling him to ask Russia to participate as well. As an alternative, Shepherd proposes:

*T&N to use their influence with SAIAC to get the latter to take from the Canadian producers the 20% of SAIAC's consumption which is not already contracted for Russia and Rhodesia. This to begin from 1st January 1934.*

In October 1938 Shepherd – who by then has become general secretary of T&N – reports of a SAIAC-meeting in Zurich, Switzerland, held in connection with a threatening shortage of raw asbestos material for SAIAC-members:

*SAIAC were informed on behalf of Raw Asbestos Distributors Ltd, that R.A.D. would not be able to supply them with more than 20,000 tons of Rhodesian shingle fibres during 1939 and that the quantity available for SAIAC might be as little as 17,000 tons, which latter figure was all that R.A.D. could commit themselves to at that time.*

The exact effect of SAIAC's market arrangements can be illustrated by two actions of Schmidheiny, owner of Eternit Switzerland. In 1941, having a vested interest in the South African cement industry, Schmidheiny wanted to set up an asbestos cement company in this country, "the El Dorado of the asbestos cement industry" in his eyes. South Africa, however, was territory of T&N. Schmidheiny therefore had to ask T&N for permission, which was granted to him in a telegram with the following words: "You can go ahead in South Africa."

The second example is Osasco in Brazil, where Schmidheiny wanted to set up an asbestos cement company as well. According to SAIAC's agreement, Brazil was assigned to Eternit Belgium. At that time – it was still 1941 – Eternit Belgium, being involved in the Second

World War, was not interested very much in Brazil, thereby giving Schmidheiny the opportunity to establish an asbestos company in Brazil as well.

In 1949 SAIAC's function as a knowledge and information center became clear, when the Dutch government introduced a bill in Parliament in which asbestosis was regarded as an occupational illness. The explanatory memorandum of this bill warned that processing asbestos cement products could lead to substantial asbestos exposure. For the Dutch Eternit company, this warning gives them cause to enquire at the SAIAC office in Switzerland about experiences of other asbestos cement companies. On 6 July 1950 SAIAC answers: "We received from our members a rather elaborate scientific and statistical body of information about asbestosis, that you will find enclosed." The information originates from the Thetford Mines in Canada, T&N in Manchester and the Eternit companies in Germany, Belgium, France, Italy, Spain, Austria, Switzerland, Colombia, Argentina, Chile, Peru and South Africa.

Shortly after the Second World War, the influence in SAIAC of the Eternit companies of Schmidheiny and Emsens was relatively small. Between 1945 and 1960, however, the size and influence of the Eternit concerns increased strongly. Schmidheiny's share of SAIAC's total production, which in 1945 had been only a few percent, grew to more than a third in 1960.

In 1962 a number of SAIAC's members established a joint enterprise called TEAM. The new organisation was based in Luxembourg. TEAM's aim was "the world wide coordination of new asbestos cement companies". The participants of TEAM are Eternit-Belgium, Johns-Manville and T&N. Under TEAM's coordination, asbestos cement companies were set up in Vietnam, Bangladesh, Pakistan, Indonesia, Turkey, Greece and Senegal. In a later stage, companies were set up in Nigeria, Burundi, Kenia, Japan, China, Argentina and Mexico.

From the onset, Eternit Belgium owned 8 percent of TEAM's shares. This amount increased steadily. In 1984 Eternit Belgium owned 23 percent and in 1989 even 86 percent of TEAM's shares. By that time, Johns-Manville, T&N and Eternit Switzerland had, for various reasons, withdrawn from the market for asbestos cement products. In 1990 Schmidheiny sold the last of his shares in the asbestos cement industry to his partner of 1922, thus making Eternit Belgium the largest asbestos cement producing company in the world.

In Europe and North-America the use of asbestos has now been minimized or banned altogether. Still the number of asbestos victims is increasing and thousands are dying of mesothelioma each year. In the third world, asbestos is still used on a large scale. The first world has had a high price to pay for the use of asbestos. It now seems inevitable that the developing countries will have to pay the same price. Apparently, the profits of the asbestos cement industry count for more than the lives of men.